KRONOSPAN ASIA HOLDINGS LTD

Consolidated Report and Financial Statements

31 December 2015

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Spiros Spyrou (appointed on 30 November 2015)

Petros Sofianos (appointed on 30 November 2015 – resigned on 14 April 2016)

Yianoula Demetriou Michaelides (appointed on 14 April 2016)

SECRETARY

Christina Sarris

REGISTERED OFFICE

Grayoak House
9 Tagmatarchou Pouliou Street
Ayios Andreas, 1101
Nicosia, Cyprus

PRINCIPAL PLACE OF BUSINESS

Grayoak House
9 Tagmatarchou Pouliou Street
Ayios Andreas, 1101
Nicosia, Cyprus

AUDITORS

BDO Ltd
Certified Public Accountants (CY) and Registered Auditors
236 Strovolos Avenue
2048, Nicosia, Cyprus

DIRECTORS' REPORT

The Board of Directors presents its first report and consolidated financial statements for the period 30 November 2015 to 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and sale of wood-based panels and value added products. The holding company is incorporated in Cyprus.

REVIEW OF OPERATIONS

The parent company, Kronospan Asia Holdings Ltd was incorporated in Cyprus on 30 November 2015 as limited liability company under the Cyprus Companies Law, Cap 113. With effect from 28 December 2015, Kronospan Asia Limited and Kronospan HK Limited and their subsidiaries, have been acquired, establishing the Kronospan Asia Holdings Limited Group. The results presented on page 7 include the consolidated results of the newly formed group from 28 December 2015 to 31 December 2015.

To provide a full review of operations, the Board of Directors further present a consolidated Statement of Profit or Loss and Other Comprehensive Income of Kronospan Asia Limited, Kronospan HK Limited and their subsidiaries for the twelve months ended 31 December 2015 and a twelve month comparative for the year ended 31 December 2014 in Appendix 1.

DIRECTORS

The members of the Board of Directors of the Company as at the date of this report are shown on page 3.
Spiros Spyrou and Petros Sofianos were both appointed to the Board of Directors on 30 November 2015. Petros Sofianos subsequently resigned from his position on the Board of Directors on 14 April 2016, and Yianoula Demetriou Michaelides was appointed in his place on the same date.

OUTLOOK

The Group expects the next 12 months to provide further opportunities to improve and will continue to:

- Invest in improvements in product quality and customer service
- Ensure it makes its contribution to safe-guarding and improving the environment and workplace in which it operates
- Invest in cost reduction programmes
- Optimise existing technologies to improve efficiency
- Invest in new technologies and products to increase production capacity

AUDITORS

All of the current directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

9/9/2016

Approved by the Board of Directors
and signed on behalf of the Board

BDO

T +357 22495707
F +357 22495717
nicosia@bdo.com.cy

236 Strovolos Avenue
2048 Strovolos
POBox 25277, 1308 Nicosia
Cyprus
www.bdo.com.cy

Independent auditor's report

To the Members of Kronospan Asia Holdings Ltd

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Kronospan Asia Holdings Ltd (the "Company") and its subsidiaries (together with the Company, the "Group") on pages 7 to 32 which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Kronospan Asia Holdings Ltd as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

As explained in note 2, the transaction for the formation of the group falls under common control transaction and as such outside the scope of IFRS3. In the lack of guidance from IFRS, the Group has prepared its consolidated financial statements following the acquisition accounting principles as it considers that this approach is the most suitable to account for the transaction.

As explained in note 10, the Group has classified its investment in Krono (Beijing) Wood Panels Co Ltd as asset held for sale as the cost of this investment is expected to be recovered through disposal.

Our opinion is not qualified in respect of the above matters.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Group.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Law of 2009 and 2013 on Statutory Audits of Annual and Consolidated Accounts and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

....
Panicos Constantinou
~~Certified Public Accountant~~ and Registered Auditor
for and on behalf of
BDO Ltd
Certified Public Accountants (CY) and Registered Auditors

Nicosia,

9 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 30 November to 31 December 2015

	Note	From 30 November to 31 December 2015 Euro'000
Revenue		-
Gain on bargain purchase	22	2,906
Other operating expenses	3	(15)
Profit from operations	3	2,891
Finance costs		-
Profit before tax		2,891
Income tax credit / (expense)	4	-
Profit for the period		2,891
Other comprehensive income:		
Other comprehensive income for the period, net of tax		-
Total comprehensive profit for the period		2,891

