

EUROSPAN HOLDINGS BERHAD (351927-M)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2016

	(Unaudited) 29-Feb-16 RM'000	(Audited) 31-May-15 RM'000
ASSETS		
Property, plant and equipment	22,849	22,720
Other investments	8,621	8,827
Total non-current assets	<u>31,470</u>	<u>31,547</u>
Inventories	13,471	12,128
Trade and other receivables	3,928	4,038
Tax recoverable	267	171
Cash and cash equivalents	8,446	11,823
Total current assets	<u>26,112</u>	<u>28,160</u>
TOTAL ASSETS	<u><u>57,582</u></u>	<u><u>59,707</u></u>
EQUITY		
Share capital	44,421	44,421
Reserves	3,354	2,734
Total equity attributable to owners of the Company	<u>47,775</u>	<u>47,155</u>
LIABILITIES		
Provision for gratuity benefit	1,217	1,139
Deferred tax liabilities	528	307
Total non-current liabilities	<u>1,745</u>	<u>1,446</u>
Borrowings	2,782	3,408
Trade and other payables	5,280	7,698
Total current liabilities	<u>8,062</u>	<u>11,106</u>
Total liabilities	<u>9,807</u>	<u>12,552</u>
TOTAL EQUITY AND LIABILITIES	<u><u>57,582</u></u>	<u><u>59,707</u></u>
Net assets per share (sen)	107.55	106.15

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2015.)

(The notes set out on pages 5 to 9 form an integral part of, and, should be read in conjunction with, this interim financial report.)

EUROSPAN HOLDINGS BERHAD (351927-M)
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 29 FEBRUARY 2016 (UNAUDITED)**

	Individual Quarter		Cumulative Quarters	
	3 months ended 29-Feb-16 RM'000	3 months ended 28-Feb-15 RM'000	9 months ended 29-Feb-16 RM'000	9 months ended 28-Feb-15 RM'000
Continuing operations				
Revenue	11,750	11,903	41,365	41,166
Cost of sales	(9,594)	(10,141)	(33,415)	(34,781)
Gross profit	<u>2,156</u>	<u>1,762</u>	<u>7,950</u>	<u>6,385</u>
Selling and distribution expenses	(509)	(425)	(1,635)	(1,377)
Administrative expenses	(1,669)	(2,000)	(5,064)	(5,358)
Finance costs	(55)	(14)	(186)	(49)
Other operating expenses	112	(37)	(369)	(121)
Other incomes	101	153	364	139
Profit/(Loss) before tax	<u>136</u>	<u>(561)</u>	<u>1,060</u>	<u>(381)</u>
Taxation	(38)	184	(231)	132
Profit/(Loss) after tax for the period	<u>98</u>	<u>(377)</u>	<u>829</u>	<u>(249)</u>
Other comprehensive income for the period	-	-	-	-
Total comprehensive income/(loss) for the period	<u><u>98</u></u>	<u><u>(377)</u></u>	<u><u>829</u></u>	<u><u>(249)</u></u>
Profit/(Loss) attributable to :				
Owners of the Parent	98	(377)	829	(249)
Minority interest	-	-	-	-
Profit/(Loss) after tax for the period	<u><u>98</u></u>	<u><u>(377)</u></u>	<u><u>829</u></u>	<u><u>(249)</u></u>
Total comprehensive income/(loss) attributable to :				
Owners of the Parent	98	(377)	829	(249)
Minority interest	-	-	-	-
Total comprehensive income/(loss) for the period	<u><u>98</u></u>	<u><u>(377)</u></u>	<u><u>829</u></u>	<u><u>(249)</u></u>
Basic earnings/(loss) per ordinary share (sen)	0.22	(0.85)	1.87	(0.56)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2015.)

(The notes set out on pages 5 to 9 form an integral part of, and, should be read in conjunction with, this interim financial report.)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 29 FEBRUARY 2016 (UNAUDITED)**

	Non Distributable				Retained profits/ (Accumulated losses) RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000		
Balance as at 1 June 2014	44,421	8,375	70	-	(5,115)	47,751
Total comprehensive income for the period	-	-	-	-	(249)	(249)
Share option expired/lapsed	-	-	(70)	-	70	-
Balance as at 28 Feb 2015	44,421	8,375	-	-	(5,294)	47,502
Balance as at 1 June 2015	44,421	8,375	-	234	(5,876)	47,154
Total comprehensive income/(loss) for the period	-	-	-	(208)	829	621
Balance as at 29 Feb 2016	44,421	8,375	-	26	(5,047)	47,775

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2015.)

