EUROSPAN HOLDINGS BERHAD
199501022724 (351927-M)
EST.1972

Dedication of
Quality and Sustainability

Annual Report 2020

Dedication of
Quality and Sustainability

Dedicated to sustain in the challenging times, Eurospan Holdings Berhad ensures its products are to meet up to international production standards. The Company will continuously improve its business sustainability, seeks for greater breakthrough and stands at better position. Eurospan Holdings Berhad's capability of delivering the best extends worldwide and the Company will continue to maintain its dedication towards the best quality.

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.

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Guan Kok Beng
Chairman and Managing Director

Guan Shaw Kee
Executive Director

Guan Shaw Yin
Executive Director

Sim Yee Fuan
Independent Non-Executive Director

Lim Chun Thang
Independent Non-Executive Director

Ch'ng Lay Hoon
Independent Non-Executive Director

Audit Committee

Sim Yee Fuan
Chairman,
Independent Non-Executive Director

Lim Chun Thang
Member,
Independent Non-Executive Director

Ch'ng Lay Hoon
Member,
Independent Non-Executive Director

Remuneration Committee

Ch'ng Lay Hoon
Chairman,
Independent Non-Executive Director

Lim Chun Thang
Member,
Independent Non-Executive Director

Sim Yee Fuan
Member,
Independent Non-Executive Director

Nominating Committee

Lim Chun Thang
Chairman,
Independent Non-Executive Director

Sim Yee Fuan
Member,
Independent Non-Executive Director

Company Secretary

Lim Kim Teck (MAICSA 7010844)
SSM Practising Certificate
No. 202008002059

Registered Office

35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya
Penang
Malaysia
Tel : 604-397 6672
Fax : 604-397 6675

Share Registrar

Plantation Agencies Sdn. Berhad
3rd Floor
2, Lebuh Pantai
10300 Georgetown
Penang
Malaysia
Tel : 604-262 5333
Fax : 604-262 2018

External Auditors

Grant Thornton (AF 0042)
Level 5, Menara BHL
51 Jalan Sultan Ahmad Shah
10050 Georgetown
Penang
Malaysia
Tel: 604-228 7828
Fax: 604-227 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
199501022724 (351927-M)
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Eurospan Holdings Berhad was incorporated in Malaysia on 19 July 1995 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., and Dynaword Sdn. Bhd.

100%	100%	100%
Eurospan Furniture Sdn. Bhd. Company No. 198901000344 (177650-M) *Manufacturing & trading of furniture & wood-based products*	**Dynaspan Furniture Sdn. Bhd.** Company No. 199201000248 (231752-D) *Manufacturing of furniture & wood-based products*	**Dynaword Sdn. Bhd.** Company No. 199601001403 (373749-H) *Investment Holding*

Chairman & Managing Director's Message & Manangement Discussion and Analysis

To our valued shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of **Eurospan Holdings Berhad** ("Eurospan") for the financial year ended 31 May 2020.

Overview of Business and Strategies

Established in 1972 as Sin Bin Furniture, Eurospan Group of Companies ("Eurospan Group" or the "Group") enjoys a well-founded reputation for its world class wood dining sets. Our diverse range of ready-to-assemble and assembled furniture is produced exclusively for export.

Located in Malaysia, Eurospan Group has three manufacturing facilities in the country, all of which follow our internal systems to manage product quality.

We are also able to meet stringent international production standards as attested by our ability to meet quality certifications for advanced strength and stability tests required by certain of our international customers.

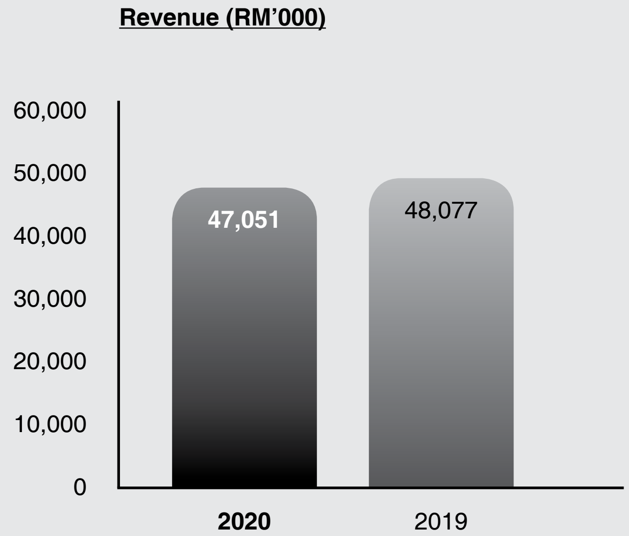
Today, Eurospan Group exports to some of the world's most competitive markets among which are Europe, United Kingdom, U.S.A, Canada, South America, Australia, Africa, Japan and Singapore.

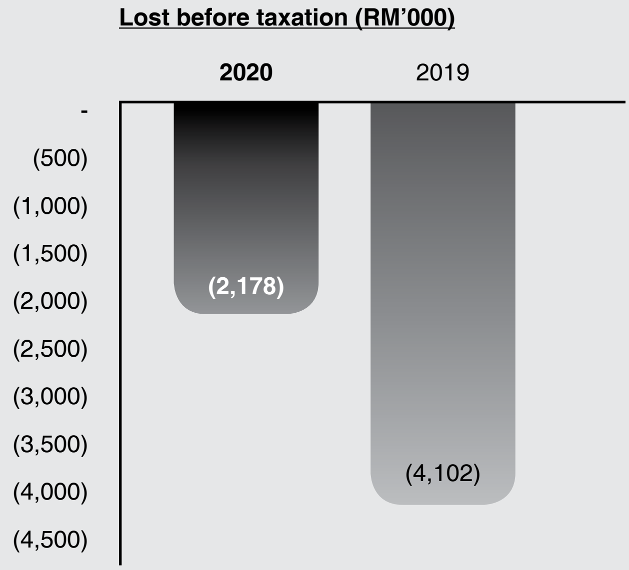
Europsan Group is customer orientated. We always place the customer's needs and quality aspects as priority to meet customer's expectation and satisfaction and strive to be a high performance furniture manufacturer to deliver sustainable shareholder value to all stakeholders.

The Group's products cover wide range of contemporary furniture. These products come in various sizes, designs and colours. Our products are designed to serve a wide spectrum of customers. Its multiplicity product designs have provided buyers from various countries a wide choice. The Group will continue to expand its product range to meet the needs of customers from all over the world. We will remain focused on fast moving dining sets product line but will continue to maintain our strategy of new product development. The Group is committed to establish itself as a reliable furniture manufacturer and exporter providing good quality products at competitive price with timely delivery customer service to its valuable customers throughout the world.

FINANCIAL REVIEW

Financial performance





In the financial year ended 31 May 2020, the Group recorded revenue of RM47.05 million and a loss before taxation of RM2.18 million as compared to the revenue of RM48.08 million and a loss before taxation of RM4.10 million reported in the immediate preceding year.

Despite the slight decrease in revenue for the financial year ended 31 May 2020 when compared with the immediate preceding year, the Group incurred a lower loss before taxation due to better product mix and lower selling and distribution expenses as well as administrative expenses during the financial year ended 31 May 2020.

Chairman & Managing Director's Message & Manangement Discussion and Analysis (Cont'd)

FINANCIAL REVIEW (Cont'd)

Financial position

	2020	2019	Year-on-Year Variance (%)
Total assets (RM'000)	**54,050**	55,543	-2.69%
Total liabilities (RM'000)	**13,721**	12,722	7.85%
Shareholders' equity (RM'000)	**40,329**	42,820	-5.82%
Net assets per share (RM)	**0.91**	0.96	

As at 31 May 2020, the Group's total assets base stood at RM54.05 million representing 2.69% decrease as compared to the preceding year.

As at 31 May 2020, the shareholders' equity remained at a positive level at RM40.33 million as compared to RM42.82 million at the end of the preceding year.

Liquidity

	2020 (Days)	2019 (Days)	Changes (Days)
Trade receivables turnover period (1)	**19**	27	(8)
Inventories turnover period (2)	**147**	147	-
Trade payables turnover period (2)	**16**	24	(8)
Cash conversion cycle	**150**	150	-

(1) *This is derived using the formula : (Closing balance as at year-end / Total revenue) x 365 days*
(2) *This is derived using the formula : (Closing balance as at year-end / Cost of sales) x 365 days*

Our Group managed to improve the trade receivables turnover period from 27 days in the financial year ended 31 May 2019 to 19 days in the financial year ended 31 May 2020.

	2020 RM'000	2019 RM'000
Cash and cash equivalents at end of financial year:		
- Short-term funds	**5,819**	5,681
- Cash and bank balances	**2,456**	837
	8,275	6,518

As at 31 May 2020, the Group's cash and cash equivalents amounted to RM8.28 million compared to RM6.52 million in the last financial year. The excess cash, other than for working capital purposes, was placed in interest bearing short-term funds with licensed financial institutions.

Capital expenditure

During the financial year, the Group spent approximately RM0.43 million in capital expenditure which were mainly incurred in acquisition of property, plant and equipment.

FINANCIAL REVIEW (Cont'd)

Borrowings

	2020 RM'000	2019 RM'000
Short term (repayable within 12 months)	**1,294**	1,471
Long term (repayable beyond 12 months)	**149**	184
	1,443	1,655

The Group's short term borrowings mainly consist of trade facilities to finance the purchase of materials. The Group is in net cash position which places it in a strong financial position to obtain financing to fund capital expenditure and/or working capital requirements for expansion of its operations or new ventures should the opportunity arise.

BUSINESS REVIEW

Market

We have established an international business network through our participation in various international furniture exhibitions throughout the years. We continuously seek long term partnerships with international buyers to identify market niches in high growth countries and to further enhance our delivery capabilities.

Research and Development ("R&D")

As a leading furniture maker, Eurospan continues to diversify our product range to meet the latest home trends and customer needs. Our R&D division plays a major role in spearheading the development of new original equipment manufacturer ("OEM") and original design manufacturer ("ODM") designs. Prototype development, machine upgrading and maintenance, material development and process auditing are among the functions our R&D undertakes to ensure that we produce the finest quality products.

RISKS

Similar to other companies in the furniture industry, the Group has a significant dependency on labour for its production operations. The Group manages this risk through gradual enhancement of the production facilities and automation of key processes to reduce manpower requirements.

The Group faces foreign currency risk as sales of its products and purchases of certain raw materials are denominated in foreign currencies. The Group has in place a mechanism to monitor currency fluctuation for costing and quotation purposes. It also uses foreign currency accounts and hedges trade receivables and payables in foreign currencies to manage fluctuations in exchange rates of those currencies.

OUTLOOK

The recent outbreak of the corona-virus disease or Covid-19 which has spread fast around the world, has posed a new threat to the market place. We expect the downward trend to continue in year 2020 in view of the current unfavourable market condition due to Covid-19.

The Group will continue to be cautious on the challenges ahead. The management will continue its effort in improving its operating results in financial year ending 31 May 2021.

DIVIDEND

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

Chairman & Managing Director’s Message & Manangement Discussion and Analysis (Cont’d)

APPRECIATION

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 & Managing Director
11 September 2020

Board of Directors

1. GUAN KOK BENG

Chairman & Managing Director

Mr. Guan Kok Beng, male, a Malaysian Citizen, aged 68, was appointed as 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 40 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 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.

2. GUAN SHAW KEE

Executive Director

Mr. Guan Shaw Kee, male, a Malaysian Citizen, aged 44, 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, and his brother, Guan Shaw Yin, are also members of the Board.

3. GUAN SHAW YIN

Executive Director

Mr. Guan Shaw Yin, male, a Malaysian Citizen, aged 42, 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, and his brother, Guan Shaw Kee, are also members of the Board.

4. SIM YEE FUAN

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

Mr. Sim Yee Fuan, male, a Malaysian Citizen, aged 54, 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 (Honours) and obtained his professional qualification from Malaysian Institute of Certified Public Accountants. He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with the Malaysia Institute of Accountants. He started his career with Bank Negara Malaysia from 1991 to 1995 and had gained the banking experience in Foreign Exchange Administration Department and Banking Supervision Department. During 1995 to 2006, he was attached to public companies listed on Bursa Malaysia Securities Berhad where his job responsibilities were in the areas of accounting, finance, taxation and corporate management.

Currently, he is also an Executive Director of Unimech Group Berhad. He is an Independent Non-Executive Director of SCH Group Berhad and Saudee Group Berhad. He is also the commissioner of PT Arita Prima Indonesia Tbk, a company listed on Indonesia Stock Exchange.

5. LIM CHUN THANG

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

Mr. Lim Chun Thang, male, a Malaysian Citizen, aged 55, was appointed as an Independent Non-Executive Director of the Company on 1 July 2014. He graduated from Middlesex University, London with a Bachelor Degree in Accounting and Finance (Honours). Upon returning from London, he joined Arab-Malaysian Merchant Bank in 1995 and left in 1997 as a Corporate Finance Officer. Subsequently, he joined a few companies with his main scope of work in planning the success of their listings on Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad).

Thenceforth, from 2002 to 2018, he was attached to a public listed company in Malaysia, as the Personal Assistant to the Group Chairman and Managing Director in assisting the Group Chairman and Managing Director mainly in overseeing the Group's corporate planning related matters; investor relations by dealing with fund managers, institutional shareholders, the press and analysts; the Group's compliance in corporate governance and listing requirements. He had also participated in board meetings and involved in various corporate exercises of the company.

He is also the Non-Executive Chairman, Independent Non-Executive Director of JHM Consolidation Berhad.

6. CH'NG LAY HOON

Independent Non-Executive Director
Chairman of Remuneration Committee and Member of Audit Committee

Ms. Ch'ng Lay Hoon, female, a Malaysian Citizen, aged 59, was appointed as an Independent Non-Executive Director of the Company on 30 June 2017. She is an Associate Member of the Institute of Chartered Secretaries and Administrators, United Kingdom and the Malaysian Institute of Chartered Secretaries and Administrators since 1988. She has been a practicing Chartered Secretary for more than 30 years. She offers advice and consulting on corporate secretarial, corporate consultation and planning, company administration and its related matters.