The notes on pages 11 to 32 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	31 December 2015	
		Euro'000	Euro'000
ASSETS			
Non current assets			
Property, plant and equipment	5	22,601	
Intangible assets	6	17,478	
Other long term assets		367	
Total non-current assets			40,446
Current assets			
Inventories	7	6,497	
Trade and other receivables	8	3,095	
Prepayments		778	
Cash and cash equivalents	9	4,940	
Total current assets			15,310
Assets classified as held for sale	10	35,282	
			35,282
TOTAL ASSETS			91,038
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to shareholders of the Company			
Share capital	11	52	
Share premium	11	56,314	
Foreign currency translation reserve		51	
Retained earnings		2,891	
Total equity attributable to shareholders of the Company			59,308
Minority Interest	10		6,253
Total equity			65,561
Non-current liabilities			
Loans financed or underwritten by the shareholders	13	600	
Deferred tax liability	4	24	
Deferred income	15	472	
Total non-current liabilities			1,096
Current liabilities			
Loans financed or underwritten by the shareholders	13	600	
Bank loans and overdrafts	12	3,600	
Trade and other payables	14	5,580	
Current tax payable		161	
Total current liabilities			9,941
Liabilities directly associated with assets classified as held for sale	10	14,440	
			14,440
Total liabilities			25,477
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			91,038

On 9 September 2016 the consolidated financial statements of Kronospan Asia Holdings Ltd were approved by the Board of Directors and authorised for issue.

Signed on behalf of the Board of Directors

Spiros Spyrou
Director

Yianoula Demetriou Michaelides
Director

The notes on pages 11 to 32 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 30 November to 31 December 2015

	Note	From 30 November to 31 December 2015 Euro'000
Cash flows from operating activities		
Profit for the year		2,891
Adjustment for:		
Gain on acquisition of subsidiaries		(2,906)
Cash flow used in operating activities before changes in working capital and provisions		(15)
Increase in trade and other payables		15
Cash generated from operations		-
Interest received		-
Interest paid		-
Income taxes paid		-
Net cash from operating activities		-
Cash flows from investing activities		
Acquisition of subsidiaries (net of cash acquired)		4,940
Net cash from investing activities		4,940
Net increase in cash and cash equivalents		4,940
Cash and cash equivalents at the beginning of the year		-
Cash and cash equivalents at the end of the year	9	4,940
Cash and cash equivalents are represented by:		
Cash in hand and at bank		4,940
Overdrafts		-
		4,940

The notes on pages 11 to 32 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interests	Total Equity
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Changes in equity for 2015							
Balance at 1 January 2015	-	-	-	-	-	-	-
Profit for the period	-	-	-	2,891	2,891	-	2,891
Issue of share capital	52	56,314	-	-	56,366	-	56,366
Other movements	-	-	51	-	51	6,253	6,304
Balance at 31 December 2015	52	56,314	51	2,891	59,308	6,253	65,561

Other movements represent the foreign currency exchange differences arising on the translation of Euro denominated items.

The following describes the nature and purpose of each reserve within shareholders' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Foreign currency translation reserve	Gains / losses arising on re-translating foreign currency to Euro as measurement currency.
Retained earnings	Profit for the year and prior years.

The notes on pages 11 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

1. PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and sale of wood-based panels and value added products. The Holding Company is incorporated in Cyprus.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union, including International Accounting Standards (IAS) and Interpretations issued by the International Accounting Standards Board (IASB), (collectively IFRSs).

The principal accounting policies adopted for dealing with items which are considered material or critical in determining the results for the year and in stating the financial position, are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A complete list of other accounting policies is included in note 24.

The Holding Company was incorporated on 30 November 2015. The subsidiaries were acquired with effect from 28 December 2015. As such, the results presented on page 7 include the consolidated results of the newly formed group from 28 December 2015 to 31 December 2015. The subsidiaries were acquired directly from the Holding Company's shareholder and as such this transaction is a common control combination. It is the Group's policy to account for such transactions using the acquisition method of accounting.

