

EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2018**

	(Unaudited) 31-Aug-18 RM'000	(Audited) 31-May-18 RM'000
ASSETS		
Property, plant and equipment	21,434	21,481
Other investments	7,843	7,373
Total non-current assets	<u>29,277</u>	<u>28,854</u>
Inventories	13,880	11,793
Trade and other receivables	7,561	9,547
Tax recoverable	353	462
Cash and cash equivalents	7,489	6,925
Total current assets	<u>29,283</u>	<u>28,727</u>
TOTAL ASSETS	<u><u>58,560</u></u>	<u><u>57,581</u></u>
EQUITY		
Share capital	52,796	52,796
Reserves	(6,493)	(6,020)
Total equity attributable to owners of the Company	<u>46,303</u>	<u>46,776</u>
LIABILITIES		
Provision for gratuity benefit	1,715	1,475
Borrowings	236	253
Deferred tax liabilities	(27)	155
Total non-current liabilities	<u>1,924</u>	<u>1,883</u>
Borrowings	2,451	596
Trade and other payables	7,882	8,326
Total current liabilities	<u>10,333</u>	<u>8,922</u>
Total liabilities	<u>12,257</u>	<u>10,805</u>
TOTAL EQUITY AND LIABILITIES	<u><u>58,560</u></u>	<u><u>57,581</u></u>
Net assets per share (sen)	104.24	105.30

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2018.)

(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 31 AUGUST 2018 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31-Aug-18 RM'000	3 months ended 31-Aug-17 RM'000	3 months ended 31-Aug-18 RM'000	3 months ended 31-Aug-17 RM'000
Continuing operations				
Revenue	14,823	15,298	14,823	15,298
Cost of sales	(12,061)	(12,753)	(12,061)	(12,753)
Gross profit	<u>2,762</u>	<u>2,545</u>	<u>2,762</u>	<u>2,545</u>
Selling and distribution expenses	(748)	(540)	(748)	(540)
Administrative expenses	(2,187)	(2,047)	(2,187)	(2,047)
Finance costs	(52)	(40)	(52)	(40)
Other operating expenses	(453)	(412)	(453)	(412)
Other incomes	89	764	89	764
Profit before tax	<u>(589)</u>	<u>270</u>	<u>(589)</u>	<u>270</u>
Taxation	174	(92)	174	(92)
Profit after tax for the period	<u>(415)</u>	<u>178</u>	<u>(415)</u>	<u>178</u>
Other comprehensive income for the period	(57)	(78)	(57)	(78)
Total comprehensive income for the period	<u>(472)</u>	<u>100</u>	<u>(472)</u>	<u>100</u>
Profit attributable to :				
Owners of the Parent	(415)	178	(415)	178
Minority interest	-	-	-	-
Profit after tax for the period	<u>(415)</u>	<u>178</u>	<u>(415)</u>	<u>178</u>
Total comprehensive profit attributable to :				
Owners of the Parent	(472)	100	(472)	100
Minority interest	-	-	-	-
Total comprehensive profit for the period	<u>(472)</u>	<u>100</u>	<u>(472)</u>	<u>100</u>
Basic earnings per ordinary share (sen)	(0.93)	0.40	(0.93)	0.40

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2018.)

(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 31 AUGUST 2018 (UNAUDITED)**

	<u>Non Distributable</u>			Retained	
	Share	Share	Fair value	profits/ (Accumulated	Total
	capital	premium	reserve	losses)	
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 June 2017	52,796	-	269	(4,706)	48,359
Transition to no-par value regime on 31 January 2017	-	-	(78)	178	100
Balance as at 31 Aug 2017	52,796	-	191	(4,528)	48,459
Balance as at 1 June 2018	52,796	-	68	(6,089)	46,775
Total comprehensive (loss)/income for the period	-	-	(57)	(415)	(472)
Balance as at 31 Aug 2018	52,796	-	11	(6,504)	46,303

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2018.)

(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 31 AUGUST 2018 (UNAUDITED)**

	Cumulative Quarters	
	3 months ended	
	31-Aug-18	31-Aug-17
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/profit before tax	(589)	270
Adjustments for :		
Depreciation	455	435
Fair value (gain)/loss on derivatives	626	(87)
Interest expense	6	18
Interest income	(82)	(260)
Provision for gratuity benefit	240	30
Gain on foreign exchange - unrealised	(238)	(411)
Operating profit/(loss) before working capital changes	418	(5)
(Increase)/decrease in inventories	(2,087)	158
Decrease in receivables	1,986	150
(Decrease)/increase in payables	(1,070)	521
Cash (used in)/generated from operations	(753)	824
Income tax paid	(37)	(24)
Income tax refunded	138	-
Interest paid	(6)	(18)
Interest received	82	260
Net cash (used in)/generated from operating activities	(576)	1,042
Cash flows from investing activities		
Acquisition of other investments	(528)	(1,389)
Purchase of property, plant and equipment	(408)	(119)
Proceeds from other investments	-	1,941
Net cash (used in)/generated from operating activities	(936)	433
Cash flows from financing activities		
Short term borrowing drawdown/(repayment)	1,807	886
Net repayment of hire purchase payables	(16)	-
Net cash generated from financing activities	1,791	886
Net increase in cash and cash equivalents	279	2,361
Effects of changes in exchange rates	285	384
Cash and cash equivalents at beginning of the period	6,925	10,616
Cash and cash equivalents at end of the period	7,489	13,361
Cash and cash equivalents at end of the period consist of :		
Short term funds	49	3,000
Cash and bank balances	7,440	10,361
	7,489	13,361

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2018.)