Key Senior Management

1. LEE BENG TEK

Director of Dynaspan Furniture Sdn. Bhd.

Mr. Lee Beng Tek, male, a Malaysian Citizen, aged 53, is the Director of Dynaspan Furniture Sdn. Bhd., a wholly-owned subsidiary of the Group. He joined the Group in 1989 as Production Manager and was appointed as Production Director in 1995. He is responsible for all the production activities. He has more than 30 years of working experience in the furniture industry. Prior to joining the Group, he worked as a Production Supervisor in a furniture manufacturing company in Prai from January 1988 to April 1989.

2. TAN SIN YEN

Acting Head of Finance Department

Ms. Tan Sin Yen, female, a Malaysian Citizen, aged 35, is the Acting Head of Finance Department of the Group. She joined the Group in 2017 as Finance Executive and was appointed to her current role in 2019. She is responsible for the statutory reporting, corporate governance, financial planning and accounting functions of the Group. Ms. Tan graduated with an Advanced Diploma of Finance Accounting from Tunku Abdul Rahman College. She began her career as an auditor in a local audit firm before moving to manufacturing industry. She later joined a public listed company where she has gained exposure in financial planning and accounting functions.

Conflict of Interest

None of the Directors and key senior management persons have any conflict of interest with the Company.

Conviction for Offences

None of the Directors and key senior management persons have been convicted for offences within the past 5 years.

Material Contracts

There are no material contracts of the Company and its subsidiaries that involve the interests of Directors and major Shareholders.

Corporate Governance Overview Statement

The Board of Directors of the Company ("the Board") recognises the importance of good corporate governance reflected in the principles and recommendations set out in the Malaysian Code on Corporate Governance ("MCCG 2017"). The Group strives to ensure that the best practices of corporate governance including accountability and transparency are adhered to as the Board is mindful of its accountability to the shareholders and various stakeholders of the Company.

The Board is pleased to report to the shareholders, the Company's application of the three (3) key principles of the MCCG 2017 during the financial year ended 31 May 2020 ("FYE 2020"):

(a) Board leadership and effectiveness;
(b) Effective audit and risk management; and
(c) Integrity in corporate reporting and meaningful relationship with stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Roles and Responsibilities of the Board

The Board is responsible for guiding and monitoring the Company on behalf of its shareholders. 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; and
- Reviewing the performance of management.

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 Managing Director ("MD");
- 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.

Chairman

The Board has appointed a Chairman who is responsible for the conduct of Board meetings and ensures that Board discussions are conducted in a manner that all views are taken into consideration before a decision is made.

The MCCG 2017 recommends that the positions of the Chairman and the Chief Executive Officer should be held by different individuals and the Chairman must be a Non-Executive member of the board. Currently the positions of the Chairman and MD 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 2017, 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) Three of the six Board members are Independent Non-Executive Directors and they supply a strong independent element to the decision-making process.

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 statutes 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Roles and Responsibilities of the Board (Cont'd)

Company Secretary (Cont'd)

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.

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 usually circulated one week 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.

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.

Code of conduct, Anti-Corruption Policy and Whistleblowing Policy

The Board is committed to uphold compliance with relevant requirements of laws, its Constitution and the Main Market Listing Requirements of Bursa Securities ("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 Ethics established by the Companies Commission of Malaysia. The Directors' Code of Ethics is available on the Company's website at http://www.eurospan.com.my.

The Group has adopted an Anti-Corruption Policy which sets out parameters to prevent the occurrence of bribery and corrupt practices in the conduct of the Group's business. This policy is to provide information and guidelines to all Directors and employees of the Group on the standard of behaviour which they must adhere to and how to recognise and deal with bribery and corruption.The Board has also set up a framework for employees and associates to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Company. The Whistleblowing Policy adopted by the Company provides and facilitates a mechanism for any employee and associate to report concerns about any suspected and/or known misconduct wrongdoings, corruption, fraud, waste and/or abuse in good faith without fear of adverse consequences.

The Anti-Corruption Policy and Whistleblowing Policy of the Group are available on the Company's website at http://www.eurospan.com.my.

II. Board Composition

Composition of Board

The Board presently has six (6) members which comprises of three (3) Executive Directors and three (3) Independent Non-Executive Directors. The current composition of the Board ensures that there is a sufficient number of Independent 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 8 to 9.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

Tenure of Independent Directors

The MCCG 2017 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. If the Board intends to retain an Independent Director beyond nine years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process. None of the existing Independent Directors has served on the Board of Directors for a cumulative term of nine years. The Board has not set any policy which limits the tenure of an Independent Director and will address the issue if the need arise.

Nominating Committee

The Nominating Committee comprises wholly of Independent Non-Executive Directors. Details of the membership of the Nominating Committee are as follows:

Nominating Committee Members	Position in Nominating Committee	Directorate
Lim Chun Thang	Chairman	Independent Non-Executive Director
Sim Yee Fuan	Member	Independent Non-Executive Director

The key duties and responsibilities of the Nominating Committee include, amongst others, the following:

(a) To assess and recommend to the Board all candidates for directorships to be filled by the shareholders, the Board or any other stakeholder;
(b) To assess the contribution of each individual Director, the effectiveness of the Board as a whole and the Committees of the Board;
(c) To review the required mix of skills, experience, gender diversity and other qualities, including core competencies, of the members of the Board;
(d) To review and assess the independence of Independent Directors on the Board; and
(e) To review the terms of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

The terms of reference of the Nominating Committee is available on the Company's website at http://www.eurospan.com.my.

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

Criteria used in recruitment

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, experience and knowledge 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, competencies and integrity 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; and

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

Gender diversity

The Company strives to adhere to a practice of non-discrimination and selection based on merit in recruitment. It is also mindful of encouraging gender diversity at all levels including the selection of senior management personnel and Board members. Although the Company has not set fixed targets for gender diversity, the Board is pleased to note that women are represented at senior management level and also at Board level in the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

Annual assessment of 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.

The Nominating Committee has also conducted an annual review on the terms of office and performance of the Audit Committee and its members. Each member assessed the performance of his peers and the Audit Committee as a whole to determine whether the Audit Committee and its members have carried out their duties in accordance with the terms of reference of the Audit Committee.

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

Annual assessment of Independent Directors

The role of the Independent Directors is to bring independent and objective judgment 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 judgment in deliberations at Board meetings as well as his conduct outside of Board meetings in matters relating to the Group's affairs. Based on the evaluation carried out, the Board of Directors concluded that the Independent Directors satisfied the criteria of independence set by the Board.

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 2020, 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
Sim Yee Fuan	Independent Non-Executive Director	5/5
Lim Chun Thang	Independent Non-Executive Director	5/5
Ch'ng Lay Hoon	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 Annual General Meeting ("AGM").

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

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 2020, the Directors of the Company had attended seminar or conference organised externally. The programmes attended by the Directors during the financial year, include the following:

- 2020 Budget Seminar;
- Corporate Governance : New Perspectives & Developments for Board of Directors & Secretaries;
- Corporate Liability Provision

III. Remuneration

Remuneration policies and procedures

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

Remuneration Committee Members	Position in Remuneration Committee	Directorate
Ch'ng Lay Hoon	Chairman	Independent Non-Executive Director
Sim Yee Fuan	Member	Independent Non-Executive 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 Executive Directors is generally based on their experience, responsibilities held, market conditions and the Group's overall financial performance. The remuneration of Non-Executive Directors is by way of fixed annual fees. 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 AGM.

The Remuneration Committee has met once during the financial year.

The key duties and responsibilities of the Remuneration Committee include the following:

(a) To recommend to the Board of Directors the policy framework and remuneration structure of the Executive and Non-Executive Directors.
(b) To review and present recommendations to the Board of Directors regarding the remuneration and conditions of service of the Executive Directors in all its forms including the grant of entitlements under any share schemes.
(c) To review superannuation benefits for the Executive Directors of the Company.
(d) To review the retirement and termination systems.
(e) To consider other fringe benefits issues that may arise from time to time.
(f) To review indemnity and liability insurance policies for the Directors and Officers of the Company.
(g) To seek external advice in drawing up its recommendations where necessary.
(h) To ensure that Directors play no part in the decisions on their own remuneration.

The terms of reference of the Remuneration Committee is available at the Company's website at http://eurospan.com.my.

Directors' Remuneration

The details of the Directors' remuneration paid/payable to the Directors of the Company and the Group for the financial year ended 31 May 2020 are tabulated in the Corporate Governance Report.

The Company does not comply with the recommendations to disclose the detailed remuneration of each member of Senior Management in bands of RM50,000 on a named basis in order to preserve confidentiality, negative impact arising from the disclosure, and the larger need to maintain a stable work environment to meet long-term strategic goals.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee of the Company comprises 3 Independent Non-Executive Directors and is chaired by Sim Yee Fuan.

All Audit Committee members are financially literate and the Audit Committee's composition and performance are reviewed by the Nominating Committee annually and recommended to the Board for its approval.

In order to maintain an independent and effective Audit Committee, the Nominating Committee ensures that all Audit Committee members appointed are Independent Non-Executive Directors who are financially literate with an appropriate level of expertise and experience and a strong understanding of the Company and Group's business.

The Audit Committee shall ensure that any former key audit partner of the Group's auditors observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Suitability and Independence of External Auditors

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

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee's terms of reference.

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.

The Audit Committee had assessed the performance and independence of the external auditors for the financial year under review. The Board of Directors approved the Audit Committee's recommendation for the re-appointment of the external auditors at the forthcoming AGM of the Company.

II. Risk Management and Internal Control Framework

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 2017. 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 as set out this Annual Report provides an overview of risk management and the state of internal control within the Group.

Internal audit function

The Board has outsourced its internal audit activities to a professional service firm ("Internal Auditors") to serve as the internal audit function. The Internal Auditors report directly to the Audit Committee. The outsourcing of the internal audit function with a direct reporting line to the Audit Committee helps to ensure that internal audit is carried out objectively and is independent from the management of the Company and the functions which it audits. The personnel who carry out internal audit work are free from any relationships or conflict of interest which could impair their objectivity and independence.

In appointing the Internal Auditors, the Board and the Audit Committee has taken into consideration that the firm has experience in providing internal audit services to listed companies and is adequately staffed with a team of qualified, competent and experienced personnel to carry out the internal audit assignments.

The internal audit work has been carried out in line with guidelines of the International Professional Practice framework. The scope of work in internal audit is carried out in accordance with an internal audit plan approved by the Audit Committee. The audit plan is focused on high risk areas identified through the Group's risk evaluation process.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

II. Risk Management and Internal Control Framework (Cont'd)

Internal audit function (Cont'd)

The Audit Committee Report as set out this Annual Report provides a summary of the internal audit function and the internal audit activities carried out during the financial year.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Company acknowledges the importance of transparent, timely and equal dissemination of quality material information to shareholders, investors and public at large. As such, the Board observed the Corporate Disclosure Guide issued by Bursa Securities which can be viewed from Bursa Securities' website at www.bursamalaysia.com as well as adhering to and complying with the disclosure requirements of the Listing Requirements.

The Company reaches out to its shareholders through the distribution of its annual report, quarterly financial results announcements, circulars to shareholders, press release and the various disclosures and announcements made to Bursa Securities.

II. Conduct of General Meetings

The 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, General Meetings ("GMs") are held as and when needed to obtain shareholders' approval on certain business or corporate proposals. Adequate notice of GMs, 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

The Constitution of the Company provides that a resolution put to the vote of a meeting may be decided on a show of hands or poll. However, in accordance with the Listing Requirements, the Company will conduct poll voting for all the resolutions put to vote at general meetings. In addition, the Company will appoint a scrutineer to validate the votes cast at the general meeting.

Communication and proactive engagement with shareholders

AGM and GMs 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 2020, the Group has complied with all the principles and recommendations of the MCCG 2017.

This statement was made in accordance with a Board of Directors' resolution dated 11 September 2020.

Statement on Risk Management & Internal Control

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 of Directors 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 financial 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 Managing Director (“MD”) and the senior management team 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 MD and senior management team 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 judgment 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.

During the financial year, the internal audit function carried out reviews on the following areas:

- Inventory management
- Risk management

Based on the internal auditors' report for the financial year ended 31 May 2020, 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 financial year ended 31 May 2020 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 11 September 2020.

Audit Committee Report

1. 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	Lim Chun Thang (Independent Non-Executive Director)	5/5
	Ch'ng Lay Hoon (Independent Non-Executive Director)	5/5

2. TERMS OF REFERENCE OF AUDIT COMMITTEE

The terms of reference of the Audit Committee is available on the Company's website at http://www.eurospan.com.my.

The Board of Directors is satisfied that the Audit Committee and its members have discharged their responsibilities during the financial year in accordance with the terms of reference of the Audit Committee.

3. SUMMARY OF THE WORK OF THE AUDIT COMMITTEE

During the financial year, the Audit Committee had carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee:

(a) Financial reporting

- Reviewed the financial performance and financial highlights of the Group at quarterly meetings;
- Reviewed the unaudited quarterly financial results of the Group before recommending the same for Board approval and subsequent release to Bursa Malaysia Securities Berhad; and
- Reviewed the audited financial statements for the financial year ended 31 May 2020 together with the external auditors before recommending the same for Board approval.

(b) External Audit

- Reviewed and approved the external auditors' audit plan for the year ending 31 May 2020 covering the key areas of audit focus and the audit approach for each area identified;
- Received briefing and discussed on amendments to financial reporting standards that were relevant to the Group and may have an impact or require more extensive disclosure in the financial statements of the Group;
- Discussed and agreed to the reporting schedule for completion of the audit to meet reporting deadlines;
- Reviewed points on internal control/recommendations for improvement that were brought up by the external auditors for discussion with management upon completion of the audit. The Audit Committee was informed that there were no significant changes to the scope or audit approach as compared to the audit plan. The external auditors reported that there were no material misstatements that would affect the audited financial results and they have not identified any non-compliance of laws and regulations and fraud related matters or any other major matters to highlight;
- Met two times with the external auditors without the presence of Executive Directors and management staff;
- Reviewed the extent of assistance rendered by management in the course of the audit and based on feedback from the external auditors, the Audit Committee was satisfied that management had co-operated fully and the external auditors were able to obtain information required to carry out their work;
- Received the external auditors confirmation that there was no matter that may impair the external auditors' professional independence and they complied with the requirements on professional independence and ethics in relation to the audit engagement; and
- Reviewed the audit fees and the performance of the external auditors and was satisfied with the conduct of their professional work and the timeliness of completion of their work to meet the reporting deadline. Accordingly, the Audit Committee recommended the re-appointment of the external auditors at the forthcoming Annual General Meeting.

