

EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2016**

	(Unaudited) 30-Nov-16 RM'000	(Audited) 31-May-16 RM'000
ASSETS		
Property, plant and equipment	23,064	23,541
Other investments	7,648	5,654
Total non-current assets	<u>30,712</u>	<u>29,195</u>
Inventories	12,814	13,348
Trade and other receivables	6,113	5,671
Tax recoverable	425	261
Cash and cash equivalents	8,789	10,421
Total current assets	<u>28,141</u>	<u>29,701</u>
TOTAL ASSETS	<u><u>58,853</u></u>	<u><u>58,896</u></u>
EQUITY		
Share capital	44,421	44,421
Reserves	2,482	2,777
Total equity attributable to owners of the Company	<u>46,903</u>	<u>47,198</u>
LIABILITIES		
Provision for gratuity benefit	1,299	1,243
Deferred tax liabilities	74	423
Total non-current liabilities	<u>1,373</u>	<u>1,666</u>
Borrowings	2,798	2,926
Trade and other payables	7,779	7,106
Total current liabilities	<u>10,577</u>	<u>10,032</u>
Total liabilities	<u>11,950</u>	<u>11,698</u>
TOTAL EQUITY AND LIABILITIES	<u><u>58,853</u></u>	<u><u>58,896</u></u>
Net assets per share (sen)	105.59	106.25

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016.)

(The notes set out on pages 5 to 10 form an integral part of, and, should be read in conjunction with, this interim financial report.)

EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2016 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30-Nov-16 RM'000	3 months ended 30-Nov-15 RM'000	6 months ended 30-Nov-16 RM'000	6 months ended 30-Nov-15 RM'000
Continuing operations				
Revenue	13,244	14,081	26,337	29,615
Cost of sales	(10,715)	(10,832)	(21,910)	(23,821)
Gross profit	<u>2,529</u>	<u>3,249</u>	<u>4,427</u>	<u>5,794</u>
Selling and distribution expenses	(758)	(601)	(1,168)	(1,126)
Administrative expenses	(1,821)	(1,856)	(3,445)	(3,395)
Finance costs	(118)	(66)	(161)	(131)
Other operating expenses	(846)	556	(860)	(481)
Other incomes	(282)	106	552	263
(Loss)/Profit before tax	<u>(1,296)</u>	<u>1,388</u>	<u>(655)</u>	<u>924</u>
Taxation	401	(306)	339	(193)
(Loss)/Profit after tax for the period	<u>(895)</u>	<u>1,082</u>	<u>(316)</u>	<u>731</u>
Other comprehensive (loss)/income for the period	<u>(75)</u>	<u>86</u>	<u>21</u>	<u>(148)</u>
Total comprehensive (loss)/income for the period	<u><u>(970)</u></u>	<u><u>1,168</u></u>	<u><u>(295)</u></u>	<u><u>583</u></u>
(Loss)/Profit attributable to :				
Owners of the Parent	(895)	1,082	(316)	731
Minority interest	-	-	-	-
(Loss)/Profit after tax for the period	<u><u>(895)</u></u>	<u><u>1,082</u></u>	<u><u>(316)</u></u>	<u><u>731</u></u>
Total comprehensive (loss)/profit attributable to :				
Owners of the Parent	(970)	1,168	(295)	583
Minority interest	-	-	-	-
Total comprehensive (loss)/profit for the period	<u><u>(970)</u></u>	<u><u>1,168</u></u>	<u><u>(295)</u></u>	<u><u>583</u></u>
Basic (loss)/earnings per ordinary share (sen)	(2.01)	2.44	(0.71)	1.65

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016.)

(The notes set out on pages 5 to 10 form an integral part of, and, should be read in conjunction with, this interim financial report.)

EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2016
(UNAUDITED)**

	<u>Non Distributable</u>				Retained	
	Share	Share	Share	Fair value	profits/ (Accumulated	Total
	capital	premium	option	reserve	losses)	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 June 2015	44,421	8,375	-	234	(5,876)	47,154
Total comprehensive						
(loss)/profit for the period	-	-	-	(148)	731	583
Balance as at 30 Nov 2015	44,421	8,375	-	86	(5,145)	47,737
Balance as at 1 June 2016	44,421	8,375	-	66	(5,664)	47,198
Total comprehensive						
income/(loss) for the period	-	-	-	21	(316)	(295)
Balance as at 30 Nov 2016	44,421	8,375	-	87	(5,980)	46,903

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016.)

(The notes set out on pages 5 to 10 form an integral part of, and, should be read in conjunction with, this interim financial report.)

EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2016 (UNAUDITED)**

	Cumulative Quarters	
	6 months ended	
	30-Nov-16	30-Nov-15
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/profit before tax	(655)	924
Adjustments for :		
Depreciation	876	851
Fair value loss on derivatives	1,027	498
Gain on disposal of property, plant and equipment	-	(4)
Interest expense	32	28
Interest income	(206)	(253)
Property, plant and equipment written off	23	-
Provision for gratuity benefit	56	52
Impairment of other investment	33	16
Gain on foreign exchange - unrealised	(225)	(413)
Operating profit before working capital changes	961	1,699
Decrease in inventories	534	391
Increase in receivables	(461)	(1,198)
Decrease in payables	(335)	(1,498)
Cash (used in)/generated from operations	699	(606)
Income tax paid	(174)	(67)
Interest paid	(32)	(28)
Interest received	206	253
Net cash (used in)/from operating activities	699	(448)
Cash flows from investing activities		
Acquisition of other investments	(2,005)	-
Purchase of property, plant and equipment	(422)	(543)
Proceeds from disposal of property, plant & equipment	-	4
Net cash used in investing activities	(2,427)	(539)
Cash flows from financing activities		
Short term borrowing (repayment)/draw down	(349)	488
Net cash flows (used in)/generated from financing activities	(349)	488
Net decrease in cash and cash equivalents	(2,077)	(499)
Effects of changes in exchange rates	445	467
Cash and cash equivalents at beginning of the period	10,421	11,823
Cash and cash equivalents at end of the period	8,789	11,791
Cash and cash equivalents at end of the period consist of :		
Short term funds	3,382	5,451
Cash and bank balances	5,407	6,340
	8,789	11,791

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016.)

(The notes set out on pages 5 to 10 form an integral part of, and, should be read in conjunction with, this interim financial report.)

EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 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 2016. 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 2016.

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 2016, 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 2017

- Amendments to MFRS 107 *Disclosure Initiative*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*

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*

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16 *Leases*

Effective date yet to be confirmed

- *Amendments to MFRS 10 and MFRS 128 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 impacts to the financial statements of the Group and of the Company upon adoption except as mentioned below:

MFRS 9 Financial Instruments

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in *MFRS 111 Construction Contracts*, *MFRS 118 Revenue*, *IC Interpretation (“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 and the Company are currently assessing the financial impact of adopting *MFRS 15*.

MFRS 16 Leases

The scope of *MFRS 16* includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under *MFRS 117*. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (e.g., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (e.g., the lease liability) and an asset representing the right to use the underlying asset during the lease term (e.g., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today’s accounting under *MFRS 117*. Lessors will continue to classify all leases using the same classification principle in *MFRS 117* and distinguish between two types of leases: operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Group and the Company are currently assessing the financial impact of adopting *MFRS 16*.

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 30 November 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 30 November 2016.

A7. Dividends Paid

No dividends were paid during the current financial period ended 30 November 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 30 November 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

There was no capital commitment as at date of this announcement.

EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 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 RM13.24 million for the current financial quarter ended 30 November 2016 compared to the revenue of RM14.08 million in the preceding year corresponding financial quarter ended 30 November 2015. The Group registered a loss before tax of RM1.30 million compared to the profit before tax of RM1.39 million in the preceding year corresponding financial quarter ended 30 November 2015. The result was mainly due to lower revenue and fair value loss on derivatives of RM1.13 million in the current financial period.