Significant judgements and estimates

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles (GAAP) under IFRS, requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Group evaluates its estimates on an ongoing basis using historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The following paragraphs detail the estimates and judgements the Group believes to have the most significant impact on the annual results under IFRS:

- *Financial instruments valuation methods.* Valuation methods based on the discounting of future cash flows (effective interest method) or alternative methods based on analysis of recent like arms-length transactions or financial performance of the same type of investees are used for estimation of the value of certain categories of financial instruments for which there are no generally available market information that is believed to be reasonable under the circumstances. The methods may require assumptions of the management not supported by data which are generally available. As a result, the valuation method falls under level 3 of the fair value hierarchy. If profit or loss, income and expenses, assets and liabilities change significantly followed by the change of assumptions the respective disclosures are made in the consolidated financial statements.
- *Effective interest method* is used for estimation of fair value of financial instruments and impairment test. For estimation of the fair value of borrowings with fixed rate the interest rate applicable to new instruments with similar credit risk and remaining maturity are used. To determine fair value of other categories of financial instruments and estimation of value in use for impairment test the weighted average cost of the Company's capital (WACC) as at the reporting date is used. The WACC of the Company's capital is determined by the targets set out by the Board of Directors.
- *Provision for doubtful receivables.* At each statement of financial position date, the Group evaluates the collectability of trade receivables to assess whether there is any objective evidence that a provision for impairment is required. These provisions for impairment are based on, amongst other things, insurance cover, comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operational results positively or negatively. Further detail of the level of provisions for doubtful receivables is included in note 8.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant judgements and estimates (continued)

- *Accounting for provisions and contingencies.* The Group is subject to a number of claims that are incidental to the normal conduct of its business. The Group routinely assesses the likelihood of any adverse judgements or outcomes to these matters as well as ranges of probable and reasonable estimated losses.

  Reasonable estimates involve judgement made by management after considering information including notifications, settlements, estimates performed by independent parties and legal counsel, available facts, identification of other potentially responsible parties and their ability to contribute, and prior experience.

  A provision is recognised when it is probable that an obligation exists and where a reliable estimate can be made of the amount of the obligation. The required provision may change in the future due to new developments and as additional information becomes available.

  Where it is only possible that an obligation exists or where the recognition criteria for a provision are not met, a contingent liability is disclosed unless the possibility of transferring economic benefits is remote.

- *Depreciation of property, plant and equipment.* The estimated useful economic lives of property, plant and equipment (PPE) are based on management's judgements and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation that charge is adjusted prospectively.

  Due to the significance of PPE investment to the Group, variations between actual and estimated useful lives could impact operating results either positively or negatively, although few changes to estimated useful lives have been required historically.

- *Impairment of assets.* At each reporting date, the Group is required to assess whether there is any indication that, in management's judgement, the carrying value of tangible or intangible assets may be not be recoverable. If any indication exists, the relevant asset's recoverable value is estimated, being the greater of its value in use and fair value less cost to sell. Where the carrying value exceeds the recoverable value, the asset's carrying value is reduced to the recoverable value.

  An impairment review requires management to make subjective judgements concerning the cash flows, growth rates and discount rates of the cash generating units under review.

  Goodwill and intangible assets with an indefinite life must be tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

  Movements on property, plant and equipment during the year have been included within note 5. Movements on intangible assets during the year have been included within note 6.

Revenue recognition

Revenue represents amounts invoiced for goods sold net of discounts, returns and value added tax. Sales revenue is recognised only when the relevant goods have been delivered, i.e. when the risk and reward has been transferred to the customer.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

All property, plant and equipment is initially recognised at cost. Borrowing costs that are directly attributable to the acquisition, construction or production of property, plant and equipment are capitalised as part of the cost of the property, plant and equipment.

Where property, plant and equipment are to be revalued, they would be subsequently stated at valuation less subsequent depreciation. Any future revaluations of property, plant and equipment would be undertaken in a period not exceeding five years.

Changes in carrying amounts as a result of asset revaluations are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to retained earnings.

The commissioning date of a significant asset, such as a production line, is when the machine commences to produce economic quantities. There will normally be a short period before this when test production is made and this is not considered to represent commissioning.

Depreciation of property, plant and equipment is calculated on a straight-line basis so as to reduce cost or valuation to their estimated residual value over their expected useful lives. The annual depreciation rates applicable are as follows:

Buildings	3.3%
Plant and equipment	5.0% - 6.7%
Vehicles and other	25.0%

Land is not depreciated.

Gains or losses on the disposal of property, plant and equipment are determined as the difference between the sale price (net of selling expenses) and the net book value of the asset at the date of disposal.

Repairs and maintenance costs are charged directly to profit and loss. Costs for significant renovation and improvement of property, plant and equipment are capitalised.

Assets under construction are recorded at the cost incurred in their purchase or manufacture including the cost of financing each project until it is commissioned.