(c) Internal audit and risk management

- Met with the internal auditors to discuss and approve the internal audit plan drawn up by the internal auditors based on the Group's risk profile to ensure that the relevant controls are in place to properly manage the risks;
- Met the internal auditors twice during the year to review their internal audit/risk management reports with relevant management members including Executive Directors invited to attend the Audit Committee meetings to provide insight and clarification on specific matters raised in the internal auditors' reports; and
- Reviewed status updates from the internal auditors in respect of implementation of management action plans or agreed course of action on the findings reported in previous audit cycles to ensure that issues have been resolved satisfactorily.

3. SUMMARY OF THE WORK OF THE AUDIT COMMITTEE (Cont'd)

(d) Other matters

- Reviewed the Statement on Risk Management and Internal Control of the Group for the financial year ended 31 May 2020 and recommended it to the Board of Directors for approval;
- Reviewed and approved the Audit Committee Report and the appropriateness of the disclosure statements on the compliance of the principles and recommendations as set out in the Malaysian Code on Corporate Governance for the financial year ended 31 May 2020 for inclusion in the Company's Annual Report 2020; and
- Reviewed the Corporate Governance Report to be published together with the Company's Annual Report 2020 and recommended it to the Board of Directors for approval.

4. INTERNAL AUDIT FUNCTION

The Company has outsourced its Internal Audit Function to a professional firm of consultants which is Tan Yen Yeow & Company to assist the Audit Committee in evaluating the adequacy, integrity and effectiveness of the Group's overall internal control system. The principal of Tan Yen Yeow & Company is a member of The Institute of Internal Auditors Malaysia. The internal audit work has been carried out in line with guidelines of the International Professional Practice framework. Their scope of function covers all units and operations of the significant subsidiaries of the Group. The Internal Audit Function reports directly to the Audit Committee.

The cost incurred in maintaining the Internal Audit Function for the financial year ended 31 May 2020 was RM18,000.

5. SUMMARY OF THE WORK OF THE INTERNAL AUDIT

The internal auditors assisted the Audit Committee in discharging its duties and responsibilities by executing independent reviews of the adequacy and effectiveness of the Group's internal control systems. The internal auditors prepared the audit plan for the year that focused on high risk areas. During the financial year, the internal auditors conducted internal audit reviews on areas in accordance with the audit plan approved by the Audit Committee.

The internal audit reports on the reviews carried out, identifying weaknesses with root cause analysis, defined risks ratings based on financial or quantitative impact and suggested recommendations for improvements to management for further action, were presented to the Audit Committee at the Audit Committee meetings. The internal audit reviewed the risks and controls related to inventory management of the Group and also carried out a risk management review of the Group during the financial year.

The internal auditors also provided status updates to the Audit Committee in respect of implementation of corrective action plans or best practices that were reported and agreed with the management in previous audit cycles during those meetings. The internal audit and risk management review carried out during the financial year did not reveal material weaknesses which may result in material losses or contingencies that may affect the Group.

Sustainability Statement

OUR COMMITMENT TO SUSTAINABILITY

The Board of Directors of Eurospan Holdings Berhad ("Eurospan") ("Board") is pleased to present the Sustainability Statement ("Statement") for the financial year ended 31 May 2020 ("FY2020"). This Statement has been prepared in accordance with the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

This Statement covers Eurospan and its three wholly-owned subsidiaries located in Malaysia ("the Group"). The Group's principal activities comprise of manufacturing and trading of furniture and wood-based products and investment holding.

This Statement is prepared on a best effort basis. The Board recognises the importance of embedding sustainability considerations into the Group's operations when developing business strategies in achieving its short-term and long-term objectives. The Group continued to initiate efforts to enhance its sustainability practices focusing on areas of economic, environmental and social.

GOVERNANCE STRUCTURE

The Board is responsible for oversight of the sustainability strategies of the Group. It ensures that the Group's business strategies give due considerations to all aspects of sustainability as prescribed by Bursa Securities. The Board has established a Risk Management Committee ("RMC") which comprises the Managing Director ("MD") and senior management team to assist in the implementation of sustainability strategies. It identifies and evaluates overall sustainability risks and opportunities and manages sustainability matters of the Group. The RMC also oversees the sustainability management at each subsidiaries or business unit.

We strongly believe that good corporate governance and ethical practices is essential to building and maintaining a sustainable business, earning the trust and confidence of our customers, suppliers, business partners, employees and shareholders. Our business practices are governed by a Code of Conduct and Ethics and we have a Whistle Blowing Policy in place.

Code of Conduct and Ethics

This Code is applicable to Directors of the Group in their dealings with each other and all stakeholders of the Group. The Board is committed to uphold compliance with relevant requirements of laws, Constitution and the Listing Requirements of Bursa Securities in the conduct of the business of the Group. In addition, the Directors observe a Code of Ethics, which was developed by the Board based substantially on the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

Whistle Blowing Policy

The Group's Whistle Blowing Policy ("WP") promotes an environment of integrity and ethical behaviour within the Group. The WP provides an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner.

The WP which can be viewed on our Company's website at http://www.eurospan.com.my, are reviewed regularly to ensure they reflect any changes in legislative requirements and the business environment.

STAKEHOLDERS

The Group acknowledges the involvement of stakeholders is fundamental to achieving the Group's sustainability goals as direct engagement with our internal and external stakeholders enables the Group to have access to feedback and insights which enable us to bridge the gap between their expectations and our actions. A summary of the various types of stakeholder engagements are listed in the table below:

Stakeholders	Focus areas	Type of Engagement
Shareholders and Investors	• Group financial performance • Operation in compliance with applicable laws and regulations	• Annual General Meeting • Annual Report • Quarterly financial results • Investor relations channel • Corporate website
Employees	• Career development and training • Occupational health and safety • Working condition and welfare	• Performance appraisal exercise • Regular safety inspection • Training and development • Meetings and discussions
Government and Regulatory Bodies	• Regulatory compliance • Corporate governance	• Participating in programmes to keep abreast with changes in rules and regulations • Audit or inspection visit by authorities
Customers	• Products quality and timely delivery • Customer satisfaction • Sustaining long term relationship	• Customer satisfaction survey • Frequent customer engagement and interaction • Products brochures • On-site factory visit
Suppliers	• Sustainable and consistency in supply • Products quality	• Supplier evaluation and selection process • Regular meetings and correspondence
Local communities	• Corporate social responsibility	• Donations • Community or engagement programme

ENVIRONMENTAL SUSTAINABILITY

As a major wood-based furniture manufacturer, the Group believes in the sustainable use of environmentally friendly materials. Majority of our wood materials are Forest Stewardship Council Controlled Wood and are Programme for the Endorsement of Forest Certification ("PEFC") certified. PEFC certificate is a transparent and independent control system for safeguarding 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 in compliance with the environmental laws governing plant operations in areas relating to emission standards and plant effluents management.

Electricity and water is a precious resource in Malaysia and is important to our operations. We seek to ensure the sustainability of our business through careful management of our energy and water consumption. Our current practice is to monitor the energy and water consumption on a monthly basis and any unusual deviations shall be promptly addressed and investigated. Among the conservation measures taken by the Group included setting all the air conditioners at a fixed temperature setting, switching off lights and air-conditioners or other electrical appliances immediately when they are not in use, fixing any leakage of water connections as soon as it is noticed and etc.

ENVIRONMENTAL SUSTAINABILITY (Cont'd)

The Group has encouraged all employees to practice reducing, reusing and recycling papers included 2-sided papers are applied on daily printed documents and seeking alternative use for any materials or resources that may be applicable for different purposes within our business. The Group also encourage paperless working environment and practice online E-payment to suppliers, E-notification from human resource department to all employees and next financial year will start to implement E-Annual Report to shareholders.

ECONOMIC SUSTAINABILITY

The Group acknowledges that product quality and customers' satisfaction are of the highest priority to the Group's business continuity. The research and development team has been continuously putting effort on new products development with improvement in furniture design and quality to ensure the products provide comfort and durability.

The management regularly communicates with our customers to gather feedback in respect of our product quality, services, delivery and etc. to meet customers' ever-changing needs.

As part of the strategic marketing initiatives to explore new markets overseas, the Group actively participates in international exhibitions to enhance the presence of the Group's product range in the world market. Employees also have participated in overseas exhibitions to expose themselves to new products and technologies. During the FY2020, there was no major non-compliance of product quality which resulted in significant product return and neither was there major complaint from customers.

SOCIAL SUSTAINABILITY

The Group's social commitment covers our responsibility to our employees and the community living within close proximity to our manufacturing facilities. We are committed to engage with each stakeholder group to understand their needs more clearly so that we can improve our social impact on all stakeholders and provide bigger opportunities for collaboration that is both beneficial to our business as well as to our employees and communities around us.

We believe employees are our greatest assets, we value our people and know that they are vital to our business. They are key to sustaining a growing business particularly in providing excellent customer service and delivering consistent quality and safe products to our customers. Providing our employees with good working conditions, reasonably good benefits and keeping our people safe, healthy and closely engaged is of utmost importance to us.

Workforce Diversity and Equal Opportunity

The Group promotes principles of equality and practices no discrimination against employees on race, belief, gender and sexual orientation. There are equal opportunities for all employees within the Group.

The remuneration of an employee is strictly based on skill, merit and qualification and is governed by the pay scale of a particular grade. The management monitors that employee affairs are conducted in accordance with the Employment Act 1965. There is approximately equal number of employees of each gender in the management and executive position while male workers made up higher number in production areas due to the job requirement which are physically more demanding.

Human Rights and Labour Practice

The Group is highly committed in creating and maintaining an environment that respect and support human rights and ensuring compliance with applicable regulations and law as part of being a good corporate citizen. We continually review and address human rights and labour practice risks and opportunities in our business operations where it is the right thing to do. This helps us to build trust with stakeholders, operate business activities responsibly and manage these risks.

We believe there is an undeniable link between social sustainable development and human rights coupled with good labour practice. As a responsible corporate citizen, we respect and recognise universal human rights and require our people to report any human rights abuse and issues that arise in our business operations. As a good corporate citizen, the Group offers a respectful working place which is free from harassment, violence, discrimination and other inappropriate behavior, conduct and action.

SOCIAL SUSTAINABILITY (Cont'd)

Sexual Harassment

The Group views sexual harassment as a serious misconduct that undermines the respect of employees' working relationship. Sexual harassment in workplace could be possibly expected to make a person feel offended, humiliated or intimidated due to unwelcome sexual behaviour by their working colleagues. Following the Group's code of conduct under the clause titled "Forms of Sexual Harassment", it is stated that sexual harassment encompasses all forms of verbal, non-verbal or gestural, psychological, visual and physical harassment.

Any employee found guilty of any form of sexual harassment will face disciplinary action which ranges from a final warning to dismissal.

Child and Forced Labour

The Group prohibits any form of child and forced labour in our value chain and business activities. Our policy forbids child labour and our recruitment procedures strictly verify that the age of our potential employees is legal for work.

Our compliance with the Children and Young Persons (Employment) Act 1966, shows our support in prohibiting child labour and minors for work. We continuously monitor the compliance in all factories to ensure adherence to this policy. We have a clear policy in place that guides us to act in the best way if child and forced labour is discovered in our business operations and activities.

Occupational Health and Safety

Safety is a non-negotiable priority and a vital part of our working culture. As a Group of manufacturing companies, we are committed to provide a safe and healthy work place for our employees. The Group's occupational health and safety policy exists which provides a clear emphasis on the principles and values that we subscribe to:

- Ensure compliance of local regulations and respective policies and law;
- Encourage and implemented employee's responsibility for safety and health at the workplace; and
- Actively organising occupational safety and health programs to create an awareness and culture to the employees.

The Group has an existing Occupational Health and Safety policy and a formal Safety and Health ("SH") Committee in every factory with the objective to ensure that all the necessary procedures, code of conduct and policy are put in place in order to prevent and minimise workplace incidents and injuries to our employees.

We also commit to continuously provide trainings and briefings on matters related to Fire Safety, First Aid Training, Fire Drill in order to inculcate a culture of safety first in our workplace. Fire Safety Awareness Training was conducted by the Group with the objective to create greater awareness. To ensure our employees are knowledgeable in fire prevention at the workplace, our SH Team conducts Fire Drills at least once every year in the respective factories.

The Forklift Truck Safety Training was conducted with the objective to determine the risk involved in operating forklift trucks. From the training, employees are able to be familiarised with different types of trucks and their operations, functions and preparation for visual checkup of the machine prior to work. The training also enables trainees to obtain the necessary forklifts licenses.

Regular safety inspections are carried out to identify the potential risks and immediate corrective actions are taken to address the shortcomings. A major industrial accident is defined as severe injuries and/or loss of human life, death or permanent or prolonged disability to the injured employee. During the FY2020, the Group has achieved zero work-related fatalities among the employees and we strive to maintain this record as our long term commitment.

Human Capital and Employee Welfare

The Group acknowledges that the sustainability of the Group is highly dependent on strong human capital. As the Group strategically grows and develops its operations, we look at providing our employees with the best avenue for career and personal development. A training master plan has been developed to provide adequate training opportunities for employees to develop their technical skills and knowledge.

During the financial year, the Group managed to identify and organise various job-skills related training to equip employees with improved skills and knowledge. The Group also sponsored employees to attend external seminars and workshop to keep them abreast of new developments in their respective field of expertise.

SOCIAL SUSTAINABILITY (Cont'd)

Human Capital and Employee Welfare (Cont'd)

The Group continues its effort at contributing back to its employees by organizing activities during the year which foster teamwork and encourage interaction among our employees while representing our token of appreciation for their efforts. Among the employees engagement activities held were dinner and lunch team gatherings, team building event, sporting activities and many more.