Financial period-to-date

The Group recorded revenue of RM26.33 million for the current financial period ended 30 November 2016 compared to the revenue of RM29.61 million in the preceding year corresponding financial period. The Group registered a loss before tax of RM0.66 million compared to the profit before tax of RM0.92 million in the preceding year corresponding financial period. The result was mainly due to lower revenue and fair value loss on derivatives of RM1 million.

B2. Comparison with Preceding Quarter's Results

The Group recorded revenue of RM13.24 million for the current financial quarter ended 30 November 2016 compared to the revenue of RM13.09 million in the preceding quarter ended 31 August 2016. The Group registered a loss before tax of RM1.30 million compared to the profit before tax of RM0.64 million in the preceding quarter. The result was mainly due to fair value loss on derivatives of RM1.13 million in the current financial period.

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	3 months ended	6 months ended	6 months ended
	30-Nov-16	30-Nov-15	30-Nov-16	30-Nov-15
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian - Current	6	1	10	4
- Prior years	(1)	-	(1)	-
Deferred tax expense				
Malaysian - Current	(399)	305	(341)	189
- Prior years	(7)	-	(7)	-
	<u>(401)</u>	<u>306</u>	<u>(339)</u>	<u>193</u>

The effective tax rate was lower than the statutory tax rate due to reversal of deferred tax.

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:

	30-Nov-16	30-Nov-15
	RM'000	RM'000
Short term borrowings - unsecured Trust receipt	2,798	3,950

Borrowings are denominated in US Dollars.

B8. Derivative Financial Liabilities

Details of outstanding derivative financial instruments as at 30 November 2016:

Foreign Exchange Forward Contracts :	Value	Fair Value	Gain/(Loss)
Within 1 year	RM'000	RM'000	RM'000
- Used to hedge trade receivables	11,614	12,618	(1,004)
- Used to hedge trade payables	656	632	(24)
			<u>(1,028)</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.

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 30 November 2016.

B11. Earnings Per Share

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

	Individual Quarter		Cumulative Quarters	
	3 months	3 months	6 months	6 months
	ended	ended	ended	ended
	30-Nov-16	30-Nov-15	30-Nov-16	30-Nov-15
(Loss)/Profit attributable to owners of the parent (RM'000)	(895)	1,082	(316)	731
Weighted average number of ordinary share in issue ('000)	44,421	44,421	44,421	44,421
Basic (loss)/earnings per share (sen)	(2.01)	2.44	(0.71)	1.65

B12. Additional Disclosures

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

	Individual Quarter		Cumulative Quarters	
	3 months ended 30-Nov-16 RM'000	3 months ended 30-Nov-15 RM'000	6 months ended 30-Nov-16 RM'000	6 months ended 30-Nov-15 RM'000
Depreciation	479	425	876	851
Fair value loss/(gain) on derivatives	1,134	(677)	1,027	498
Net loss/(gain) on foreign exchange - unrealised	158	(169)	(225)	(413)
Net loss/(gain) on foreign exchange - realised	518	374	334	383
Interest expense	17	12	32	28
Interest income	(52)	(111)	(206)	(253)
Impairment on fair value of other investment	33	-	33	16
(Gain)/loss on disposal of property, plant and equipment	-	-	-	(4)
Property, plant and equipment written off	9	-	23	-
Rental income	(4)	(6)	(10)	(6)

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 30-Nov-16 RM'000	As at 31-May-16 RM'000
The retained profits/(accumulated losses) of the Group		
- Realised	20,160	19,739
- Unrealised	(878)	(103)
	<u>19,282</u>	<u>19,636</u>
Less : Consolidation adjustments	<u>(25,262)</u>	<u>(25,300)</u>
	<u>(5,980)</u>	<u>(5,664)</u>

BY ORDER OF THE BOARD

Lim Kim Teck (MAICSA 7010844)
Secretary
Penang
9 January 2017