

EUROSPAN HOLDINGS BERHAD (351927-M)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2019**

	(Unaudited) 31-Aug-19 RM'000	(Audited) 31-May-19 RM'000
ASSETS		
Property, plant and equipment	20,138	20,585
Total non-current assets	<u>20,138</u>	<u>20,585</u>
Inventories	14,695	16,487
Trade and other receivables	5,234	4,979
Tax recoverable	66	138
Other investments	5,037	4,903
Cash and cash equivalents	11,459	8,425
Total current assets	<u>36,491</u>	<u>34,932</u>
TOTAL ASSETS	<u><u>56,629</u></u>	<u><u>55,517</u></u>
EQUITY		
Share capital	52,796	52,796
Reserves	(9,100)	(9,976)
Total equity attributable to owners of the Company	<u>43,696</u>	<u>42,820</u>
LIABILITIES		
Provision for gratuity benefit	2,486	2,437
Borrowings	167	184
Deferred tax liabilities	248	-
Total non-current liabilities	<u>2,901</u>	<u>2,621</u>
Borrowings	2,174	1,471
Trade and other payables	7,858	8,605
Total current liabilities	<u>10,032</u>	<u>10,076</u>
Total liabilities	<u>12,933</u>	<u>12,697</u>
TOTAL EQUITY AND LIABILITIES	<u><u>56,629</u></u>	<u><u>55,517</u></u>
Net assets per share (sen)	98.37	96.40

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2019.)

(The notes set out on pages 5 to 11 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 2019 (UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31-Aug-19 RM'000	3 months ended 31-Aug-18 RM'000	3 months ended 31-Aug-19 RM'000	3 months ended 31-Aug-18 RM'000
Continuing operations				
Revenue	16,937	14,823	16,937	14,823
Cost of sales	(13,304)	(12,061)	(13,304)	(12,061)
Gross profit	<u>3,633</u>	<u>2,762</u>	<u>3,633</u>	<u>2,762</u>
Selling and distribution expenses	(591)	(748)	(591)	(748)
Administrative expenses	(2,019)	(2,187)	(2,019)	(2,187)
Finance costs	(47)	(52)	(47)	(52)
Other operating expenses	(114)	(453)	(114)	(453)
Other incomes	268	89	268	89
Profit/(loss) before tax	<u>1,130</u>	<u>(589)</u>	<u>1,130</u>	<u>(589)</u>
Taxation	(254)	174	(254)	174
Profit/(loss) after tax for the period	<u>876</u>	<u>(415)</u>	<u>876</u>	<u>(415)</u>
Other comprehensive loss for the period	-	(57)	-	(57)
Total comprehensive income/(loss) for the period	<u><u>876</u></u>	<u><u>(472)</u></u>	<u><u>876</u></u>	<u><u>(472)</u></u>
Profit/(loss) after tax attributable to :				
Owners of the Parent	876	(415)	876	(415)
Minority interest	-	-	-	-
Profit/(loss) after tax for the period	<u><u>876</u></u>	<u><u>(415)</u></u>	<u><u>876</u></u>	<u><u>(415)</u></u>
Total comprehensive income/(loss) attributable to :				
Owners of the Parent	876	(472)	876	(472)
Minority interest	-	-	-	-
Total comprehensive income/(loss) for the period	<u><u>876</u></u>	<u><u>(472)</u></u>	<u><u>876</u></u>	<u><u>(472)</u></u>
Basic earnings/(loss) per ordinary share (sen)	1.97	(0.93)	1.97	(0.93)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2019.)

(The notes set out on pages 5 to 11 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 2019 (UNAUDITED)**

	<u>Non Distributable</u>				
	Share capital	Share premium	Fair value reserve	Accumulated losses	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 June 2018	52,796	-	68	(6,089)	46,775
Total comprehensive loss for the period	-	-	(57)	(415)	(472)
Balance as at 31 Aug 2018	52,796	-	11	(6,504)	46,303
Balance as at 1 June 2019	52,796	-	-	(9,976)	42,820
Total comprehensive income for the period	-	-	-	876	876
Balance as at 31 Aug 2019	52,796	-	-	(9,100)	43,696

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2019.)

(The notes set out on pages 5 to 11 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 2019 (UNAUDITED)**

	Cumulative Quarters 3 months ended	
	31-Aug-19 RM'000	31-Aug-18 RM'000
Cash flows from operating activities		
Profit/(loss) before tax	1,130	(589)
Adjustments for :		
Depreciation	470	455
Fair value loss on derivatives	400	626
Fair value gain on other investment	(129)	-
Interest expense	9	6
Interest income	(82)	(82)
Provision for gratuity benefit	49	240
Gain on foreign exchange - unrealised	(286)	(238)
Operating profit before working capital changes	<u>1,561</u>	<u>418</u>
Decrease/(increase) in inventories	1,792	(2,087)
(Increase)/decrease in receivables	(255)	1,986
Decrease in payables	<u>(1,146)</u>	<u>(1,070)</u>
Cash generated from/(used in) operations	1,952	(753)
Income tax paid	(21)	(37)
Income tax refunded	86	138
Interest paid	(9)	(6)
Interest received	<u>82</u>	<u>82</u>
Net cash generated from/(used in) operating activities	<u>2,090</u>	<u>(576)</u>
Cash flows from investing activities		
Acquisition of other investments	(5)	(528)
Purchase of property, plant and equipment	<u>(23)</u>	<u>(408)</u>
Net cash used in investing activities	<u>(28)</u>	<u>(936)</u>
Cash flows from financing activities		
Short term borrowing drawdown	711	1,807
Net repayment of hire purchase payables	<u>(17)</u>	<u>(16)</u>
Net cash generated from financing activities	<u>694</u>	<u>1,791</u>
Net change in cash and cash equivalents	2,756	279
Effects of changes in exchange rates	278	285
Cash and cash equivalents at beginning of the period	<u>8,425</u>	<u>6,925</u>
Cash and cash equivalents at end of the period	<u><u>11,459</u></u>	<u><u>7,489</u></u>
Cash and cash equivalents at end of the period consist of :		
Short term funds	4,083	49
Cash and bank balances	<u>7,376</u>	<u>7,440</u>
	<u><u>11,459</u></u>	<u><u>7,489</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 2019.)