The Group also provided employees with suitable and adequate mechanism to voice out their issues or comments through our performance evaluation exercise which was carried out for all employees during the year. For employee with less than one year service, there are total four appraisals to be carried out while for employee with more than one year service, two appraisals will be conducted per year. The assessment process allows the respective superior to highlight constructive input with regards to an employee's performance as well as for employees to share any concerns or feedbacks to the Group. Eventually, we hope to achieve an open workplace culture focused on impartial and approachable engagement platforms between every tiers of our employees.

Engaging our communities

Part of being a responsible business is supporting the local community in meeting societal needs. As such, the Group always attempted to play an active role in fulfilling our social responsibility and to promote its awareness among us and other stakeholders within our network. The Group's initiatives in the community seek to make a positive social contribution by providing financial assistance and participating in fundraising and awareness programmes. Towards this cause, the Group will be looking forward at expanding our outreach to more charitable efforts in the future.

OUR SUSTAINABLE FUTURE

The Group is committed to embedding sustainability consideration into our business and was led to reassessing its current operations and reviewing its performance in another perspective. As the Group commits to be a responsible employer and corporate citizen, we will ensure that sustainability be embedded within our organisation as an important corporate culture and seek further to enhance opportunities and mitigate foreseeable risks in delivering sustainable value to our stakeholders.

Directors' Responsibility Statement in Respect of the Annual Audited Financial Statements

The Directors are responsible for the preparation of the financial statements of the Group and the Company for each financial year in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, requirements of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Securities so as to give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of the financial performance and cash flows of the Group and of the Company for the financial year.

In the preparing the financial statements for the financial year ended 31 May 2020, the Directors have applied appropriate and relevant accounting policies in a consistent manner and made judgments and estimates that are reasonable and prudent. 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 also 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 for maintaining internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

This statement was made in accordance with a Board of Directors' resolution dated 11 September 2020.

Other Information

Utilization of proceeds from corporate proposal

Not applicable as none was proposed.

Audit fees and Non-Audit fees

The audit fees and non-audit fees payable to the external auditors during the financial year ended 31 May 2020 are as follows:

	GROUP RM	COMPANY RM
Audit fees	69,000	22,000
Non-audit fees	4,000	4,000
Total	**73,000**	**26,000**

Directors' Report
for the financial year ended 31 May 2020

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 2020**.

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 manufacturing and trading of furniture and wood-based products, and investment holding.

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

RESULTS

	GROUP RM	COMPANY RM
Loss after taxation for the financial year	**(2,491,137)**	**(320,553)**

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 2020** have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The Company is not in a position to pay any dividend in view of the current year loss and the accumulated losses as at the end of the reporting period.

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.

DIRECTORS

The directors who served since the end of the last financial year to the date of this report are as follows:

Directors of the Company:

Guan Kok Beng
Guan Shaw Kee
Guan Shaw Yin
Sim Yee Fuan
Lim Chun Thang
Ch'ng Lay Hoon

Director of a subsidiary:

Lee Beng Tek

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares of the Company and or its related corporation during the financial year are as follows:

	Number of ordinary shares			
	Balance at 1.6.2019	Bought	Sold	Balance at 31.5.2020
The Company				
Direct Interest:				
Guan Kok Beng	3,273,900	681,400	-	3,955,300
Guan Shaw Yin	734,000	-	-	734,000
Deemed Interest:				
Guan Kok Beng	18,511,200	-	-	18,511,200

By virtue of his interest in the Company, **Mr. Guan Kok Beng** is also deemed interested in the shares of all the 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 shares in the Company or of its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the directors of the Group and of the Company are as follows:

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
Fees	**218,000**	**105,000**	**323,000**
Remuneration	**10,500**	**2,310,097**	**2,320,597**
Gratuity benefit	**-**	**196,355**	**196,355**
Contribution to defined contribution plan	**20,140**	**449,482**	**469,622**
SOCSO and EIS	**-**	**5,775**	**5,775**
Benefits-in-kind	**-**	**131,657**	**131,657**
Indemnity given or insurance effected	**477**	**-**	**477**
	249,117	**3,198,366**	**3,447,483**

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

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than as disclosed above) 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.

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 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 there were no bad debts and that no provision for doubtful debts was required, 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 so to realise.

OTHER STATUTORY INFORMATION (Cont’d)

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,

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

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

(iv) that 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.

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.

In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due, and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

There was no indemnity given to or insurance effected for officers of the Company.

SIGNIFICANT EVENT

Details of the significant event are disclosed in Note 27 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 May 2020 are RM69,000 and RM22,000 respectively.

There was no indemnity given to or insurance effected for the auditors of the Company.

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

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

....

Guan Kok Beng

....

Guan Shaw Yin

Penang

Date: 11 September 2020

Directors' Statement

In the opinion of the directors, the financial statements set out on pages 36 to 83 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2020** and of their financial performance and cash flows for the financial year then ended.

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

....

Guan Kok Beng

....

Guan Shaw Yin

Date: 11 September 2020

Statutory Declaration

I, **Guan Shaw Yin**, 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 36 to 83 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 **11th**)
day of **September 2020.**

....

Guan Shaw Yin
(I/C No. 780920-07-5233)

Before me,

....

Liew Juan Leng
No. P162
Commissioner for Oaths

Independent Auditors' Report
to the members of Eurospan Holdings Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Eurospan Holdings Berhad**, which comprise the statements of financial position as at **31 May 2020** 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 notes to the financial statements, including the accounting policies, as set out on pages 36 to 83.

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 2020**, 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the Key Audit Matters
Appropriateness and measurement of carrying amount and existence of property, plant and equipment (Refer to Notes 2.6, 3.2 and 4 to the financial statements)	

The Group carries significant property, plant and equipment which comprise mainly of land and buildings and plant and machinery.
 	
There are a number of areas that could impact on the carrying amount of property, plant and equipment, these include:
 	
• the decision to capitalise the assets;
• the selection of appropriate useful lives of the assets; and
• the indication of impairment where assets are not recoverable at their carrying amount.
 	
As property, plant and equipment represents a material amount to the Group, there is a risk that expenditure on property, plant and equipment is inappropriately recognised against *MFRS 116 Property, Plant and Equipment* and that assets are not recoverable at their carrying amount.
	Our audit procedures included, among others:
	• Obtaining an understanding of:
	  • the Group's capitalisation policy;
	  • the Group's assessment on the useful lives attributed to the assets;
	  • how the Group identifies impairment indicators; and
	  • how the Group makes the accounting estimates for impairment.
	• Reviewing the estimated useful lives, residual values and depreciation method;
	• Performing physical sighting on a sample basis;
	• Reviewing the safeguard controls over the physical custody of property, plant and equipment;
	• Assessing indication of impairment and adequacy of impairment losses of property, plant and equipment;
	• Performing depreciation reasonableness test; and
	• Examine ownership including verification of title deeds of properties.

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
Allowance for inventories (Refer to Notes 2.6, 3.6 and 7 to the financial statements)	

The Group has significant inventories as at 31 May 2020 comprising raw materials, work-in-progress and finished goods.
 	
The management reviews for slow moving and obsolete inventories and this review requires judgements and estimation.
	Our audit procedures included, among others:
	• Obtaining an understanding of:
	  • how the Group identifies and assesses inventory write-downs; and
	  • how the Group makes the accounting estimates for inventory write-downs.
	• Examining the inventory movements to identify slow moving and obsolete items;
	• Comparing the net realisable value of selected inventories against the corresponding cost;
	• Evaluating the reasonableness and adequacy of the allowance for inventories recognised; and
	• Assessing the consistency in methodology applied by the management in determining the allowance for inventories recognised.

There are no key audit matters in the audit of the separate financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of the Group and of the Company.

Independent Auditors' Report (Cont'd)

to the members of Eurospan Holdings Berhad

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group and of the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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
No. 01107/03/2022 J
Chartered Accountant

Penang

Date: 11 September 2020

Statements of Financial Position
as at 31 May 2020

	NOTE	GROUP 2020 RM	GROUP 2019 RM	COMPANY 2020 RM	COMPANY 2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**18,943,577**	20,584,677	**-**	-
Right-of-use assets	**5**	**467,191**	-	**-**	-
Investment in subsidiaries	**6**	**-**	-	**29,729,674**	29,729,676
		19,410,768	20,584,677	**29,729,674**	29,729,676
Current assets					
Inventories	**7**	**16,006,898**	16,487,442	**-**	-
Trade and other receivables	**8**	**3,497,464**	5,005,392	**15,521,983**	15,972,033
Tax recoverable		**103,992**	137,768	**-**	-
Other investments	**9**	**6,756,526**	6,809,791	**504,709**	514,755
Cash and cash equivalents	**10**	**8,274,835**	6,517,891	**1,326,530**	1,183,628
		34,639,715	34,958,284	**17,353,222**	17,670,416
TOTAL ASSETS		**54,050,483**	55,542,961	**47,082,896**	47,400,092
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	**11**	**52,796,145**	52,796,145	**52,796,145**	52,796,145
Accumulated losses		**(12,466,815)**	(9,975,678)	**(5,998,641)**	(5,678,088)
Total equity		**40,329,330**	42,820,467	**46,797,504**	47,118,057
Non-current liabilities					
Provision for gratuity benefit	**12**	**2,632,707**	2,436,352	**-**	-
Deferred tax liabilities	**13**	**294,149**	-	**-**	-
Lease liabilities	**5**	**196,301**	-	**-**	-
Borrowings	**14**	**149,333**	184,650	**-**	-
		3,272,490	2,621,002	**-**	-
Current liabilities					
Trade and other payables	**15**	**5,539,495**	5,641,505	**285,392**	282,035
Contract liabilities	**16**	**3,331,903**	2,989,287	**-**	-
Lease liabilities	**5**	**282,477**	-	**-**	-
Borrowings	**14**	**1,293,430**	1,470,700	**-**	-
Provision for taxation		**1,358**	-	**-**	-
		10,448,663	10,101,492	**285,392**	282,035
Total liabilities		**13,721,153**	12,722,494	**285,392**	282,035
TOTAL EQUITY AND LIABILITIES		**54,050,483**	55,542,961	**47,082,896**	47,400,092

The accompanying notes form an integral part of these financial statements.

Statements of Comprehensive Income

for the financial year ended 31 May 2020

		GROUP		COMPANY	
	NOTE	2020 RM	2019 RM	2020 RM	2019 RM
Revenue	**17**	**47,050,905**	48,076,773	**-**	52,000
Cost of sales		**(39,614,628)**	(40,983,125)	**-**	-
Gross profit		**7,436,277**	7,093,648	**-**	52,000
Other income		**1,035,889**	770,873	**109,750**	110,223
Administrative expenses		**(8,037,490)**	(8,743,433)	**(430,206)**	(393,880)
Selling and distribution expenses		**(1,598,474)**	(2,259,951)	**-**	-
Other operating expenses		**(941,510)**	(923,148)	**(97)**	(132,570)
Loss from operations		**(2,105,308)**	(4,062,011)	**(320,553)**	(364,227)
Finance costs		**(72,447)**	(40,381)	**-**	-
Loss before taxation	**18**	**(2,177,755)**	(4,102,392)	**(320,553)**	(364,227)
Taxation	**19**	**(313,382)**	146,852	**-**	-
Net loss, total comprehensive loss for the financial year		**(2,491,137)**	(3,955,540)	**(320,553)**	(364,227)
Loss per share attributable to owners of the Company (sen)					
- Basic/Diluted	**20**	**(5.61)**	(8.90)		

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the financial year ended 31 May 2020

	|------- Attributable to Owners of the Parent -------|			
		Non-Distributable		
	Share Capital RM	**Fair Value Reserve RM**	**Accumulated Losses RM**	**Total Equity RM**
2020				
Balance at beginning	**52,796,145**	**-**	**(9,975,678)**	**42,820,467**
Total comprehensive loss for the financial year	**-**	**-**	**(2,491,137)**	**(2,491,137)**
Balance at end	**52,796,145**	**-**	**(12,466,815)**	**40,329,330**
2019				
Balance at beginning	52,796,145	68,139	(6,088,277)	46,776,007
Effects of adopting MFRS 9	-	(68,139)	68,139	-
Restated	52,796,145	-	(6,020,138)	46,776,007
Total comprehensive loss for the financial year	-	-	(3,955,540)	(3,955,540)
Balance at end	52,796,145	-	(9,975,678)	42,820,467

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity
for the financial year ended 31 May 2020

	Non-distributable			
	Share Capital RM	**Fair Value Reserve RM**	**Accumulated Losses RM**	**Total Equity RM**
2020				
Balance at beginning	**52,796,145**	**-**	**(5,678,088)**	**47,118,057**
Total comprehensive loss for the financial year	**-**	**-**	**(320,553)**	**(320,553)**
Balance at end	**52,796,145**	**-**	**(5,998,641)**	**46,797,504**
2019				
Balance at beginning	52,796,145	147,191	(5,461,052)	47,482,284
Effects of adopting MFRS 9	-	(147,191)	147,191	-
Restated	52,796,145	-	(5,313,861)	47,482,284
Total comprehensive loss for the financial year	-	-	(364,227)	(364,227)
Balance at end	52,796,145	-	(5,678,088)	47,118,057

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows
for the financial year ended 31 May 2020