(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 31 AUGUST 2018

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 2018. 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 2018.

(A) Adoption of Amendments/Improvements to MFRS

Effective for annual periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments

MFRS 15 Revenue from Contracts with Customers

Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts)

Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures

Amendments to MFRS 140 Investment Property: Transfers of Investment Property

Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12

Disclosure of Interests in Other Entities)

IC Interpretation ("IC Int") 22 Foreign Currency Transactions and Advance Consideration

MFRS 9 Financial Instruments

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

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Three principal classifications categories for financial assets are measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

There were no material impact on the Group's financial assets upon initial application of the new classification and measurement requirements.

MFRS 9 also replaces the incurred loss model in respect of impairment assessment of MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances are measured on either a 12-month ECL or a Lifetime ECL.

There were no material impact on the Group's consolidated financial statements upon application of the forward-looking ECL model.

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.

There was no material impact on the Group's consolidated financial statements upon application of MFRS 15.

(B) Standards Issued But Not Yet Effective

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

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases

Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

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 Int 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for annual periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

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 existing MFRS 4 and Amendments to MFRS 4 will be withdrawn upon the adoption of the new MFRS 17 which will take effect on or after 1 January 2021.

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.

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 31 August 2018.

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 31 August 2018.

A7. Dividends Paid

No dividends were paid during the current financial period ended 31 August 2018.

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 31 August 2018.

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.

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(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2018****PART B: REQUIREMENTS OF PART A OF APPENDIX 9B OF THE REVISED
LISTING REQUIREMENT****B1. Review of Performance**Current Quarter

The Group recorded revenue of RM14.82 million for the current financial quarter ended 31 August 2018 compared to the revenue of RM15.30 million in the preceding year corresponding financial quarter ended 31 August 2017. The Group registered a loss before tax of RM0.59 million compared to a profit before tax of RM0.27 million in the preceding year corresponding financial quarter ended 31 August 2017. The loss before tax was mainly due to product mix.

B2. Comparison with Preceding Quarter's Results

	Current Quarter 31-Aug-2018 RM'000	Immediate Preceding Quarter 31-May-2018 RM'000	Changes Amount RM'000
Revenue	14,823	15,689	(866)
Loss before tax	(589)	(753)	164
Basic loss per ordinary share	(0.93)	(1.17)	0.24

The Group recorded revenue of RM14.82 million for the current financial quarter ended 31 August 2018 compared to the revenue of RM15.69 million in the preceding quarter ended 31 May 2018. The Group registered a loss before tax of RM0.59 million compared to a loss before tax of RM0.75 million in the preceding quarter. The loss before tax was mainly due to product mix.

B3. Current Year Prospects

The Group will continue to be cautious on the challenges ahead. The management will continue its effort in improving its operating results for the financial year ending 31 May 2019.

B4. Profit Forecast

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

B5. Tax Expense

	Individual Quarter		Cumulative Quarters	
	3 months Ended 31-Aug-18 RM'000	3 months Ended 31-Aug-17 RM'000	3 months Ended 31-Aug-18 RM'000	3 months Ended 31-Aug-17 RM'000
Current tax expense				
Malaysia - current	8	13	8	13
Deferred tax expense				
Malaysia – current	(182)	79	(182)	79
	<u>(174)</u>	<u>92</u>	<u>(174)</u>	<u>92</u>

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:

	31-Aug-18 RM'000	31-Aug-17 RM'000
Short term borrowings – unsecured		
Hire Purchase Payables	66	-
Trust receipt	2,385	3,342
	<u>2,451</u>	<u>3,342</u>
Long term borrowings – unsecured		
Hire Purchase Payables	236	-

Hire purchase payables are denominated in Ringgit Malaysia (RM) and trust receipts are denominated in EURO currency.

B8. Derivative Financial Liabilities

Details of outstanding derivative financial instruments as at 31 August 2018:

Foreign Exchange Forward Contracts:	Value	Fair Value	Gain/(Loss)
Within 1 year	RM'000	RM'000	RM'000
- Used to hedge trade receivables	15,596	16,233	(637)
- Used to hedge trade payables	447	458	11
			<u>(626)</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 31 August 2018.

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 Ended 31-Aug-18 RM'000	3 months Ended 31-Aug-17 RM'000	3 months Ended 31-Aug-18 RM'000	3 months Ended 31-Aug-17 RM'000
(Loss)/profit attributable to owners of the parents (RM'000)	(415)	178	(415)	178
Weighted average number of ordinary share in issue ('000)	44,421	44,421	44,421	44,421
Basic (loss)/earnings per share (sen)	(0.93)	0.40	(0.93)	0.40

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 31-Aug-18 RM'000	3 months Ended 31-Aug-17 RM'000	3 months Ended 31-Aug-18 RM'000	3 months Ended 31-Aug-17 RM'000
Depreciation	455	435	455	435
Fair value (gain)/loss on derivatives	626	(87)	626	(87)
Net (gain)/loss on foreign exchange -unrealised	(238)	(411)	(238)	(411)
Net (gain)/loss on foreign exchange – realised	65	412	65	412
Interest expense	6	18	6	18
Interest income	(82)	(260)	(82)	(260)
Rental income	(7)	(6)	(7)	(6)

BY ORDER OF THE BOARD

Lim Kim Teck (MAICSA 7010844)
Secretary
Penang
30 October 2018