Property, plant and equipment are assessed for impairment at each reporting date as detailed in the description of significant judgements and estimates above.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

3. PROFIT FROM OPERATIONS

	From 30 November to 31 December 2015 Euro'000
Profit from operations is arrived at after charging / (crediting) among others the following:	
Auditors remuneration for the statutory audit of annual accounts	12
Incorporation expenses	3

4. TAXATION

	From 30 November to 31 December 2015	
	Euro'000	Euro'000
Current tax expense		
Corporation tax on profits for the year	-	
Other movements	-	
Total expense		-

The charge for the period can be reconciled to the profit per the statement of profit or loss and other comprehensive income as follows:

	From 30 November to 31 December 2015 Euro'000
Profit before tax	2,891
Tax at the domestic income tax rate (2015: 12.5%)	361
Tax effect of revenues that are not taxable in determining taxable profit	(363)
Tax effect of utilisation of current year tax losses not previously recognised	2
	-

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

4. TAXATION (continued)

Deferred Tax Liability

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the period.

	Revaluation of property, plant and equipment Euro'000	Total Euro'000
At 30 November 2015	-	-
Acquisitions	24	24
At 31 December 2015	24	24

Due to tax losses sustained in the period, no corporation tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following five years.

5. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2015

	Land and buildings Euro'000	Plant and equipment Euro'000	Vehicles and other Euro'000	Construction in progress Euro'000	Total Euro'000
Cost or valuation					
At 30 November 2015	-	-	-	-	-
Acquisition of Subsidiaries	14,208	42,400	1,430	2	58,040
At 31 December 2015	14,208	42,400	1,430	2	58,040
Accumulated depreciation and impairment					
At 30 November 2015	-	-	-	-	-
Acquisition of Subsidiaries	4,385	29,725	1,329	-	35,439
At 31 December 2015	4,385	29,725	1,329	-	35,439
Carrying amount					
At 31 December 2015	9,823	12,675	101	2	22,601

Bank borrowings of Euro 2.1 million (RMB 14.5 million) are secured on the land-use rights and buildings.

As a result of the management reviews during the period ended 31 December 2015 no impairment has been made.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

6. INTANGIBLE ASSETS

As at 31 December 2015

	Goodwill	Land use rights	Other	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Cost				
At 30 November 2015	-	-	-	-
Acquisitions of subsidiaries	13,794	5,172	182	19,148
At 31 December 2015	13,794	5,172	182	19,148
Amortisation				
At 30 November 2015	-	-	-	-
Acquisitions of subsidiaries	-	1,611	59	1,670
At 31 December 2015	-	1,611	59	1,670
Carrying amount				
At 31 December 2015	13,794	3,561	123	17,478

Goodwill arose from the acquisition of Krono (Beijing) Wood Panels Co. Ltd. The goodwill is expected to be recovered through the disposal of the subsidiary (note 10).

7. INVENTORIES

	2015
	Euro'000
Raw materials	2,952
Work in progress	280
Finished products	3,265
	6,497

Inventories valued at Euro 4.6 million include a provision of Euro 1.0 million and are therefore carried at fair value less costs to sell.

8. TRADE AND OTHER RECEIVABLES

	2015
	Euro'000
Trade receivables	2,053
Amounts due from related parties (note 17)	100
Other accounts receivable	942
	3,095

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

8. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are further analysed as follows:

	2015 Euro'000
Gross value	2,155
Impairment	(102)
Net value	**2,053**
Analysis of trade receivables:	
Not due	1,299
Due and not impaired	
- Insured	468
- Not insured	286
	754
- Due 0 - 90 days	472
- Due + 90 days	282
	754
Due and impaired	
- Due 0 - 90 days	86
- Due + 90 days	16
	102
Total	**2,155**

Uninsured trade receivables that are due and not impaired represent balances with customers who have no default history.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

8. TRADE AND OTHER RECEIVABLES (continued)

Amounts due from related parties are further analysed as follows:

	2015 Euro'000
Gross value	100
Impairment	-
Net value	**100**
Analysis of amounts due from related parties :	
Not due	-
Due and not impaired	
- Insured	-
- Not insured	100
	100
- Due 0 - 90 days	100
- Due + 90 days	-
	100
Due and impaired	
- Due 0 - 90 days	-
- Due + 90 days	-
	-
Total	**100**

Uninsured amounts due from related parties that are due and not impaired represent balances with customers who have no default history.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

9. CASH AND CASH EQUIVALENTS

	Cash	Bank overdrafts	Net
	Euro'000	Euro'000	Euro'000
Balance at 30 November 2015	-	-	-
Acquisitions of subsidiaries	4,940	-	4,940
Balance as at 31 December 2015	4,940	-	4,940

10. ASSETS CLASSIFIED AS HELD FOR SALE

Subsequent to the year-end date, Krono (Beijing) Wood Panels Co. Ltd, a subsidiary of the group, received an eviction order to relocate the factory from Beijing by the end of 2016. Following the eviction notice, Kronospan have entered into negotiations with the subsidiary's minority shareholder with a view of disposing the 70% share in the subsidiary.