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	**(2,177,755)**	(4,102,392)	**(320,553)**	(364,227)
Adjustments for:				
Allowance for slow moving inventories	**18,179**	-	**-**	-
Bad debts	**-**	11,309	**-**	16,529
Depreciation of property, plant and equipment	**1,858,970**	1,947,118	**-**	-
Depreciation of right-of-use assets	**280,314**	-	**-**	-
Fair value loss/(gain) on other investments	**115,654**	44,538	**(33,386)**	132,436
Fair value loss on derivative financial instruments	**682,967**	406,118	**-**	-
Gain on realisation of other investments	**-**	(22,287)	**-**	(88,350)
Loss on disposal of property, plant and equipment	**-**	23,663	**-**	-
Interest expense	**72,447**	40,381	**-**	-
Interest income	**(480,926)**	(307,912)	**(76,364)**	(21,873)
Impairment losses on property, plant and equipment	**208,656**	-	**-**	-
Investment in a subsidiary written off	**-**	-	**2**	-
Provision for gratuity benefit	**196,355**	961,578	**-**	-
Unrealised gain on foreign exchange	**(380,015)**	(348,243)	**-**	-
Operating profit/(loss) before working capital changes	**394,846**	(1,346,129)	**(430,301)**	(325,485)
Decrease/(Increase) in inventories	**462,365**	(4,694,274)	**-**	-
Decrease in receivables	**1,611,802**	4,610,036	**-**	-
(Decrease)/Increase in payables	**(451,755)**	(113,434)	**7,385**	9,630
Cash generated from/(used in) operations	**2,017,258**	(1,543,801)	**(422,916)**	(315,855)
Income tax paid	**(82,828)**	(72,038)	**-**	-
Income tax refunded	**98,729**	387,379	**-**	-
Interest paid	**(72,447)**	(40,381)	**-**	-
Interest received	**480,926**	307,912	**76,364**	21,873
Net cash from/(used in) operating activities	**2,441,638**	(960,929)	**(346,552)**	(293,982)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net change in subsidiaries' balances	**-**	-	**446,022**	309,556
Proceeds from disposal of property, plant and equipment	**-**	15,210	**-**	-
Purchase of other investments	**(597,753)**	(586,771)	**(491,932)**	(500,000)
Proceeds from disposal of other investments	**535,364**	1,127,423	**535,364**	1,127,423
Purchase of property, plant and equipment	**(426,526)**	(1,089,698)	**-**	-
Net cash (used in)/from investing activities	**(488,915)**	(533,836)	**489,454**	936,979
Balance carried forward	**1,952,723**	(1,494,765)	**142,902**	642,997

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows (Cont'd)

for the financial year ended 31 May 2020

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Balance brought forward	**1,952,723**	(1,494,765)	**142,902**	642,997
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of hire purchase loan	**(62,527)**	(65,386)	**-**	-
Payment of principal portion of lease liabilities	**(268,727)**	-	**-**	-
Net (repayment)/withdrawal of foreign currency invoice financing	**(242,488)**	862,839	**-**	-
Net cash (used in)/from financing activities	**(573,742)**	797,453	**-**	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,378,981**	(697,312)	**142,902**	642,997
Effects of changes in exchange rates	**377,963**	290,076	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING	**6,517,891**	6,925,127	**1,183,628**	540,631
CASH AND CASH EQUIVALENTS AT END	**8,274,835**	6,517,891	**1,326,530**	1,183,628

The accompanying notes 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, Malaysia.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 September 2020.

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 the manufacturing and trading of furniture and wood-based products, and investment holding.

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 and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies under Note 3.

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 by 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.

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. BASIS OF PREPARATION (Cont'd)

2.3 Functional and Presentation Currency

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

2.4 Adoption of Amendments/Improvements to MFRS

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years 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 2019
MFRS 16 Leases
Amendments to MFRS 9 Financial Instrument: Prepayment Features with Negative Compensation
MFRS 16 Leases
Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23 Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements, except as follow:

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 June 2019. Under this method, the Group is not required to reassess whether a contract is, or contains a lease at 1 June 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application, and the cumulative effect of initially applying this standard is adjusted to the opening balance of the accumulated losses without restating the comparative information.

The adoption of MFRS 16 on 1 June 2019 did not have a material effect on the profit or loss for the financial year but increased the assets and liabilities of the Group as follows:

Statements of Financial Position	RM
Assets	
Right-of-use assets	**747,505**
Liabilities	
Lease liabilities	**747,505**

Subsequent to the initial recognition, lease payment previously recognised as rental expenses is being replaced with depreciation of right-of-use assets and accretion of interest in profit or loss.

2. BASIS OF PREPARATION (Cont'd)

2.5 Standards Issued But Not Yet Effective

The following are accounting standards that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and by the Company:

Effective for annual periods beginning on or after 1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3 Business Combinations: Definition of a Business
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 June 2020
Amendment to MFRS 16 Leases: Covid-19 – Related Rent Concessions

Effective for annual periods beginning on or after 1 January 2022
Amendments to MFRS 3 Business Combination: Reference to the Conceptual Framework
Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020

Effective for annual periods beginning on or after 1 January 2023
MFRS 17 Insurance Contracts
Amendments to MFRS 17 Insurance Contracts
Amendments to MFRS 101 Presentation of Financial Statement: Classification of Liabilities as Current or Non-current

Effective date yet to be confirmed
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 12 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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.

2.6 Use of Estimates and Judgements

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

(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 property, 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 Use of Estimates and Judgements (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) Allowance for expected credit losses ("ECL") of receivables

The Group uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(v) Impairment of investment in subsidiaries

The Company carries out impairment test based on the estimate of the higher of value-in-use or the fair value less cost to sell of the cash-generating unit ("CGU") to which the investment in the subsidiaries belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the CGU and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

3. 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.

3. ACCOUNTING POLICIES (Cont'd)

3.1 Basis of Consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

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

(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 at:

- 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) 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.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised profit arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Property, Plant and Equipment

Property, plant and equipment are 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.

3. ACCOUNTING POLICIES (Cont'd)

3.2 Property, Plant and Equipment (Cont'd)

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	Amortise 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 work-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

Current financial year

The Group assesses at contract inception whether a contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.3.1 Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. At the commencement of a lease, the Group recognises a right-of-use asset and a lease liability.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets are available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The right-of-use assets are also subject to impairment as described in Note 3.4 hereof.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. ACCOUNTING POLICIES (Cont'd)

3.3 Leases (Cont'd)

Current financial year (Cont'd)

3.3.1 Group as lessee (Cont'd)

Short term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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 asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

3.3.2 Group as lessor

The Group lets out its premise to third party under operating lease for rental income. The Group recognises lease payments as income on a straight-line basis over the period of the lease.

Previous financial year

3.3.3 Group as lessee

In the previous financial year, only finance lease was capitalised by recognising the underlying asset under property, plant and equipment and a corresponding lease liability. The underlying asset was depreciated on the straight-line method over its estimated useful life and interest on the lease payments was charged to profit or loss.

Payments made on operating lease were recognised as an expense in the profit or loss on a straight-line basis over the lease term.

3.3.4 Group as lessor

The Group lets out its premise to third party under operating lease for rental income. The Group recognises lease payments as income on a straight-line basis over the period of the lease.

3.4 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU").

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3. ACCOUNTING POLICIES (Cont'd)

3.5 Financial Instruments

3.5.1 Recognition

Financial assets or financial liabilities are recognised when the Group or the Company become a party to the contractual provisions of the instrument.

3.5.2 Classification and measurement of financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Financial assets, other than those designated as hedging instruments, are classified into the following categories:

– amortised cost ("AC");
– fair value through profit or loss ("FVTPL"); and
– fair value through other comprehensive income ("FVOCI").

The Group and the Company do not have any financial assets at FVOCI as at the end of the reporting period.

Financial assets at amortised cost ("AC")

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. The Group's and the Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

3.5.3 Financial assets - Impairment

Impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss ("ECL") model'. Instruments within the scope of the new requirements include loans, trade and other receivables and other debt-type financial assets measured at amortised cost and financial assets at FVOCI.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

3. ACCOUNTING POLICIES (Cont'd)

3.5 Financial Instruments (Cont'd)

3.5.3 Financial assets - Impairment (Cont'd)

In applying this forward-looking approach, a distinction is made between:

Stage 1	–	financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk; and
Stage 2	–	financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month ECL' are recognised for the Stage 1 category while 'lifetime ECL' are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The ECL model for trade receivables is described in Note 24.3.1.

3.5.4 Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.5.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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.

3.5.6 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.

3.5.7 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. ACCOUNTING POLICIES (Cont'd)

3.5 Financial Instruments (Cont'd)

3.5.8 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.

3.5.9 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.

3.6 Inventories

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

The cost of inventories is calculated using the first-in, first-out cost method 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 manufactured inventories, 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.

3.7 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.

3.8 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

3. ACCOUNTING POLICIES (Cont'd)

3.9 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 Group incurred in connection with the borrowing of funds.

3.10 Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue of the Group and of the Company is measured on the following performance obligations:

Sale of goods

Sales of goods is recognised at a point in time upon the satisfaction of performance obligation when the control of the goods is transferred to the customer.

Interest income

Interest income is recognised on a time proportion basis using the applicable effective interest rate.

Rental income

Rental income is recognised on a straight line basis over lease terms.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Contract balances

This refers to the closing balances of trade receivables and contract assets and liabilities as at the reporting date.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets and Contract liabilities

Contract assets represent the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Contract assets are subjected to impairment in accordance to MFRS 9, Financial Instruments. The contract assets of the Group comprise of amounts due from customers on contracts.

Contract liabilities represent the Group's obligation to transfer goods or services to a customer for which the Group have received consideration, or the amount is due, from the customer. The contract liabilities of the Group comprise of amounts due to customers on contracts.

3. ACCOUNTING POLICIES (Cont'd)

3.11 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 Group intends to and has sufficient resources to complete development and to use or sell the asset.

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

3.12 Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial 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. Such contributions are recognised as an expense in the profit or loss as incurred.

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.

3.13 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 temporary differences arising from the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and which it affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which 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.

3. ACCOUNTING POLICIES (Cont'd)

3.14 Goods and Services Tax ("GST") and Sales and Services Tax ("SST")

GST is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input tax that a company pays on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:

- when the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with GST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

The Finance Ministry has zero rated the GST effective from 1 June 2018. The government has replaced the GST with SST which came into effect on 1 September 2018. The rate for sales tax is fixed at 5% or 10%, while the rate for service tax is fixed at 6%.

Expenses and assets are recognised net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and

- when receivables and payables are stated with the amount of sales included.

The net amount of SST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.15 Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rates at that date.

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 rates at the date of the transaction except for those measured at fair value which shall be translated at the exchange rates at the date when the fair value was determined.

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.

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 and Dividends

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Dividends

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

3. ACCOUNTING POLICIES (Cont'd)

3.17 Earnings per Ordinary Shares

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 dividing 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 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.

3.19 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.

3.20 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group.
- (ii) The entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) The entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the Group.
- (viii) The entity, or any member of a group when it is a part, provides key management personnel services to the Group.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings, renovation and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
2020							
At cost							
Balance at beginning	5,050,785	13,907,915	45,331,642	3,528,529	2,482,343	775,763	71,076,977
Additions	-	111,000	139,697	28,329	-	147,500	426,526
Written off	-	-	-	(4,000)	-	-	(4,000)
Reclassification	-	-	508,971	-	-	(508,971)	-
Balance at end	5,050,785	14,018,915	45,980,310	3,552,858	2,482,343	414,292	71,499,503
Accumulated depreciation							
Balance at beginning	107,918	5,699,804	37,340,652	2,557,169	1,679,179	-	47,384,722
Current charge	4,517	279,105	1,224,770	183,498	167,080	-	1,858,970
Written off	-	-	-	(4,000)	-	-	(4,000)
Balance at end	112,435	5,978,909	38,565,422	2,736,667	1,846,259	-	49,239,692
Accumulated impairment losses							
Balance at beginning	-	-	3,017,967	89,611	-	-	3,107,578
Current charge	-	-	208,656	-	-	-	208,656
Balance at end	-	-	3,226,623	89,611	-	-	3,316,234
Carrying amount	4,938,350	8,040,006	4,188,265	726,580	636,084	414,292	18,943,577

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

GROUP (Cont'd)

	Land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings, renovation and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
2019							
At cost							
Balance at beginning	5,050,785	13,899,515	44,850,337	3,514,814	2,482,343	374,099	70,171,893
Additions	-	8,400	139,203	8,825	-	933,270	1,089,698
Disposals	-	-	(178,564)	-	-	-	(178,564)
Written off	-	-	-	(6,050)	-	-	(6,050)
Reclassification	-	-	520,666	10,940	-	(531,606)	-
Balance at end	5,050,785	13,907,915	45,331,642	3,528,529	2,482,343	775,763	71,076,977
Accumulated depreciation							
Balance at beginning	103,403	5,421,679	36,152,504	2,380,974	1,510,689	-	45,569,249
Current charge	4,515	278,125	1,313,743	182,245	168,490	-	1,947,118
Disposals	-	-	(125,595)	-	-	-	(125,595)
Written off	-	-	-	(6,050)	-	-	(6,050)
Balance at end	107,918	5,699,804	37,340,652	2,557,169	1,679,179	-	47,384,722
Accumulated impairment losses							
Balance at beginning	-	-	3,032,063	89,611	-	-	3,121,674
Disposals	-	-	(14,096)	-	-	-	(14,096)
Balance at end	-	-	3,017,967	89,611	-	-	3,107,578
Carrying amount	4,942,867	8,208,111	4,973,023	881,749	803,164	775,763	20,584,677

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

(i) The breakdown of the carrying amount of land is as follows:

	GROUP	
	2020 RM	**2019 RM**
Freehold land	**4,667,050**	4,667,050
Leasehold land	**271,300**	275,817
	4,938,350	4,942,867

(ii) Motor vehicles with carrying amount of **RM294,887** (2019: RM334,647) were acquired under finance lease.

(iii) An impairment loss of **RM208,656** (2019: RM Nil) has been recognised in profit or loss to reduce the carrying amount of the property, plant and equipment as these assets were left idle.

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for warehouse used in its operations. Leases of warehouse has lease term of 3 years. The lease contracts restrict the Group from assigning and subleasing the leased assets.

In the previous financial year, payment on operating lease are charged to profit or loss as lease rentals as a straight-line basis over the lease term.

The Group also has certain leases of premise with lease terms of 12 months or less. Such lease payments are charged to profit or loss as lease rentals on the straight-line basis over the lease term.