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EUROSPAN HOLDINGS BERHAD (351927-M)
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 29 FEBRUARY 2016 (UNAUDITED)**

	Cumulative Quarters 9 months ended	
	29-Feb-16 RM'000	28-Feb-15 RM'000
Cash flows from operating activities		
Profit before tax	1,060	(381)
Adjustments for :		
Depreciation	1,284	1,201
Fair value loss on derivatives	(67)	845
(Gain)/loss on disposal of property, plant and equipment	(4)	101
Interest expense	45	49
Interest income	(349)	(381)
Property, plant and equipment written off	-	25
Provision for gratuity benefit	78	-
Gain on disposal of other investment	-	(40)
Impairment of other investment	36	-
Gain on foreign exchange - unrealised	(454)	-
Operating profit before working capital changes	<u>1,629</u>	<u>1,419</u>
(Increase)/decrease in inventories	(1,343)	1,145
Decrease/(increase) in receivables	176	(1,077)
Decrease in payables	(2,418)	(2,035)
Cash (used in)/generated from operations	<u>(1,956)</u>	<u>(548)</u>
Income tax paid	(106)	(676)
Interest paid	(45)	(49)
Interest received	349	381
Net cash (used in)/from operating activities	<u>(1,758)</u>	<u>(892)</u>
Cash flows from investing activities		
Purchase of other investments	(38)	(4,093)
Proceeds from disposal of other investments	-	40
Purchase of property, plant and equipment	(1,413)	(2,043)
Proceeds from disposal of property, plant & equipment	4	139
Net cash used in investing activities	<u>(1,447)</u>	<u>(5,957)</u>
Cash flows from financing activities		
Short term borrowing repayment	(539)	(866)
Net cash flows used in financing activities	<u>(539)</u>	<u>(866)</u>
Net decrease in cash and cash equivalents	(3,744)	(7,715)
Effects of changes in exchange rates	367	-
Cash and cash equivalents at beginning of the period	<u>11,823</u>	<u>18,608</u>
Cash and cash equivalents at end of the period	<u><u>8,446</u></u>	<u><u>10,893</u></u>
Cash and cash equivalents at end of the period consist of :		
Short term funds	2,286	5,283
Cash and bank balances	6,160	5,610
	<u><u>8,446</u></u>	<u><u>10,893</u></u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2015.)

(The notes set out on pages 5 to 9 form an integral part of, and, should be read in conjunction with, this interim financial report.)

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 29 FEBRUARY 2016

PART A: REQUIREMENTS OF MFRS 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with MFRS 134, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements of Bursa Malaysia Securities.

This interim financial report should be read in conjunction with the Group's annual audited financial statements for the year ended 31 May 2015. These explanation notes attached to the interim financial report provides an explanation of events and transactions that are significant for an understanding of the financial position and performance of the Group since the financial year ended 31 May 2015.

The accounting policies and methods of computation adopted for the interim financial report is consistent with those adopted by the Group in the audited financial statements for the year ended 31 May 2015, except for the followings :

Effective for annual periods beginning on or after 1 January 2016

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

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in July 2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Amendments to MFRS 7 *Mandatory Date of MFRS 9 and Transition Disclosures*

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

MFRS 15 Revenue from Contracts with Customers

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

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

MFRS 9 Financial Instruments

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

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

A2. Qualification of Financial Statements

The auditors' report of the preceding annual financial statements was not qualified.

A3. Seasonal or Cyclical Factors

The principal business of the Group was not significantly affected by any seasonal or cyclical factors in the current quarter.

A4. Exceptional and Extraordinary Items

There were no material items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

A5. Changes in Estimates

There were no major changes in estimates from those of the prior financial year which have a material effect in the current financial period ended 29 February 2016.

A6. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share-buy-backs, share-cancellations, shares held as treasury shares and resale of treasury shares during the current financial period ended 29 February 2016.

A7. Dividends Paid

No dividends were paid during the current financial period ended 29 February 2016.

A8. Segmental Information

The Group is principally engaged in the manufacturing and trading of furniture and wood-based products. Segmental information has therefore not been prepared as the Group's revenue and operating profit are mainly confined to one business segment.

A9. Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the balance sheet date up to the date of this report.

A10. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial period ended 29 February 2016.

A11. Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at the date of this report.

A12. Capital Commitment

	As at 29-Feb-16 RM'000
Plant and equipment	
- contracted but not provided for	1,205

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 29 FEBRUARY 2016

PART B: REQUIREMENTS OF PART A OF APPENDIX 9B OF THE REVISED LISTING REQUIREMENTS

B1. Review of Performance

Current Quarter

The Group recorded revenue of RM11.75 million for the current quarter ended 29 February 2016 as compared to RM11.90 million in the preceding year corresponding quarter ended 29 February 2015. The Group recorded a profit before tax of RM0.13 million as compared to the loss before tax of RM0.56 million in the preceding year corresponding quarter. The increase in profit before tax was mainly attributable to strengthening of US Dollar against Ringgit Malaysia.