The assets and liabilities attributable to the subsidiary, which is expected to be disposed of within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The consolidated statement of profit and loss does not include any results of this subsidiary as these are immaterial from acquisition date. Although production has ceased as a result of the eviction notice, the management consider that the Group will recover the full cost of investment (including goodwill paid on acquisition amounting to Euro 13.8 million) through disposal and not from operations.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	2015
	Euro'000
Property, plant and equipment	22,452
Intangible assets	17
Inventories	4,469
Trade and other receivables	6,617
Prepayments	68
Cash at bank and in hand	1,659
Total Assets	**35,282**
Bank loans and overdrafts	1,411
Trade and other payables	12,894
Taxation	135
Total Liabilities	**14,440**
Net Assets	**20,842**
Minority interest	*6,253*

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

11. SHARE CAPITAL

	2015 Number	2015 Euro'000
Authorised ordinary shares of Euro 1,00 each	52,098	52
Issued ordinary shares of Euro 1,00 each	52,098	52
Share premium		56,314

Authorised capital

Under its Memorandum the Group fixed its share capital at 2,000 ordinary shares of nominal value of €1 each. On 14 December 2015, the authorised share capital was increased to 2,098 shares through the creation of 98 new ordinary shares of nominal value Euro 1.00 each.
On 30 December 2015, the authorised share capital was increased to 52,098 shares through the creation of 50,000 new ordinary shares of nominal value Euro 1.00 each.

Issued capital

Upon incorporation on 30 November 2015 the Group issued to the subscribers of its Memorandum of Association 2,000 ordinary shares of Euro 1.00 each at par.
On 14 December 2015, the Group issued a further 98 shares of Euro 1.00 each at a price of Euro 1,000.00 each (premium of Euro 999.00 each).
On 30 December 2015, the Group issued a further 50,000 shares of Euro 1.00 each at a price of Euro 1,125.324 each (premium of Euro 1,124.324 each).

There are no restrictions attaching to the ordinary shares.

12. BANK LOANS AND OVERDRAFTS

	2015 Euro'000
Bank loans and overdrafts	3,600
Less: Instalments due after more than one year	-
Bank loans and overdrafts due within one year	3,600

Bank loans and overdrafts due after more than one year are analysed as follows:

	2015 Euro'000
Instalments due after 1 year but not more than 2 years	-
Instalments due after 2 years but not more than 5 years	-
Instalments due after 5 years	-
	-

Bank loans and overdrafts due within one year are analysed as follows:

	2015 Euro'000
Current portion of long term loans	3,600
Bank overdrafts (note 9)	-
	3,600

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

12. BANK LOANS AND OVERDRAFTS (continued)

The weighted average interest rates paid were as follows:

	2015
	%
Bank loans	6.51%
Bank overdrafts	-

The carrying amount of short and long term borrowings approximate their fair value.

	2015
	Euro'000
Bank loans	3,600
Bank overdrafts	-

Bank borrowings of Euro 2.1 million (RMB 14.50 million) are secured on the corresponding value of land-use rights and buildings of the Group.

Bank borrowings of Euro 1.5 million (RMB 10 million) have been secured against plant and equipment of the Group.

13. LONG TERM LOANS FINANCED OR UNDERWRITTEN BY THE SHAREHOLDERS

	2015
	Euro'000
Total loans	1,200
Less: Instalments due after more than one year	(600)
Loans due within one year	600

Repayment of loans are analysed as follows:

	2015
	Euro'000
Due within 1 year	600
Instalments due after 1 year but not more than 2 years	600
Instalments due after 2 years but not more than 5 years	-
Instalments due after 5 years	-
	1,200

The interest rate on the loan is 3,168%.

The above loan is unsecured.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

14. TRADE AND OTHER PAYABLES

	2015 Euro'000
Trade payables	3,888
Other payables and accruals	1,692
	5,580

Trade and other payables principally comprise amounts outstanding for trade purchases and on-going costs.