2020

Set out below are the carrying amount of right-of-use assets and lease liabilities and their movements during the financial year:

Right-of-use assets

	RM
Balance at 1 June 2019 upon adopting MFRS 16	**747,505**
Depreciation	**(280,314)**
Balance at end	**467,191**

Lease liabilities

	RM
Balance at 1 June 2019 upon adopting MFRS 16	**747,505**
Accretion of interest	**31,273**
Payments	**(300,000)**
Balance at end	**478,778**

	RM
Represented by:	
Non-current liabilities	**196,301**
Current liabilities	**282,477**
	478,778

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Cont'd)

The following are the amount recognised in profit or loss:

	RM
Depreciation of right-of-use assets	**280,314**
Interest expense on lease liabilities	**31,273**
Total amount recognised in profit or loss	**311,587**

6. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2020 RM	**2019 RM**
Unquoted shares, at cost	**32,763,934**	32,763,936
Add: Share-based payment allocated to subsidiaries	**425,880**	425,880
	33,189,814	33,189,816
Less: Impairment loss	**(3,460,140)**	(3,460,140)
	29,729,674	29,729,676

The details of the subsidiaries, all of which were incorporated in Malaysia, are as follows:

Name of Company	Effective Equity Interest 2020 %	Effective Equity Interest 2019 %	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	Investment holding.
Dynaword Sdn. Bhd.	**100**	100	Investment holding.

*The subsidiary had been successfully strike off during the financial year.

7. INVENTORIES

	GROUP	
	2020 RM	2019 RM
Raw materials	**9,494,523**	9,467,291
Work-in-progress	**5,033,158**	4,257,212
Finished goods	**1,479,217**	2,762,939
	16,006,898	16,487,442
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	**39,596,449**	40,983,125
Allowance for slow moving inventories	**18,179**	-

8. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade receivables (Note 8.1)	**2,500,035**	3,597,450	**-**	-
Other receivables, deposits and prepayments (Note 8.2)	**997,429**	1,407,942	**-**	-
Amount due from subsidiaries (Note 8.3)	**-**	-	**15,521,983**	15,972,033
	3,497,464	5,005,392	**15,521,983**	15,972,033

8.1 Trade receivables

The currency profile of trade receivables is as follows:

	GROUP	
	2020 RM	2019 RM
Ringgit Malaysia	**224,721**	246,012
US Dollar	**2,275,314**	3,225,330
Euro	**-**	126,108
	2,500,035	3,597,450

The normal credit terms granted to trade receivables range from **30 to 60 days** (2019: 30 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

8. TRADE AND OTHER RECEIVABLES (Cont'd)

8.2 Other receivables, deposits and prepayments

	GROUP	
	2020 RM	2019 RM
Other receivables	**10,776**	3,630
Refundable deposits	**503,169**	163,173
Transferable golf club membership	**59,773**	59,773
Prepayments	**287,105**	241,263
Down payment for purchase of raw material	**136,606**	701,622
GST receivables	**-**	238,481
	997,429	1,407,942

8.3 Amount due from subsidiaries

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

9. OTHER INVESTMENTS

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Financial assets at fair value through profit or loss:				
Unit trust funds quoted in Malaysia	**6,756,526**	6,809,791	**504,709**	514,755

10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Short-term funds *	**5,819,422**	5,681,332	**1,323,551**	1,173,541
Cash and bank balances	**2,455,413**	836,559	**2,979**	10,087
	8,274,835	6,517,891	**1,326,530**	1,183,628

10. CASH AND CASH EQUIVALENTS (Cont'd)

The currency profile of cash and cash equivalents balance is as follows:

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	**6,621,188**	6,250,779	**1,326,530**	1,183,628
US Dollar	**1,019,797**	196,448	**-**	-
Euro	**633,400**	66,988	**-**	-
Others	**450**	3,676	**-**	-
	8,274,835	6,517,891	**1,326,530**	1,183,628

*** Short-term funds**

Short-term funds represent investment in fixed income trusts, money market and repo with effective interest rate at **1.60% to 5.60%** (2019: 3.73%) per annum.

11. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2020	2019	2020 RM	2019 RM
Issued and fully paid	**44,421,700**	44,421,700	**52,796,145**	52,796,145

12. PROVISION FOR GRATUITY BENEFIT

The Group operate an unfunded, defined benefit plan – Retirement Benefit Scheme ("the Scheme") for its Managing Director. Under the Scheme, the Managing Director is entitled to retirement benefits upon attaining retirement age. The last actuarial valuation report dated 1 June 2018 was issued by an independent valuer who is a Fellow of the Institute of Actuaries.

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

	GROUP	
	2020 RM	2019 RM
Non-current liabilities		
Balance at beginning	**2,436,352**	1,474,774
Recognised in profit or loss		
- Current service cost (Note 18)	**196,355**	961,578
Balance at end	**2,632,707**	2,436,352

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

Discount rate (%)	4.70
Salary growth rate (%)	10.00
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.

12. PROVISION FOR GRATUITY BENEFIT (Cont'd)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on defined benefit obligation as of 31 May 2020, assuming all other assumptions were held constant:

(i) If the discount rate is 1.0% higher or 1.0% lower, the retirement benefits obligations would decrease by RM61,828 or increase by RM63,927 respectively, and

(ii) If the salary growth rate is 1.0% higher or 1.0% lower, the retirement benefits obligations would increase by RM97,047 or decrease by RM94,438 respectively.

13. DEFERRED TAX LIABILITIES

	GROUP	
	2020 RM	**2019 RM**
Balance at beginning	**-**	155,507
Transfer from/(to) profit or loss	**294,149**	(11,281)
	294,149	144,226
Over provision in prior year	**-**	(144,226)
Balance at end	**294,149**	-

Deferred tax liabilities are represented by temporary differences arising from:

	GROUP	
	2020 RM	**2019 RM**
Property, plant and equipment	**640,000**	-
Unabsorbed tax losses	**(54,000)**	-
Other provisions	**(291,851)**	-
	294,149	-

14. BORROWINGS

	GROUP	
	2020 RM	**2019 RM**
Non-current liabilities		
Hire purchase loan		
Minimum payments:		
Within one year	**45,591**	78,156
Later than one year but not later than two years	**78,156**	78,156
Later than two years but not later than five years	**78,151**	117,229
	201,898	273,541
Future finance charges	**(11,437)**	(20,553)
	190,461	252,988
Amount due within one year included under current liabilities	**(41,128)**	(68,338)
	149,333	184,650
Current liabilities		
Hire purchase loan	**41,128**	68,338
Foreign currency invoice financing	**1,252,302**	1,402,362
	1,293,430	1,470,700
Total borrowings	**1,442,763**	1,655,350

The currency profile of borrowings is as follows:

	GROUP	
	2020 RM	**2019 RM**
Ringgit Malaysia	**254,892**	262,062
Euro	**1,187,871**	1,393,288
	1,442,763	1,655,350

The foreign currency invoice financing are secured by way of corporate guarantees of the Company and certain subsidiaries.

14. BORROWINGS (Cont'd)

A summary of the effective interest rates and the maturities of the borrowings are as follows:

	Effective interest rate per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
GROUP					
2020					
Hire purchase loan	**2.33**	**190,461**	**41,128**	**73,018**	**76,315**
Foreign currency invoice financing	**1.70 to 1.80**	**1,252,302**	**1,252,302**	**-**	**-**
2019					
Hire purchase loan	2.33	252,988	68,338	71,423	113,227
Foreign currency invoice financing	1.70 to 1.80	1,402,362	1,402,362	-	-

15. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade payables (Note 15.1)	**1,728,436**	2,715,371	**-**	-
Other payables and accruals (Note 15.2)	**3,128,092**	2,520,016	**276,345**	268,960
Amount due to a subsidiary (Note 15.3)	**-**	-	**9,047**	13,075
Derivative at fair value through profit or loss				
- foreign currency forward contracts (Note 15.4)	**682,967**	406,118	**-**	-
	5,539,495	5,641,505	**285,392**	282,035

15.1 Trade payables

The currency profile of trade payables is as follows:

	GROUP	
	2020 RM	2019 RM
Ringgit Malaysia	**1,488,795**	2,320,384
US Dollar	**239,641**	394,987
	1,728,436	2,715,371

The normal credit terms extended by trade payables range from **15 to 90 days** (2019: 15 to 90 days).

15. TRADE AND OTHER PAYABLES (Cont'd)

15.2 Other payables and accruals

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Other payables (Note 15.2.1)	**1,288,876**	760,957	**-**	-
Accruals	**1,839,216**	1,759,059	**276,345**	268,960
	3,128,092	2,520,016	**276,345**	268,960

15.2.1 Other payables

The currency profile of other payables is as follows:

	GROUP	
	2020 RM	2019 RM
Ringgit Malaysia	**1,288,453**	728,801
US Dollar	**-**	32,156
Chinese Renminbi	**423**	-
	1,288,876	760,957

15.3 Amount due to a subsidiary

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

15.4 Derivative 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 **RM15,505,616** (2019: RM20,201,243).

Forward exchange contracts are used to manage the foreign currency exposure arising from sales and purchases denominated in US Dollar and Euro. The forward exchange contracts have maturities of less than one year after the end of the reporting period.

16. CONTRACT LIABILITIES

	GROUP	
	2020 RM	2019 RM
Contract liabilities	**3,331,903**	2,989,287

Contract liabilities represent deposits received for sales orders before the commencement of production activity. The deposits will be reversed and recognised as revenue upon satisfying the performance obligation pursuant to the sales contract.

All deposits received are expected to be recognised as revenue within one year from date of receipt.

Movements in contract liabilities:

	GROUP	
	2020 RM	2019 RM
Balance at beginning	**2,989,287**	1,582,658
Decrease on recognition of revenue	**(2,989,287)**	(1,582,658)
Increase on receiving deposits for sales orders	**3,331,903**	2,989,287
Balance at the end	**3,331,903**	2,989,287

The currency profile of contract liabilities is as follows:

	GROUP	
	2020 RM	2019 RM
Ringgit Malaysia	**-**	6,830
US Dollar	**3,314,639**	2,982,457
Euro	**17,264**	-
	3,331,903	2,989,287

17. REVENUE

Disaggregated revenue information

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Gross dividend income from a subsidiary	**-**	-	**-**	52,000
Sales of goods recognised at a point in time upon delivery of goods to the customers	**47,050,905**	48,076,773	**-**	-
	47,050,905	48,076,773	**-**	52,000

17. REVENUE (Cont'd)

Geographical markets

	GROUP		COMPANY	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Malaysia	**406,024**	557,701	**-**	52,000
Asian countries	**16,140,440**	14,565,139	**-**	-
European countries	**9,389,896**	11,797,701	**-**	-
United States of America	**10,057,902**	9,226,948	**-**	-
Others	**11,056,643**	11,929,284	**-**	-
	47,050,905	48,076,773	**-**	52,000

18. LOSS BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
After charging:				
Allowance for slow moving inventories	**18,179**	-	-	-
Audit fee				
- Statutory audit				
- current year	**69,000**	66,000	**22,000**	18,000
- under provision in prior year	**4,000**	-	**4,000**	-
- Other services	**4,000**	4,000	**4,000**	4,000
Bad debts	**-**	11,309	**-**	16,529
Depreciation				
- property, plant and equipment	**1,858,970**	1,947,718	**-**	-
- right-of-use assets	**280,314**	-	**-**	-
Directors' emoluments for non-executive directors of the Company	**10,500**	10,500	**10,500**	10,500
Directors' fee				
- Executive directors of the Company	**196,000**	196,000	**106,000**	106,000
- Executive director of a subsidiary	**15,000**	15,000	**-**	-
- Non-executive directors of the Company	**112,000**	112,000	**112,000**	112,000

18. LOSS BEFORE TAXATION (Cont'd)

After charging: (Cont'd)

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Fair value loss on other investments	**115,654**	44,538	**-**	132,436
Fair value loss on derivative financial instruments	**682,967**	406,118	**-**	-
Impairment losses on property, plant and equipment	**208,656**	-	**-**	-
Investment in a subsidiary written off	**-**	-	**2**	-
Loss on disposal of property, plant and equipment	**-**	23,633	**-**	-
Realised loss on foreign exchange	**10,229**	216,818	**-**	-
Rental of premises	**-**	401,652	**-**	-
Research and development expenses	**713,780**	489,949	**-**	-
Interest expense on:				
- hire purchase	**9,116**	12,770	**-**	-
- lease liabilities	**31,272**	-	**-**	-
- foreign currency invoice financing	**32,059**	27,611	**-**	-
* Staff costs	**12,955,523**	14,885,348	**20,140**	20,140
And crediting:				
Fair value gain on other investments	**-**	-	**33,386**	-
Gain on realisation of other investments	**-**	22,287	**-**	88,350
Gross dividend income from a subsidiary	**-**	-	**-**	52,000
Interest income	**480,926**	307,912	**76,364**	21,873
Net gain on foreign exchange				
- realised	**40,321**	-	**-**	-
- unrealised	**380,015**	348,243	**-**	-
Rental income	**26,088**	26,368	**-**	-
*** Staff costs**				
- Salaries, allowance and bonus	**12,034,252**	12,869,740	**-**	-
- Gratuity benefit	**196,355**	961,578	**-**	-
- EPF	**1,130,420**	1,217,572	**20,140**	20,140
- SOCSO	**129,890**	103,463	**-**	-
- EIS	**10,374**	10,900	**-**	-
	13,501,291	15,163,253	**20,140**	20,140
Less: Staff cost included in research and development expenses	**(545,768)**	(277,905)	**-**	-
	12,955,523	14,885,348	**20,140**	20,140

18. LOSS BEFORE TAXATION (Cont'd)

This is arrived at: (Cont'd)

Directors' emoluments

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

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company:				
- Salaries, allowance and bonus	**2,162,063**	2,290,360	**-**	-
- Gratuity benefit	**196,355**	961,578	**-**	-
- EPF	**438,101**	462,460	**20,140**	20,140
- SOCSO	**4,476**	4,500	**-**	-
- EIS	**376**	435	**-**	-
	2,801,371	3,719,333	**20,140**	20,140
Director of a subsidiary:				
- Salaries, allowance and bonus	**148,034**	150,288	**-**	-
- EPF	**31,521**	32,490	**-**	-
- SOCSO	**828**	829	**-**	-
- EIS	**95**	39	**-**	-
	180,478	183,646	**-**	-
Total directors' emoluments	**2,981,849**	3,902,979	**20,140**	20,140

The estimated money value of benefits-in-kind received or receivable by the directors of the Company and the director of a subsidiary during the financial year amounted to **RM126,357** (2019: RM93,360) and **RM5,300** (2019: RM5,300) respectively.