Financial period-to-date

On a cumulative nine months ended 29 February 2016 basis, the Group revenue of RM41.36 million was RM0.19 million or 0.46% higher than the same period in the previous year. The Group registered a profit before tax of RM1.06 million compared to the loss before tax of RM0.38 million in the previous year. The increase in profit before tax was mainly attributable to strengthening of US Dollar against Ringgit Malaysia.

B2. Comparison with Preceding Quarter's Results

The Group recorded revenue of RM11.75 million for the current financial quarter ended 29 February 2016 reflecting a decrease of RM2.33 million or 16.55% compared to the revenue of RM14.08 million in the preceding quarter ended 30 November 2015. The Group registered a profit before tax of RM0.14 million compared to the profit before tax of RM1.39 million in the preceding quarter. The decrease in profit before tax was mainly attributable to lower revenue in this quarter.

B3. Current Year Prospects

Barring any unforeseen changes in the global economic climate and market conditions, the Group will continue to be cautious on the challenge ahead. The management will continue its effort in improving its operating results.

B4. Profit Forecast

Not applicable as the Company did not provide any profit forecast.

B5. Tax Expense

	Individual Quarter		Cumulative Quarters	
	3 months ended 29-Feb-16	3 months ended 28-Feb-15	9 months ended 29-Feb-16	9 months ended 28-Feb-15
Current tax expense				
Malaysia - Current	6	25	10	42
Deferred tax expense				
Malaysia - Current	32	(210)	221	(174)
	<u>38</u>	<u>(185)</u>	<u>231</u>	<u>(132)</u>

The effective tax rates of the Group for the current quarter was higher than the statutory income tax rate due to certain non-allowable expenses for tax purposes whereas it is lower for the financial period ended 29 February 2016 was principally due to availability of businesses losses brought forward.

B6. Status of Corporate Proposal Announced

There were no corporate proposals as at the date of this report.

B7. Group Borrowings and Debt Securities

The group borrowings and debt securities were as follows:

	29-Feb-16 RM'000	28-Feb-15 RM'000
Short term borrowings - unsecured Trust receipt	2,782	2,344

Borrowings are denominated in US Dollars.

B8. Derivative Financial Liabilities

Details of outstanding derivative financial instruments as at 29 February 2016:

Foreign Exchange Forward Contracts :	Value RM'000	Fair Value RM'000	Gain/(Loss) RM'000
Within 1 year			
- Used to hedge trade receivables	11,980	12,056	76
- Used to hedge trade payables	491	481	<u>(10)</u>
			<u>66</u>

Forward foreign exchange contracts are entered into with licensed banks to hedge part of the Group's sales and purchases from exchange rate movements. As the exchange rates are pre-determined under such contracts, the Group is not exposed to any market risk.

B9. Changes in Material Litigation

There were no material litigations pending as at the date of this report.

B10. Dividends

The directors do not recommend the payment of any dividend for the current financial period ended 29 February 2016.

B11. Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarters	
	3 months ended 29-Feb-16	3 months ended 28-Feb-15	9 months ended 29-Feb-16	9 months ended 28-Feb-15
Profit / (Loss) attributable to owners of the parent (RM'000)	98	(377)	829	(249)
Weighted average number of ordinary share in issue ('000)	44,421	44,421	44,421	44,421
Basic earnings / (loss) per share (sen)	0.22	(0.85)	1.87	(0.56)

B12. Additional Disclosures

Included in the condensed consolidated statement of comprehensive income for the period are the followings:

	3 months ended 29-Feb-16 RM'000	3 months ended 28-Feb-15 RM'000	9 months ended 29-Feb-16 RM'000	9 months ended 28-Feb-15 RM'000
Depreciation	433	401	1,284	1,201
Fair value loss / (gain) on derivatives	(565)	155	(67)	794
Net loss / (gain) on foreign exchange - unrealised	(41)	(75)	(454)	(83)
Net loss / (gain) on foreign exchange - realised	486	(250)	869	(530)
Interest expense	17	14	45	49
Interest income	(96)	(89)	(349)	(381)
Impairment on fair value of other investment	21	-	37	-
(Gain)/ Loss on disposal of property, plant and equipment	-	104	(4)	101
(Gain)/ Loss on disposal of other investment	-	1	-	(40)
Property, plant and equipment written off	-	-	-	25
Rental income	(5)	-	(11)	-

B13. Realised and unrealised profits / (accumulated losses)

The breakdown of retained profits/(accumulated losses) of the Group as at the reporting date, into realised and unrealised profit / (accumulated losses) are as follows:

	As at 29-Feb-16 RM'000	As at 31-May-15 RM'000
The retained profits/(accumulated losses) of the Group		
- Realised	20,417	19,701
- Unrealised	(7)	(284)
	<u>20,410</u>	<u>19,417</u>
Less : Consolidation adjustments	(25,457)	(25,293)
	<u>(5,047)</u>	<u>(5,876)</u>

BY ORDER OF THE BOARD

Lim Kim Teck (MAICSA 7010844)
Secretary
Penang
18 April 2016