

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Corporate information

Ekowood International Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 February 2014.

2. Basis of preparation

These condensed consolidated interim financial statements, for the year ended 31 December 2013, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board and should be read in conjunction with the Group's audited financial statement for the financial year ended 31 December 2013.

3. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December, 2012 except for the following Financial Reporting Standards which take effect from 1 January 2013.

Description	Effective for annual periods beginning on or after
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to FRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013

3. Significant accounting policies (continued)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards - Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

The adoption of the above standards and interpretations did not have material impact on the financial statements upon their initial application.

4. Auditors' report on preceding annual financial statements

The auditors' report of the Group's financial statements for the financial year ended 31 December 2013 was not qualified.

5. Seasonal or cyclical factors

The effects of seasonal or cyclical fluctuations, if any, are explained under Paragraphs 1 and 2 of Part B, i.e. Explanatory Notes Pursuant To Appendix 9B of the Listing Requirements of Bursa Malaysia below.

6. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial quarter ended 31 December 2013.

7. Changes in estimates

There were no changes in estimates that have had a material impact in the current reporting quarter.

8. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 31 December 2013.

9. Dividends paid

There were no dividends paid in respect of the quarter ended 31 December 2013.

10. Segment information

a) Geographical segments

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
12 months					
Year ended					
31 December 2013					
Revenue					
External sales	45,374,072	3,182,118	1,556,251	-	50,112,441
Inter-segment sales	2,708,783		-	(2,708,783)	0
Total revenue	<u>48,082,856</u>	<u>3,182,118</u>	<u>1,556,251</u>	<u>(2,708,783)</u>	<u>50,112,441</u>
Result					
Segment result	(1,145,670)	(1,359,821)	(262,263)	-	(2,767,754)
Finance costs					(706,058)
Taxation					(24,705)
Loss after taxation					<u>(3,498,518)</u>
Non-controlling interests					151,002
Loss for the period					<u>(3,347,516)</u>
Assets					
Segment assets	172,335,324	10,302,235	4,592,812	(42,702,205)	144,528,166
Unallocated assets					1,354,083
Total assets					<u>145,882,249</u>
Liabilities					
Segment liabilities	28,413,938	25,292,770	2,075,799	(31,111,341)	24,671,166
Unallocated liabilities					4,508,136
Total liabilities					<u>29,179,302</u>
Other segment information					
Capital expenditure	476,040	-	-	-	476,040
Depreciation	3,476,684	14,163	531	-	3,491,378
Other material non-cash expenses:					
Impairment loss on inventories	2,525,914	-	-	-	2,525,914

10. Segment information (Continued.)

a) Geographical segments

Revenue by geographical location of customers

	Quarter	Year-to-date
	31.12.2013	31.12.2013
	RM	RM
Asia	880,312	3,909,646
Europe	2,279,235	14,776,736
Malaysia	4,341,312	14,478,149
United States of America	954,744	4,543,540
South-West Pacific	2,665,589	10,603,705
Others	403,329	1,800,666
	<u>11,524,521</u>	<u>50,112,441</u>

b) Business segments

The Group operates in a single industry and accordingly, the financial information by business segments is not presented.

11. Valuations

There were no valuations of property, plant and equipment brought forward from the previous annual financial statements. The property, plant and equipment are stated at their historical cost less accumulated depreciation and impairment losses as at 31 December 2013.

12. Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of the reporting period.

13. Changes in composition of the group

On 16 December 2013, Alden S.A.S.U, a wholly owned-subsiary of the Company commenced a members' voluntary winding-up in accordance with laws in France. The voluntary winding-up will not have any material effect on the net assets and earnings of the Group.

Apart from the above, there were no changes in the composition of the Group during the quarter ended 31 December 2013, including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructurings and discontinuing operations.

14. Capital commitments

There is no material capital commitments not provided for in the financial statements as at 31 December 2013.

15. Changes in contingent liabilities or contingent assets

There were no material changes in contingent liabilities or contingent assets since the last reporting period as at 31 December 2012.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

1. Review of performance

For the current quarter and financial year ended 31 December, 2013, the Group's revenue were RM11.5 million and RM50.1 million respectively compared to the preceding year's corresponding quarter and year of RM10.3 million and RM41.9 million. The Group reported loss before tax for the quarter and financial year of RM1.7 million and RM3.5 million respectively compared to the preceding year's corresponding quarter and year of RM3.5 million and RM6.9 million.

Malaysia

For Q4, 2013, it registered a lower loss before tax compared to preceding year's corresponding quarter. This was mainly attributed to higher sale revenue, lower selling & marketing and other operating expenses.

For the financial year ended 31 December 2013, the reduced loss was attributed to growth in domestic sale.

Europe

For Q4, 2013 it registered a lower loss before tax mainly due to lower impairment on trade receivable.