19. TAXATION

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Malaysia income tax				
Based on results for the financial year				
- Current tax	**(19,233)**	(7,265)	**-**	-
- Deferred tax relating to origination and reversal of temporary differences	**(294,149)**	11,281	**-**	-
	(313,382)	4,016	**-**	-
Over/(Under) provision in prior year				
- Current tax	**-**	(1,390)	**-**	-
- Deferred tax	**-**	144,226	**-**	-
	-	142,836	**-**	-
	(313,382)	146,852	**-**	-

19. TAXATION (Cont'd)

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

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Loss before taxation	**(2,177,755)**	(4,102,392)	**(320,553)**	(364,227)
Income tax at Malaysian statutory tax rate of 24%	**522,661**	984,574	**76,933**	87,414
Income not subject to tax	**122,918**	104,004	**26,307**	17,506
Expenses allowable for double deduction	**87,589**	209,971	**-**	-
Expenses not deductible for tax purposes	**(216,572)**	(238,902)	**(32,093)**	(23,193)
Net deferred tax asset not recognised	**(758,831)**	(1,005,689)	**-**	-
Effect of tax losses not available for set-off	**(71,147)**	(49,942)	**(71,147)**	(81,727)
	(313,382)	4,016	**-**	-
Over provision in prior year	**-**	142,836	**-**	-
	(313,382)	146,852	**-**	-

As at the end of the reporting period, the Group has not recognised the following net deferred tax assets:

	GROUP	
	2020 RM	2019 RM
Property, plant and equipment	**458,306**	975,245
Unabsorbed tax losses	**(1,823,075)**	(1,479,169)
Unabsorbed capital allowances	**(645,313)**	(484,375)
Unabsorbed reinvestment allowance	**(259,542)**	(395,249)
Other provisions	**(730,734)**	(857,979)
	(3,000,358)	(2,241,527)

The deferred tax assets are not recognised in the financial statements as it is anticipated that the tax effects of such deferral will not reverse in the foreseeable future.

The amount and future availability of unabsorbed tax losses, capital allowances and reinvestment allowance for which the related tax effects have not been accounted for at the end of the reporting period is follows:

	GROUP	
	2020 RM	2019 RM
Unabsorbed tax losses	**7,596,146**	6,163,204
Unabsorbed capital allowances	**2,688,804**	2,018,229
Unabsorbed reinvestment allowance	**1,081,425**	1,646,871

The unabsorbed tax losses and unabsorbed reinvestment allowance can be carried forward for seven consecutive years of assessment immediately following that year of assessment and the unabsorbed capital allowances can be carried forward indefinitely pursuant to the gazetted Finance Act 2018.

19. TAXATION (Cont'd)

The expiry of the unabsorbed tax losses and unabsorbed reinvestment allowance are as follows:

Unabsorbed tax losses

	GROUP	
	2020 RM	2019 RM
Year of assessment 2025	**643,430**	2,149,303
Year of assessment 2026	**4,013,903**	4,013,901
Year of assessment 2027	**3,165,811**	-
	7,823,144	6,163,204

Unabsorbed reinvestment allowance

	GROUP	
	2020 RM	2019 RM
Year of assessment 2025	**1,081,425**	1,646,871

20. LOSS PER SHARE

GROUP

(a) Basic loss per share

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

	2020	2019
Loss attributable to owners of the Company (RM)	**(2,491,137)**	(3,955,540)
Weighted average number of ordinary shares	**44,421,700**	44,421,700
Basic loss per share (sen)	**(5.61)**	(8.90)

(b) Diluted

There is no dilutive potential ordinary shares outstanding as at the end of the reporting period as such no diluted earnings per share information is presented.

21. CAPITAL COMMITMENT

	GROUP	
	2020 RM	2019 RM
Approved but not contracted for:		
- Property, plant and equipment	**911,420**	-

22. RELATED PARTY DISCLOSURES

The remuneration of directors and other members of key management during the financial year is as follows:

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries and other short-term employee benefits	**3,447,006**	4,335,139	**248,640**	248,640

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

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.

Information about major customers

During the financial year, there was no single customer that contributed to more than 10% of the Group's revenue.

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	
	2020 RM	2019 RM	2020 RM	2019 RM
Malaysia	**406,024**	557,701	**19,410,768**	20,584,677
Asian countries	**16,140,440**	14,565,139	**-**	-
European countries	**9,389,896**	11,797,701	**-**	-
United States of America	**10,057,902**	9,226,948	**-**	-
Others	**11,056,643**	11,929,284	**-**	-
	47,050,905	48,076,773	**19,410,768**	20,584,677

24. FINANCIAL INSTRUMENTS

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised at amortised cost ("AC") and fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVTPL RM
2020			
GROUP			
Financial assets			
Other investments	**6,756,526**	**-**	**6,756,526**
Trade and other receivables	**3,073,753**	**3,073,753**	**-**
Cash and cash equivalents	**8,274,835**	**8,274,835**	**-**
	18,105,114	**11,348,588**	**6,756,526**
Financial liabilities			
Trade and other payables	**5,539,495**	**4,856,528**	**682,967**
Borrowings	**1,442,763**	**1,442,763**	**-**
	6,982,258	**6,299,291**	**682,967**
COMPANY			
Financial assets			
Other investments	**504,709**	**-**	**504,709**
Amount due from subsidiaries	**15,521,983**	**15,521,983**	**-**
Cash and cash equivalents	**1,326,530**	**1,326,530**	**-**
	17,353,222	**16,848,513**	**504,709**
Financial liabilities			
Other payables and accruals	**276,345**	**276,345**	**-**
Amount due to a subsidiary	**9,047**	**9,047**	**-**
	285,392	**285,392**	**-**

24. FINANCIAL INSTRUMENTS (Cont'd)

24.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	AC RM	FVTPL RM
2019			
GROUP			
Financial assets			
Other investments	6,809,791	-	6,809,791
Trade and other receivables	3,824,026	3,824,026	-
Cash and bank balances	6,517,891	6,517,891	-
	17,151,708	10,341,917	6,809,791
Financial liabilities			
Trade and other payables	5,641,505	5,235,387	406,118
Borrowings	1,655,350	1,655,350	-
	7,296,855	6,890,737	406,118
COMPANY			
Financial assets			
Other investments	514,755	-	514,755
Amount due from subsidiaries	15,972,033	15,972,033	-
Cash and bank balances	1,183,628	1,183,628	-
	17,670,416	17,155,661	514,755
Financial liabilities			
Other payables and accruals	268,960	268,960	-
Amount due to a subsidiary	13,075	13,075	-
	282,035	282,035	-

24. FINANCIAL INSTRUMENTS (Cont'd)

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 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 investments whilst the Company's exposure to credit risk arises principally from investments, advances to its subsidiaries and financial guarantees provided to financial institutions in respect of credit facilities granted to the subsidiaries.

24.3.1 Trade receivables

The Group extends credit terms to customers that range between 30 to 60 days. Credit period extended to its customers is based on careful evaluation of the customers' financial condition and credit history. Receivables are monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts. In order to further minimise its exposure to credit risk, the Group requires deposits from the customers.

The Group assesses ECL on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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

	2020 RM	2019 RM
Not past due	**1,874,418**	3,368,205
Past due 1 to 30 days	**442,576**	218,582
Past due 31 to 60 days	**58,742**	-
Past due 61 to 90 days	**113,922**	-
Past due more than 90 days	**10,377**	10,663
	625,617	229,245
	2,500,035	3,597,450

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 **RM625,617** (2019: RM229,245) 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 **1 customer** (2019: 3 customers) which represents **23%** (2019: 45%) 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 financial guarantees to financial institutions in respect of banking facilities granted to certain subsidiaries up to a limit of **RM19,900,000** (2019: RM19,900,000). The maximum exposure to credit risk as at the end of the reporting period is **RM1,662,302** (2019: RM1,857,363) which represents the amount of facilities utilised by the subsidiaries as at that date.

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.

24. FINANCIAL INSTRUMENTS (Cont'd)

24.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting their 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 to maintain a balance of sufficient cash and deposits and flexibility in funding by maintaining credit facilities with their bankers.

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

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
GROUP					
2020					
Non-derivative financial liabilities					
Trade and other payables	**4,856,528**	**4,856,528**	**4,856,528**	**-**	**-**
Borrowings	**1,442,763**	**1,454,200**	**1,297,893**	**78,156**	**78,151**
Lease liabilities	**478,778**	**500,000**	**300,000**	**200,000**	**-**
	6,778,069	**6,810,728**	**6,454,421**	**278,156**	**78,151**
Derivative financial liabilities					
Foreign currency forward contracts:					
Outflow-Net	**682,967**	**682,967**	**682,967**	**-**	**-**
	7,461,036	**7,493,695**	**7,137,388**	**278,156**	**78,151**
2019					
Non-derivative financial liabilities					
Trade and other payables	5,235,387	5,235,387	5,235,387	-	-
Borrowings	1,655,350	1,675,903	1,480,518	78,156	117,229
	6,890,737	6,911,290	6,715,905	78,156	117,229
Derivative financial liabilities					
Foreign currency forward contracts:					
Outflow-Net	406,118	406,118	406,118	-	-
	7,296,855	7,317,408	7,122,023	78,156	117,229

24. FINANCIAL INSTRUMENTS (Cont'd)

24.4 Liquidity risk (Cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM
COMPANY			
2020			
Non-derivative financial liabilities			
Accruals	**276,345**	**276,345**	**276,345**
Amount due to a subsidiary	**9,047**	**9,047**	**9,047**
*Financial guarantees	**-**	**1,662,302**	**1,662,302**
	285,392	**1,947,694**	**1,947,694**
2019			
Non-derivative financial liabilities			
Accruals	268,960	268,960	268,960
Amount due to a subsidiary	13,075	13,075	13,075
*Financial guarantees	-	1,875,363	1,875,363
	282,035	2,157,398	2,157,398

*This liquidity risk is included for illustration purpose only notwithstanding that the related financial guarantees has not crystalised.

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	
	2020 RM	2019 RM	2020 RM	2019 RM
Fixed rate instruments				
Financial assets	**5,819,422**	5,681,332	**1,323,551**	1,173,541
Finance liabilities	**190,461**	252,988	**-**	-
Floating rate instruments				
Finance liabilities	**1,252,302**	1,402,362	**-**	-

24. FINANCIAL INSTRUMENTS (Cont'd)

24.5 Interest rate risk (Cont'd)

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 decreased profit before taxation by **RM3,481** (2019: RM3,944) 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 and Euro.

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 before taxation. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased/ decreased loss before taxation by the amount shown below and a corresponding weakening of the RM would have an equal but opposite effect.

	GROUP	
	2020 RM	2019 RM
US Dollar	**25,917**	1,218
Euro	**57,174**	(120,019)
Others	**(3)**	368
Increase/(Decrease) in loss before taxation	**83,088**	(118,433)

24.7 Reconciliation of liabilities arising from financing activities

The movement of financial liabilities arising from financial activities during the financial year is as follows:

	Balance at beginning RM	Net cash flows RM	Foreign exchange movement RM	Balance at end RM
GROUP				
2020				
Hire purchase loan	**252,988**	**(62,527)**	**-**	**190,461**
Foreign currency invoice financing	**1,402,362**	**(242,488)**	**92,428**	**1,252,302**
	1,655,350	**(305,015)**	**92,428**	**1,442,763**

24. FINANCIAL INSTRUMENTS (Cont'd)

24.7 Reconciliation of liabilities arising from financing activities (Cont'd)

	Balance at beginning RM	Net cash flows RM	Foreign exchange movement RM	Balance at end RM
2019				
Hire purchase loan	318,374	(65,386)	-	252,988
Foreign currency invoice financing	530,449	862,839	9,074	1,402,362
	848,823	797,453	9,074	1,655,350

25. FAIR VALUE MEASUREMENT

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value which fair value are 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				
2020				
Financial assets				
Investment in quoted unit trust funds	**6,756,526**	**-**	**-**	**6,756,526**
Financial liabilities				
Foreign currency forward contracts	**-**	**682,967**	**-**	**682,967**
2019				
Financial assets				
Investment in quoted unit trust funds	6,809,791	-	-	6,809,791
Financial liabilities				
Foreign currency forward contracts	-	406,118	-	406,118

25. FAIR VALUE MEASUREMENT (Cont'd)

Fair value measurement of financial instruments (Cont'd)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
COMPANY				
2020				
Financial assets				
Investment in quoted unit trust funds	**504,709**	**-**	**-**	**504,709**
2019				
Financial assets				
Investment in quoted unit trust funds	514,755	-	-	514,755

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.

The investments 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 at the end of the reporting period.

26. 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. No changes were made in the objective, policy and process during the financial year under review as compared to the previous financial year. The Group has no external capital requirement imposed by its lenders.

27. SIGNIFICANT EVENT

The World Health Organisation declared the 2019 Novel Coronavirus outbreak ("COVID-19") a pandemic on 11 March 2020. This was followed by Federal Government issuing a Gazetted Order known as the Movement Control Order ("MCO") which was effective for the period from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020. Subsequently, Recovery Movement Control Order ("RMCO") was gazetted which is effective for the period from 10 June 2020 to 31 August 2020. The RMCO is further extended until 31 December 2020.

The COVID-19 has and will impact the business operations of the Group particularly on the Group's revenue as sales orders received from business partners are anticipated to downscale due to the disruption of economic activity globally and changes in consumer buying behavior. The degree of the impact depends on the situation of the epidemic preventive measures and the development of the pandemic globally. The Group will monitor the development closely and implement proactive measures to control costs and streamline its operations to mitigate the negative impact arising therefrom.

The financial impact on the Group's performance, if any, will be reflected in the financial year ending 31 May 2021. At this juncture, management is not in a position to quantify the potential impact to be suffered due to the uncertainties prevailing within and outside the country. However, the Group has sufficient working capital to sustain its business operations for the foreseeable future.

28. FAIR VALUE RESERVE

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.