The directors consider that the carrying amount of trade payables approximates to their fair value.

15. DEFERRED INCOME

Deferred income primarily relates to a government grant for the purchase of land. The income generated on the transaction has been deferred and is being released to the income statement using a straight-line method over the lease period of 49 years. The details of the transaction are as follows:

	2015 Euro'000
Government grants	472
	472

16. ENVIRONMENTAL POLICY

The Group's environmental policy is to be constantly aware of the environment and to ensure it makes its contribution to safe-guarding and improving the environment and workplace in which it operates.

All investment projects comprise latest technology plant, taking into account up to date environmental standards and regulations applicable in the EU and the country of operation.

It is Group policy not to account for any assets in relation to emission rights certificates held. The Group recognises the value of any surplus emission certificates only upon disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

17. RELATED PARTY TRANSACTIONS

The Company is controlled by Betuva Stiftung, a discretionary, irrevocable foundation registered in Liechtenstein, which itself owns all the assets and is controlled by the foundation board.

The following transactions were carried out with related parties:

Sales of goods and services

	Sale of goods	Sale of services	Amounts owed by related parties
	2015	**2015**	**2015**
	Euro'000	**Euro'000**	**Euro'000**
Other related parties	-	-	100
	-	-	100

Sales of goods and services are made with related parties on an arm's length basis in the normal course of business.

Other related parties represent entities which are under common control of the ultimate controlling party of the Group.

18. STATEMENT OF CASH FLOWS

The following non-cash transactions occurred during this reporting period:

- 50,000 shares of nominal value of Euro 1.00 each were issued at a price of Euro 1,125.324 each, together totalling Euro 56,266,200 in exchange for shares in the Hong Kong Companies, Kronospan Asia Limited and Kronospan HK Limited.

19. CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2015.

20. CAPITAL COMMITMENTS

The Group had no capital or other commitments as at 31 December 2015.

21. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in note 10, there were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

22. ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

With effect from 28 December 2015, Kronospan Asia Limited and Kronospan HK Limited and their subsidiaries, have been acquired, establishing the Kronospan Asia Holdings Limited group.

	2015 Euro'000
Net assets acquired at fair value	
Property, plant and equipment	45,053
Intangible assets	3,701
Other long-term financial assets	367
Inventories	10,966
Trade and other receivables	11,016
Bank balances and cash	6,599
Deferred tax liability	(24)
Other long-term liabilities	(472)
Trade and other payables	(19,312)
Bank and other loans	(6,263)
Fair value of assets acquired	**51,631**
Non-controlling interest	(6,253)
Goodwill (note 6)	13,794
Gain on bargain purchase	(2,906)
Total consideration	**56,266**
Satisfied by:	
Share exchange	(56,266)
Bank overdrafts acquired	-
Bank balances and cash acquired	6,599
Net cash inflow arising on acquisition	**6,599**

The details of the subsidiaries are as follows:

Name	Country of Incorporation	Principal Activities	Shareholding %
Krono (Beijing) Wood Panels Co., Ltd	China	Manufacture and sale of MDF and HDF	70
Krono (Jiangsu) Wood Based Panels Co., Ltd	China	Manufacture and sale of MDF and HDF	100
Krono (Jiangsu) Flooring Co., Ltd	China	Manufacture and sale of laminated flooring, decorative panels and resin	100
Kronospan (Shanghai) Trading Co., Ltd	China	Domestic trade, import and export, commission agency and relevant business for building materials, decorative materials, wood products, machinery and spare parts	100

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

23. RISK MANAGEMENT

General objectives, policies and processes

The Group operates procedures designed to reduce or eliminate financial risk and ensure that funds are available for current and future needs. The policies are approved by the Board and the use of financial instruments is strictly controlled.

Principal financial instruments

A summary of the financial instruments held by category is provided below:

Financial assets

	Loans and receivables
	2015
	Euro'000
Trade, related party and other receivables (excl. prepayments, VAT, corporate and other taxes, social security)	2,995
Cash and cash equivalents	4,940
Other long term assets	367
Total financial assets	**8,302**

Financial liabilities

	Financial liabilities at amortised cost
	2015
	Euro'000
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	5,355
Loans and borrowings	4,800
Other long term liabilities	472
Total financial liabilities	**10,627**

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

23. RISK MANAGEMENT (continued)

Fair value of financial liabilities

Fair values of bank overdrafts, trade and other payables approximate their book value largely due to the short-term maturities of these instruments.