For the financial year ended 31 December 2013, the improved performance was attributed to improved sale revenue and lower impairment on trade receivable.

United States of America

For Q4, and financial year ended 31 December 2013, sale revenues were lower due to lower demand.

Segment	Sale Volumes (M ²)			
	Q4,2013	Q4,2012	Year 2013	Year 2012
Malaysia				
- Export	62,238	80,693	312,040	323,522
- Local market	18,163	9,311	64,807	41,162
Europe	3,823	3,977	30,278	22,485
USA	3,016	6,079	13,016	18,789

2. Material changes in profit before taxation for the quarter reported as compared with the immediate preceding quarter

Loss before tax of the Group was RM1.7 million for the quarter ended 31 December 2013 compared to a loss of RM0.6 million for the preceding quarter ended 30 September 2013. Despite higher average selling price, Q4 2013 have registered higher loss mainly due to lower sales volume and impairment loss on inventories.

3. Commentary on prospects

The group has made commendable progress in penetrating the Asia (including Australia) and local markets. As a result, the composition of export sales to Europe and USA has gradually declined to about 30% (Q4 2012:48%) compared to increase in Asia and local market sale which contributed to 67% (Q4 2012:48%) of the total revenue.

The Group remains firmly on its track to turnaround the business. However, in view of the uncertainties and continuing weakness in the global market, the Group still expect another challenging year ahead.

4. Profit forecast or profit guarantee

Not applicable as the Group is not involved in any profit guarantee arrangement or published any profit forecast.

5. Loss before tax

The following amounts have been included in arriving at loss before tax:

	As at	
	Quarter	Year-to-date
	31.12.2013	31.12.2013
	RM	RM
Interest expense	184,978	705,782
Depreciation and amortization	847,003	3,491,378
Impairment loss on trade receivables	26,129	26,129
Impairment loss on Inventories	2,525,914	2,525,914
Foreign exchange (gain) / loss		
- realised	(76,603)	(233,066)
- unrealised	69,329	(14,759)
Rental Income	44,048	167,669
Net fair value (gain)/loss on derivative	31,645	51,977

6. Taxation

	Quarter ended		Year-to-date ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM	RM	RM	RM
Current tax:				
Malaysian tax	619	393	5,110	11,935
Foreign tax	-	-	-	-
	<u>619</u>	<u>393</u>	<u>5,110</u>	<u>11,935</u>
Under/(Over) provision in prior years:				
Malaysian tax	-	594	5,514	594
Foreign tax	-	-	-	-
	<u>-</u>	<u>594</u>	<u>5,514</u>	<u>594</u>
Deferred tax:				
Current year	(11,283)	(110,456)	14,373	(26,770)
Under provision in prior year	-	81,018	(292)	81,018
	<u>(11,283)</u>	<u>(29,438)</u>	<u>14,081</u>	<u>54,248</u>
	<u>(10,664)</u>	<u>(28,451)</u>	<u>24,705</u>	<u>66,777</u>

The tax represents mainly tax on rental income and deferred tax liabilities.

7. Corporate proposals

There was no corporate proposal announced at the date of this quarterly report.

8. Group borrowings and debt securities

	As at	
	31.12.2013	31.12.2012
	RM	RM
Short term borrowings		
Unsecured	17,614,950	14,289,283

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 31.12.2013	
	Amount in foreign currencies	Amount in RM equivalent
EURO	402,463	1,815,190
USD	1,115,733	3,654,584
		<u>5,469,774</u>

9. Changes in material litigation

Neither the Company nor any of its subsidiaries is engaged in any material litigation either as plaintiff or defendant as at the date of this report and the Directors do not have any knowledge of any proceeding pending or threatened against the Company or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position of the Company and its subsidiaries.

10. Proposed dividend

The Company did not declare any interim dividend for the current quarter ended 31 December 2013.

11. Earnings per share

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Net loss for the period (RM)	(1,701,668)	(3,094,989)	(3,347,515)	(6,487,491)
Weighted average number of ordinary shares in issue	168,000,000	168,000,000	168,000,000	168,000,000
Basic loss per ordinary share (sen)	<u>(1.01)</u>	<u>(1.84)</u>	<u>(1.99)</u>	<u>(3.86)</u>

b) Diluted earnings per ordinary share

This is not applicable to the Group.

12. Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 February 2014.

PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 31 December 2013 and 31 December 2012 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 31.12.2013 RM	As at 31.12.2012 RM
Total retained profits of the Company and its subsidiaries		
- Realised	7,963,081	11,296,445
- Unrealised	(8,945,456)	(8,757,558)
	<u>(982,375)</u>	<u>2,538,887</u>
Add : Consolidation adjustment	30,039,722	29,865,975
Total Group retained profits as per financial statements	<u><u>29,057,347</u></u>	<u><u>32,404,862</u></u>