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Balance at beginning	-	68,139	-	147,191
Effects of adopting MFRS 9	-	(68,139)	-	(147,191)
Balance at end	-	-	-	-

Fair value reserve represented the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired. However, upon the adoption of MFRS 9 on 1 June 2018, the Group and the Company have reclassified other investments which were previously classified as financial assets at available-for-sales to financial assets at fair value through profit or loss. As a result, the related fair value reserve previously recorded was transferred to accumulated losses as at 1 June 2018.

Analysis of Shareholdings

as at 28 August 2020

1.	Number of holders of Ordinary Shares	:	44,421,700
	Class of Equity Securities	:	Ordinary shares
	Voting Rights	:	1 vote per share

2. ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 28 AUGUST 2020

Size of shareholdings	No. of shareholders	No. of shares	% of total issued shares
Less than 100 shares	8	296	*
100 to 1,000 shares	736	693,092	1.56
1,001 to 10,000 shares	693	3,137,976	7.06
10,001 to 100,000 shares	165	4,179,600	9.41
100,001 to less than 5% of issued shares	31	13,953,236	31.41
5% and above of issued shares	3	22,457,500	50.56
TOTAL	1,636	44,421,700	100.00

* Negligible

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 28 AUGUST 2020

	Name	No. of shares	% of total issued shares
1.	TBHL Holdings Sdn. Bhd.	12,141,594	27.33
2.	TBHL Holdings Sdn. Bhd.	6,369,606	14.34
3.	Guan Kok Beng	3,946,300	8.88
4.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. (pledged securities account for How Yoke Kam)	2,115,000	4.76
5.	Tan Han Chuan	2,090,200	4.71
6.	Ong Wee Lieh	1,699,700	3.83
7.	Guan Shaw Yin	734,000	1.65
8.	Ang Huat Keat	717,000	1.61
9.	Guan Kim Heng	584,036	1.31
10.	Sing Foong Yin	520,200	1.17
11.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Ho Kok Kiang)	520,000	1.17
12.	Tan See Chye Sdn. Bhd.	478,000	1.08
13.	Ooi Gene Hock	461,400	1.04
14.	Yeoh Phek Leng	380,000	0.86
15.	Alliancegroup Nominees (Tempatan) Sdn Bhd (pledged securities account for Koek Tiang Kung)	361,000	0.81
16.	Loh Sai Eng	356,100	0.80
17.	Yong Ping	331,600	0.75
18.	Public Nominees (Tempatan) Sdn Bhd (pledged securities account for Teoh Thuan Hooi)	286,100	0.64
19.	Charles Ross Mckinnon	227,100	0.51
20.	Ng Park Lim	218,000	0.49
21.	Quan Yew Hwat	191,000	0.43

3. THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 28 AUGUST 2020 (Cont'd)

	Name	No. of shares	% of total issued shares
22.	Leong Shang Ming	185,000	0.42
23.	Maybank Securities Nominees (Tempatan) Sdn Bhd (pledged securities account for Tan Ching Ching)	163,900	0.37
24.	Ooi Leng Hwa	150,000	0.34
25.	Chien Tai Hing	150,000	0.34
26.	Life Enterprise Sdn Bhd	132,000	0.30
27.	Ong Ju Seng	129,000	0.29
28.	Maybank Nominees (Tempatan) Sdn Bhd (pledged securities account for Yong Chew Keat)	120,000	0.27
29.	Maybank Nominees (Tempatan) Sdn Bhd (pledged securities account for Loh Eng Swee)	118,000	0.27
30.	Ng Inn Jwee	110,000	0.25

4. SUBSTANTIAL SHAREHOLDERS AS AT 28 AUGUST 2020

		Direct interest		Deemed interest	
	Name	No. of shares held	% of total issued shares	No. of shares held	% of total issued shares
1.	TBHL Holdings Sdn. Bhd.	18,511,200	41.67	-	-
2.	Guan Kok Beng	3,955,300	8.90	*18,511,200	41.67

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

5. INTEREST OF DIRECTORS AS AT 28 AUGUST 2020

a) Interest in shares of the Company

	Direct Interest		Deemed Interest	
Name	No. of shares held	% of total issued shares	No. of shares held	% of total issued shares
Guan Kok Beng	3,955,300	8.90	*18,511,200	41.67
Guan Shaw Kee	-	-	-	-
Guan Shaw Yin	734,000	1.65	-	-
Sim Yee Fuan	-	-	-	-
Lim Chun Thang	-	-	-	-
Ch'ng Lay Hoon	-	-	-	-

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

b) Interest in shares of related corporations

By virtue of his interest of not less than 20% 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 28 August 2020.

None of the other directors have any interest in the shares of related corporations as at 28 August 2020.

List of Properties

of the Group as at 31 May 2020

	Address/Location	Date of acquisition	Description	Use	Tenure	Approximate age of building	Total land area / approximate built up area (sq. ft.)	Carrying amount
1	1168 Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth	13-05-1995	3 storey office & 1 storey factory	Office, showroom & factory	Freehold	21.5 years	62,140 / 62,600	3,160,797
2	1169 Kampung Teluk, Sungai Dua, Kawasan Perusahaan Sungai Lokan, 13800 Butterworth	7-11-1992	1 storey factory	Factory	Freehold	*26.5 years	69,589 / 40,947	1,227,138
3	No 14 & 16, Lorong Perusahaan Sungai Lokan 3, Taman Perindustrian Baru Butterworth, Sungai Dua, 13800 Butterworth	27-12-1994	2 storey terrace light industrial building	Store	Freehold	22 years	4,368 / 6,218	397,227
4	No 15 Lorong Sungai Lokan 3/2, Sungai Dua, 13800 Butterworth	7-4-1994	2 storey terrace light industrial building	Store	Freehold	23 years	1,920 / 2,880	161,739
5	Lot 14 Jalan Perusahaan, Kawasan Perusahaan Kulim, 09000 Kulim, Kedah	22-3-1995	1 storey factory	Office & factory	Leasehold Expiry : 2080	*23.5 years	86,249 / 38,320	1,376,949
6	No 2 Lorong Bakau 3, Kawasan Perusahaan Perabut Sungai Baong, 14200 Sungai Bakap, Seberang Perai Selatan	24-4-1996	1 storey factory	Office & factory	Freehold	18.5 years	247,420 / 152,163	4,717,971
7	Plot A9 & A10, Furniture Village, Sungai Baong, Seberang Perai Selatan	24-4-1996	Industrial land	Vacant	Freehold	0	238,278	1,657,682
8	No 26, Lorong Perusahaan Sungai Lokan 3, Taman Perindustrian Baru Butterworth, Sungai Dua, 13800 Butterworth	12-11-2007	2 storey terrace light industrial building	Store	Freehold	22 years	2,842 / 3,919	278,853
								12,978,356

Notes :

The Group does not have a formal revaluation policy for its landed properties.

Freehold lands are stated at cost and are not subject to depreciation.
Leasehold land and building are stated at cost less accumulated impairment losses and accumulated depreciation respectively.

* Based on the latest upgrading date of building.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty Fifth (25th) Annual General Meeting ("AGM") of Eurospan Holdings Berhad will be held at Connect II, Lower Ground Floor, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Tuesday, 27 October 2020 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 2020 together with the Reports of the Directors and Auditors thereon.	(Please refer to Note 1)
2.	To approve the payment of Directors' fees of RM323,000 to Directors of the Company and its subsidiaries for the financial year ended 31 May 2020.	Ordinary Resolution 1
3.	To approve the payment of benefits other than Directors' fees of up to RM21,000 to the Directors of the Company from 28 October 2020 until the next Annual General Meeting of the Company.	Ordinary Resolution 2
4.	To re-elect Mr. Guan Shaw Kee, a Director retiring pursuant to Clause 140 of the Company's Constitution and who, being eligible offers himself for re-election.	Ordinary Resolution 3
5.	To re-elect Mr. Guan Shaw Yin, a Director retiring pursuant to Clause 140 of the Company's Constitution and who, being eligible offers himself for re-election.	Ordinary Resolution 4
6.	To re-elect Mr. Lim Chun Thang, a Director retiring pursuant to Clause 140 of the Company's Constitution and who, being eligible offers himself for re-election.	Ordinary Resolution 5
7.	To re-elect Ms. Ch'ng Lay Hoon, a Director retiring pursuant to Clause 140 of the Company's Constitution and who, being eligible offers herself for re-election.	Ordinary Resolution 6
8.	To re-appoint Messrs Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix the Auditors' remuneration.	Ordinary Resolution 7

AS SPECIAL BUSINESS

9. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:-

   Power to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

   "THAT subject always to the Companies Act 2016 ("Act"), Constitution of the Company and approvals of the relevant regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares 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 a general meeting whichever is the earlier." — Ordinary Resolution 8

10. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016.

By order of the Board

Lim Kim Teck
(SSM PRACTISING CERTIFICATE NO. 202008002059)
(MAICSA 7010844)
Company Secretary
Penang

Date : 25 September 2020

NOTES:

1. Audited Financial Statements for the financial year ended 31 May 2020

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

2. Ordinary Resolution No. 2 – Proposed payment of Directors' benefits (excluding Directors' fees)

The Directors' benefits (excluding Directors' fees) comprises the allowances and other benefits. The total estimated amount of Directors' benefits payable is calculated based on the number of scheduled Board's and Board Committees' meetings for the period from 28 October 2020 until the next Annual General Meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

3. Ordinary Resolution No. 8 – Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed resolution, if passed, will grant a renewed general mandate ("Renewed Mandate") and empower the Directors of the Company to issue and allot shares up to an amount not exceeding 10% (ten per centum) of the total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The Renewed Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, capital expenditure, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is considered appropriate to seek shareholders' approval for a Renewed Mandate. This Renewed Mandate unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the 24th Annual General Meeting held on 29 October 2019 which will lapse at the conclusion of the 25th Annual General Meeting.

4. Appointment of Proxy

(1) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.

(2) Subject to Paragraph (3) 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 to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

(3) 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 authorised nominee may appoint in respect of each omnibus account it holds.

(4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

(5) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

5. Members entitled to attend the 25th AGM

Only a Depositor whose name appear in the Record of Depositors as at 20 October 2020 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 25th Annual General Meeting.

Notice of Annual General Meeting (Cont'd)

NOTES: (Cont'd)

6. Administrative matters

(1) Registration will start at 9.00 a.m. and will end at 10.00 a.m. sharp or at such time as directed by the Chairman of the meeting.

(2) In light of the recent COVID-19 pandemic, our Health Officer will conduct a compulsory body temperature screening and hand sanitization at the foyer of the meeting hall before members, proxy holders or invited guests ("Attendees") proceed to the registration counter.

(3) Attendees are required to wear face mask at all times and to sign a health declaration form with contact details for contact tracing, if required.

(4) Attendees with body temperature at 37.5°C and above will not be allowed to enter the meeting hall.

(5) Patient under Investigation and/or Person under Surveillance are not allowed to attend the 25th AGM.

(6) Attendees are required to adhere to all the precautionary measures in place at the venue of the AGM.

(7) Attendees are advised to visit www.mkn.gov.my for further information and/or latest updates, and to abide by the most current regulations at the time when deciding to attend the AGM in person.

Statement Accompanying Notice Of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding Directors who are standing for re-election as stated above) at this forthcoming 25th AGM.

PERSONAL DATA POLICY

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company (and/or its agents/ service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

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EUROSPAN HOLDINGS BERHAD
199501022724 (351927-M)
EST.1972

Proxy Form

For the 25th Annual General Meeting ("AGM")

CDS Account No.	
No. of shares held	

I/We____

[Full name in block and NRIC No. / Registration No.]

of____

[Address]

being a member/members of Eurospan Holdings Berhad, hereby appoint:-

Full Name (in block)	NRIC/Passport/Registration No.	Proportion of Shareholdings	
		No. of Shares	%
and/or (delete as appropriate)			

or failing whom, the Chairman of the meeting as my/our Proxy to vote in my/us name(s) on my/our behalf at the 25th AGM of the Company to be held at Connect II, Lower Ground Floor, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Tuesday, 27 October 2020 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 RM323,000 to Directors of the Company and its subsidiaries for the financial year ended 31 May 2020.	Ordinary Resolution 1		
To approve the payment of benefits other than Directors' fees of up to RM21,000 to the Directors of the Company from 28 October 2020 until the next AGM of the Company.	Ordinary Resolution 2		
To re-elect Mr. Guan Shaw Kee, a Director retiring pursuant to Clause 140 of the Company's Constitution and who, being eligible offers himself for re-election.	Ordinary Resolution 3		
To re-elect Mr. Guan Shaw Yin, a Director retiring pursuant to Clause 140 of the Company's Constitution and who, being eligible offers himself for re-election.	Ordinary Resolution 4		
To re-elect Mr. Lim Chun Thang, a Director retiring pursuant to Clause 140 of the Company's Constitution and who, being eligible offers himself for re-election.	Ordinary Resolution 5		
To re-elect Ms. Ch'ng Lay Hoon, a Director retiring pursuant to Clause 140 of the Company's Constitution and who, being eligible offers herself for re-election.	Ordinary Resolution 6		
To re-appoint Messrs Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix the Auditors' remuneration.	Ordinary Resolution 7		
To empower the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company.	Ordinary Resolution 8		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of specific direction, your proxy may vote or abstain as he thinks fit.

____
Signature of Shareholder(s) / Common Seal

Dated this .... day of……………………….................., 2020.

Notes:-

(1) Only a Depositor whose name appear in the Record of Depositors as at 20 October 2020 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 25th AGM.

(2) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.

(3) Subject to Paragraph (4) 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 to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

(4) 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 authorised nominee may appoint in respect of each omnibus account it holds.

(5) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

(6) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

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Affix Stamp

The Company Secretary
EUROSPAN HOLDINGS BERHAD
Company No. 199501022724 (351927-M)
35, 1st Floor, Jalan Kelisa Emas 1,
Taman Kelisa Emas,
13700 Seberang Jaya, Penang,
Malaysia

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EUROSPAN HOLDINGS BERHAD

199501022724 (351927-M)

1168 Kampung Teluk,
Sungai Dua, Kawasan Perusahaan Sungai Lokan,
13800 Butterworth, Penang, Malaysia.
T : +604 - 356 3727 F : +604 - 356 2441

www.eurospan.com.my