Fair values of bank borrowings and loans financed or underwritten by the shareholders are evaluated by the Group based on interest rates at the financial year end. Based on this evaluation the book values approximate their calculated fair values as bank borrowings and loans financed or underwritten by the shareholders have variable rates.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. The major part of trade receivables is covered by credit insurance. Where credit insurance is not available, or is restricted, Group policies provide the basis for establishing a credit limit for each customer. Customers may also purchase on a pre-payment basis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with acceptable ratings are authorised.

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 8.

	Carrying value	Maximum exposure
	2015	2015
	Euro'000	Euro'000
Trade and other receivables (note 8)	3,095	3,095
Prepayments (suppliers)	778	778
Cash and cash equivalents	4,940	4,940
Other long term assets	367	367
	9,180	9,180

Market risk

(i) *Interest rate risk*

As a result of the relevant portion of floating rate borrowings the Group is exposed to interest rate risk, in particular the risk of variation in national currency and Euro interest rates. Whilst the Group takes steps to minimise its exposure to cash flow interest rate risk, changes in interest rates will have an impact on profit. Management continually monitor interest rate movements to assess the impact that this will have upon interest costs.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

23. RISK MANAGEMENT (continued)

(ii) *Currency risk*

The Group is exposed to foreign exchange risk as a result of fluctuations between the national currency and the Euro. Where possible, income streams in one currency are used to meet payment obligations in the same currency. Group policy allows forward purchase for trade related payable items which are due for payment during the next month.

The following table details the Group's sensitivity to a 5% increase or decrease in the Euro against the relevant local currency which represents management's assessment of the reasonably possible change in foreign exchange rates.

	2015 Euro'000
1. Denominated in foreign currency	
Denominated in USD	
Monetary financial assets	2,548
Monetary financial liabilities	(555)
Net assets	**1,993**
Impact on results	**Gain / (loss)**
5% USD appreciation (Euro depreciation)	100
5% USD depreciation (Euro appreciation)	(100)
Denominated in RMB	
Monetary financial assets	5,435
Monetary financial liabilities	(8,785)
Net liabilities	**(3,350)**
Impact on results	**Gain / (loss)**
5% RMB appreciation (Euro depreciation)	(168)
5% RMB depreciation (Euro appreciation)	168
2. Denominated in Euro	
Monetary financial assets	319
Monetary financial liabilities	(1,288)
Net liabilities	**(969)**

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

23. RISK MANAGEMENT (continued)

Liquidity risk

Group Liquidity risk management aims to ensure that the Group is able to timely obtain the financing required to properly carry on its business activities, implement its strategy, and meet its payment obligations when due, while avoiding the need of having to obtain funding under unfavourable terms.

For this purpose, Liquidity management at the Group comprises:

- consistent financial planning and cash flow forecasting at company levels with different time horizons [monthly, annual and three year business plans];
- diversification of financing sources;
- diversification of the maturities of the debt issued in order to avoid excessive concentration of debt repayments in short periods of time;
- arrangement of committed and uncommitted credit facilities with relationship banks, ensuring the right balance between satisfactory liquidity and adequate commitment fees.

Maturity of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 December 2015	On demand	Less than 12 months	1 - 5 years	> 5 years	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Bank borrowings	-	3,770	-	-	3,770
Loans financed or underwritten by the shareholders	-	636	646	-	1,282
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	-	5,354	-	-	5,354
Other long term liabilities	-	10	51	411	472
	-	9,770	697	411	10,878

Bank and other borrowings include interest calculated at the rate applicable at 31 December.

23. RISK MANAGEMENT (continued)

Capital disclosures

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt (including finance lease liabilities, less cash and cash equivalents) and equity (including loans financed or underwritten by the shareholders).

The Group's strategy is to maintain the debt-to-adjusted capital ratio at below 1:1:

	2015 Euro'000
Total bank debt	3,600
Less cash and cash equivalents	(4,940)
Net debt	**(1,340)**
Total equity	65,561
Plus loans financed or underwritten by the shareholders	1,200
Adjusted capital	**66,761**
Debt to adjusted capital ratio	**(0.02)**

24. OTHER ACCOUNTING POLICIES

Changes in accounting policies

(i) New standards, amendments to published standards and interpretations to existing standards effective in the current financial year adopted by the Company.

There have been no standards adopted by the Group for the first time for the financial year beginning on or after 1 January 2015 that will have a material impact on the Group.

