

## **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 22 May, 2014.

### **2. Basis of preparation**

These condensed consolidated interim financial statements, for the period ended 31<sup>st</sup> March 2014, 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, 2013 except for the following Financial Reporting Standards which take effect from 1 January 2014.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 January 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 January 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 January 2014

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 is 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 March 2014.

**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 March 2014.

**9. Dividends paid**

There were no dividends paid in respect of the quarter ended 31 March 2014.

## 10. Segment information

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
<b>Revenue</b>					
External sales	8,882,824	552,377	331,938	-	9,767,139
Inter-segment sales	526,291		-	(526,291)	0
Total revenue	<u>9,409,115</u>	<u>552,377</u>	<u>331,938</u>	<u>(526,291)</u>	<u>9,767,139</u>
<b>Result</b>					
Segment result	148,528	(228,812)	(140,152)	-	(220,436)
Finance costs					(182,503)
Loss before taxation					<u>(402,939)</u>
<b>Assets</b>					
Segment assets	168,820,964	8,904,417	4,003,141	(39,514,380)	142,214,141
Unallocated assets					953,528
Total assets					<u>143,167,669</u>
<b>Liabilities</b>					
Segment liabilities	27,989,766	24,052,355	1,632,654	(30,844,774)	22,830,000
Unallocated liabilities					4,096,116
Total liabilities					<u>26,926,116</u>

### Revenue by geographical location of customers

	Quarter 31.3.2014 RM	Year-to-date 31.3.2014 RM
Asia	1,718,811	1,718,811
Europe	1,490,051	1,490,051
Malaysia	2,193,187	2,193,187
United States of America	1,804,510	1,804,510
South-West Pacific	1,986,491	1,986,491
Others	574,089	574,089
	<u>9,767,139</u>	<u>9,767,139</u>

## 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<sup>st</sup> March 2014.

**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-subsiidiary of the Company commenced a members ' voluntary winding-up in accordance with laws in France. On 16 May, 2014, our agent informed that Alden had been dissolved on 31 December, 2013("Date of Dissolution") following the expiration of 3 months grace period from the Date of Dissolution and 30 days from the publication in the Official Journal on 4 April 2014, in accordance with the laws in France.

**14. Capital commitments**

There were no material capital commitments not provided for in the interim financial statements as at 31<sup>st</sup> March 2014.

**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 2013.

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

**1. Review of performance**

For the current quarter, the Group's revenue is RM9.77 million compared to the preceding year's corresponding quarter of RM12.8 million. The loss before tax for the quarter of RM0.4 million is comparable to the preceding year's corresponding quarter loss of RM0.4 million

**Malaysia**

For Q1, 2014, it registered a lower sale revenue mainly due to the delay in local market installation project and lower export sale to European Market.

**Europe**

For Q1, 2014, it registered a lower sale revenue due to lower demand.

**United States of America**

For Q1, 2014, it registered a higher sale but higher loss due to higher discount given to customers.

Segment	Sale Volumes ( M <sup>2</sup> )	
	Q1,2014	Q1,2013
Malaysia		
- Export	63,648	83,088
- Local market	12,521	14,783
Europe	6,555	10,516
USA	3,001	2,144

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

Loss before tax of the Group is RM0.4 million for the quarter ended 31 March 2014 compared to a loss of RM1.3 million for the preceding quarter ended 31 December 2013. Lower loss is attributed to lower operating expenses.

### 3. Commentary on prospects

The Group continues to expand its non traditional export market. The composition of export sales to Europe has gradually declined in line with the growth in the business in emerging markets - Australia, Asia, and local market. Its export sales to European countries make up about 15% (Q1 2013:38%) of the total revenue, whilst the emerging market sales contributed about 66% (Q1 2013:55%) of the total revenue.

Nonetheless, in view of the uncertainties and continuing weakness in the global market, the Group expect another challenging year ahead whilst initiatives are underway to increase the sales revenues.

### 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
	31.3.2014	31.3.2014
	RM	RM
Rental Income	(30,414)	(30,414)
Interest expense	182,503	182,503
Depreciation and amortization	830,730	830,730
Gain on disposal of property, plant and equipment	(212,069)	(212,069)
Foreign exchange gain - realised	(69,211)	(69,211)
- unrealised	(109,951)	(109,951)
Net fair value gain on derivative	(51,814)	(51,814)

## 6. Taxation

	Quarter ended		Year-to-date ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM	RM	RM	RM
Current tax:				
Malaysian tax	82	1,291	82	1,291
Foreign tax	-	-	-	-
	<u>82</u>	<u>1,291</u>	<u>82</u>	<u>1,291</u>
Under/(Over) provision in prior years:				
Malaysian tax	-	-	-	-
Foreign tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax:				
Current year	(7,956)	16,043	(7,956)	16,043
Under provision in prior year	-	(293)	-	(293)
	<u>(7,956)</u>	<u>15,750</u>	<u>(7,956)</u>	<u>15,750</u>
	<u>(7,874)</u>	<u>17,041</u>	<u>(7,874)</u>	<u>17,041</u>

The tax is mainly arisen from deferred tax benefit.

## 7. Corporate proposals

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

## 8. Group borrowings and debt securities

	As at	
	31.3.2014	31.3.2013
	RM	RM
Short term borrowings		
Unsecured	14,856,803	15,918,927
	<u>14,856,803</u>	<u>15,918,927</u>

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 31.3.2014	
	Amount in foreign currencies	Amount in RM equivalent
EURO	179,749	806,911
USD	583,202	1,904,446
		<u>2,711,357</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 March 2014.

## 11. Earnings per share

### a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
Net loss for the period (RM)	(368,546)	(387,738)	(368,546)	(387,738)
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)	(0.22)	(0.23)	(0.22)	(0.23)

### 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 22 May, 2014



**PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES**

The breakdown of the retained profits of the Group as at 31 March 2014 and 31 December 2013 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.

	<b>As at 31.3.2014 RM</b>	<b>As at 31.12.2013 RM</b>
Total retained profits of the Company and its subsidiaries		
- Realised	4,251,004	4,656,634
- Unrealised	(8,893,642)	(8,945,456)
	<u>(4,642,638)</u>	<u>(4,288,822)</u>
Add : Consolidation adjustment	33,326,279	33,341,009
Total Group retained profits as per financial statements	<u><u>28,683,641</u></u>	<u><u>29,052,187</u></u>