(The notes set out on pages 5 to 11 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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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019

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 2019. 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 2019.

(A) Adoption of Amendments/Improvements to MFRS

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

MFRS 16 Lease

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 is currently assessing the financial impact of adopting MFRS 16.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019

PART A: REQUIREMENTS OF MFRS 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation (Cont'd)

(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 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 2019.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019**

PART A: REQUIREMENTS OF MFRS 134 INTERIM FINANCIAL REPORTING

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 2019.

A7. Dividends Paid

No dividends were paid during the current financial period ended 31 August 2019.

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 2019.

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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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019

PART B: REQUIREMENTS OF PART A OF APPENDIX 9B OF THE REVISED MAIN MARKET LISTING REQUIREMENT

B1. Review of Performance

Current Quarter

The Group recorded revenue of RM16.94 million for the current financial quarter ended 31 August 2019 compared to the revenue of RM14.82 million in the preceding year corresponding financial quarter ended 31 August 2018. The Group registered a profit before tax of RM1.13 million compared to a loss before tax of RM0.59 million in the preceding year corresponding financial quarter ended 31 August 2018. The higher profit before tax was in tandem with higher revenue recorded in the reporting quarter.

B2. Comparison with Preceding Quarter's Results

	Current Quarter 31-Aug-2019 RM'000	Immediate Preceding Quarter 31-May-2019 RM'000	Changes Amount RM'000
Revenue	16,937	10,846	6,091
Profit/(loss) before tax	1,130	(2,200)	3,330
Basic earnings/(loss) per ordinary share (sen)	1.97	(5.15)	7.12

The Group recorded revenue of RM16.94 million for the current financial quarter ended 31 Aug 2019 compared to the revenue of RM10.85 million in the immediate preceding quarter ended 31 May 2019. The Group registered a profit before tax of RM1.13 million compared to a loss before tax of RM2.20 million in the immediate preceding quarter. The higher profit before tax was in tandem with higher revenue recorded in the reporting quarter.

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 2020.

B4. Profit Forecast

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

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FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019****PART B: REQUIREMENTS OF PART A OF APPENDIX 9B OF THE REVISED MAIN
MARKET LISTING REQUIREMENT****B5. Tax Expense**

	Individual Quarter		Cumulative Quarters	
	3 months Ended 31-Aug-19 RM'000	3 months Ended 31-Aug-18 RM'000	3 months Ended 31-Aug-19 RM'000	3 months Ended 31-Aug-18 RM'000
Current tax expense				
Malaysia - current	6	8	6	8
Deferred tax expense/(credit)				
Malaysia - current	248	(182)	248	(182)
	<u>254</u>	<u>(174)</u>	<u>254</u>	<u>(174)</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-19 RM'000	31-Aug-18 RM'000
Short term borrowings – unsecured		
Hire Purchase Payables	69	66
Trust receipts	<u>2,105</u>	<u>2,385</u>
	<u>2,174</u>	<u>2,451</u>
Long term borrowings – unsecured		
Hire Purchase Payables	<u>167</u>	<u>236</u>

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

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FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019****PART B: REQUIREMENTS OF PART A OF APPENDIX 9B OF THE REVISED MAIN
MARKET LISTING REQUIREMENT****B8. Derivative Financial Liabilities**

Details of outstanding derivative financial instruments as at 31 August 2019:

Foreign Exchange Forward Contracts: Within 1 year	Value RM'000	Fair Value RM'000	Loss RM'000
- Used to hedge trade receivables	19,648	20,055	(407)
- Used to hedge trade payables	801	808	7
			<u>(400)</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 2019.

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-19 RM'000	3 months Ended 31-Aug-18 RM'000	3 months Ended 31-Aug-19 RM'000	3 months Ended 31-Aug-18 RM'000
Profit/(loss) attributable to owners of the parents	<u>876</u>	<u>(415)</u>	<u>876</u>	<u>(415)</u>
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
Weighted average number of ordinary share in issue	<u>44,421</u>	<u>44,421</u>	<u>44,421</u>	<u>44,421</u>
Basic earnings/(loss) per share (sen)	<u>1.97</u>	<u>(0.93)</u>	<u>1.97</u>	<u>(0.93)</u>

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(Incorporated in Malaysia)

AND ITS SUBSIDIARIES**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019****PART B: REQUIREMENTS OF PART A OF APPENDIX 9B OF THE REVISED MAIN
MARKET LISTING REQUIREMENT****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-19 RM'000	3 months Ended 31-Aug-18 RM'000	3 months Ended 31-Aug-19 RM'000	3 months Ended 31-Aug-18 RM'000
Depreciation	470	455	470	455
Fair value loss on derivatives	400	626	400	626
Fair value gain on other investment	(129)	-	(129)	-
Net gain on foreign exchange - unrealised	(286)	(238)	(286)	(238)
Net (gain)/loss on foreign exchange - realised	(50)	65	(50)	65
Interest expense	9	6	9	6
Interest income	(82)	(82)	(82)	(82)
Rental income	(7)	(7)	(7)	(7)

BY ORDER OF THE BOARD

Lim Kim Teck (MAICSA 7010844)
Secretary
Penang
29 October 2019