(ii) Standards, amendments and interpretations to published standards not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

Consolidated financial statements

The consolidated financial statements include the consolidated financial statements of the holding company and its subsidiaries which are collectively referred to as the "Group". The results of the companies acquired are accounted for from the date of their acquisition to the date of their disposal. All subsidiaries except excluded subsidiaries have been consolidated using the acquisition method of accounting. Subsidiaries are excluded on the basis of being dormant and not material during the period under review. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-company transactions and balances between group enterprises are eliminated on consolidation.

Where the group has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

24. OTHER ACCOUNTING POLICIES (continued)

Goodwill and other Intangibles

Goodwill is initially measured as the excess of the fair value of consideration over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Intangible assets are shown at cost and are amortised on a straight line basis method over their estimated useful life [normally 5 years], with the exception of land rights, which are amortised over the period these concessions are granted. Intangibles are subject to impairment reviews whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Where the carrying value is more than the recoverable value, the asset's carrying value is reduced to the recoverable value. The annual amortisation rates applicable are as follows:

Land rights	2%
Other	20.0%

Foreign currency transactions

The books and records of the Group companies are maintained in local currency to comply with local legal requirements. However, for the purpose of IFRS Group reporting the Euro was treated as the measurement (functional) currency because of its significance to the operations in the Group. Consequently, the following translation was done:

i) Statement of profit or loss and other comprehensive income items (excluding foreign exchange differences, non-current asset depreciation and disposal expense) were translated into Euro at the average monthly exchange rate for the year
ii) Equity, non-monetary assets and liabilities were re-measured into Euro at historical exchange rates prevailing on the transaction dates. Non-current assets depreciation and disposal expense were re-measured accordingly
iii) All monetary assets and liabilities were translated into Euro at the exchange rate prevailing on the statement of financial position date

All foreign exchange gains or losses resulting from the above translation were credited or debited to the statement of profit or loss and other comprehensive income in accordance with IAS 21.

Taxation

Corporation tax is provided on the taxable profit for the year at the applicable tax rate.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and the timing of the transaction affects neither accounting or taxable profits.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. A deferred tax asset is recognised for tax exemptions and tax credits to the extent that the future tax savings can be reasonably estimated.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

24. OTHER ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value. Materials are valued at cost which consists of purchase price, freight inwards, and customs duties and are decreased by discounts received. The value of materials used and trading goods dispatched is calculated on a weighted average cost basis.

Finished goods produced are valued at the average cost of materials and direct labour plus depreciation of plant and equipment used in production based on the normal level of activity of the Group and a share of production overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and sale. Trading goods are valued at purchase price. Provisions are also made for slow moving and obsolete finished goods and spare parts.

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

(i) *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flow associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised, in other operating expenses, in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 November to 31 December 2015

24. OTHER ACCOUNTING POLICIES (continued)

Financial liabilities

The Group's financial liabilities comprise:

(i) *Bank and other borrowings*

Are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(ii) *Trade payables and other short term liabilities*

Are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Non-GAAP financial measures

In evaluation of our business, we utilise certain non-GAAP financial measures, specifically EBITDA.

EBITDA refers to Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment, Currency translation differences and Deferred grants credited, where Earnings relates to net profit before items considered by management to be outside the ordinary course of business.

APPENDIX 1

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the 12 months ended 31 December 2015

	2015 Euro'000	2014 Euro'000
Revenue	34,556	25,440
Other operating income	1,447	1,073
Changes in inventories of finished goods and work in progress	650	(823)
Raw materials and consumables used	(25,676)	(18,423)
Employee benefit costs	(2,166)	(1,798)
Depreciation and amortisation expense	(2,313)	(1,924)
Other operating expenses	(4,528)	(2,895)
Profit from operations	**1,970**	**650**
Finance income	40	24
Finance costs	(430)	(459)
Profit before tax	**1,580**	**215**
Income tax expense	(218)	(49)
Profit from continuing operations	**1,362**	**166**
Discontinued operations	(6,992)	(4,784)
Net loss for the year	**(5,630)**	**(4,618)**
Other comprehensive income:		
Other comprehensive income for the period, net of tax	-	-
Total comprehensive loss for the period	**(5,630)**	**(4,618)**
Total comprehensive loss attributable to:		
Equity holders of the parent	(3,533)	(3,183)
Non-controlling interests	(2,097)	(1,435)
Total comprehensive loss	**(5,630)**	**(4,618)**

The above represent the historic results of the continuing operations of the group.