

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 18 November, 2014

2. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 September 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.

Description	Effective for annual periods beginning on or after
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 30 September 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 30 September 2014.

9. Dividends paid

There were no dividends paid in respect of the quarter ended 30 September 2014.

10. Segment information

Cumulative Quarter ended 30 September 2014

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
Revenue					
External sales	30,210,360	1,400,673	1,097,364	-	32,708,397
Inter-segment sales	(46,594)	-	-	46,594	-
Total revenue	30,163,767	1,400,673	1,097,364	46,494	32,708,397
Result					
Segment result	(1,100,634)	(595,232)	(251,297)	-	(1,947,163)
Finance costs					(626,118)
Loss before taxation					(2,573,281)
Assets					
Segment assets	172,105,099	8,235,887	4,632,918	(41,493,650)	143,480,254
Unallocated assets					1,072,519
Total assets					144,552,773
Liabilities					
Segment liabilities	33,570,959	22,276,809	2,366,091	(31,087,235)	27,126,624
Unallocated liabilities					4,096,116
Total liabilities					31,222,740

Revenue by geographical location of customers

	Quarter 30.9.2014 RM	Year-to-date 30.9.2014 RM
Asia	986,075	4,015,915
Europe	1,540,752	5,203,916
Malaysia	4,043,147	10,631,231
United States of America	2,196,183	4,910,276
South West Pacific	2,861,005	6,132,830
Others	741,460	1,814,229
Total	12,368,622	32,708,397

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 30 September 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

Alden S.A.S.U, (“Alden”), a wholly-owned subsidiary of the Company has on 17 December 2013 commenced a member’s voluntary winding up in accordance with the laws in France.

On 16 May 2014, we had been informed by our agent in France 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.

14. Capital commitments

There were no material capital commitments not provided for in the interim financial statements as at 30 September 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 was RM12.4 million compared to the preceding year's corresponding quarter of RM13.5 million. The loss before tax ("LBT") for the quarter was RM1.2 million compared to the preceding year's corresponding quarter loss of RM0.6 million.

The Group's revenue for the financial year-to-date was RM32.7 million as compared to the preceding year's corresponding period of RM38.6 million. Revenue for the period under review was lower by 15% against the same period last year. The Group reported higher LBT of RM2.6 million as compared to preceding year's corresponding period LBT of RM1.8 million.

Malaysia

For Q3 2014, and financial year-to-date, it register lower revenue with higher loss as compared to preceding year's corresponding quarters, attributable mainly to lower export sale to Europe and USA market despite improvement in the Asia and domestic market.

Europe

For Q3 2014 and financial year-to-date, it continued to register a lower revenue due to slow recovery in European market. However, the loss has reduced due to lower administrative expenses attributable to closure and down-sizing of European subsidiaries.

United States of America

For Q3 2014, the revenue was lower than previous year. For the financial year to date, it registered higher loss as compared to the preceding year's corresponding period mainly attributed to lower sales volume due to slow down of USA market and higher discount given to customers.

Segment	Sale Volumes (M ²)			
	Q3,2014	Q3,2013	YTD Q3,2014	YTD Q3,2013
Malaysia				
- Export market	56,254	80,888	173,395	249,803
- Local market	20,353	22,086	52,926	46,644
Europe	4,891	5,388	15,571	26,456
USA	2,934	4,835	8,905	10,000

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

The Group's revenue for the quarter under review was RM12.4 million, an increase of 17% from the preceding quarter of RM10.6 million. The Group registered a higher loss of RM1.2 million for the current quarter as compared to loss of RM1.0 million for the preceding quarter mainly due to higher cost of sale, lower exchange gain and allowances for doubtful debts. However, saving was noted in administrative and selling and marketing expenses attributed to the closure and downsizing of overseas subsidiaries.

3. Commentary on prospects

In view of the unexpected subdued growth in the world economy in particular the local and overseas property market for the second half of the year, the group foresee a more challenging business environment which could derail the pick up in the sale revenue in the coming quarters.

Nonetheless, the Group will continue to expand the local market and penetrate non conventional export market when the market remains soft. Going forward, local market will be the biggest contributor to the group revenue, while the composition of export sales to Europe has steadily declined in line with the growth in the business in Australia, Asia, and local market.

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:

	Current Quarter 30.09.2014 RM'000	Cumulative Quarter 30.09.2014 RM'000
Rental income	(28,269)	(88,469)
Interest expense	227,062	626,118
Impairment loss on inventories	-	1,129,108
Depreciation and amortization	824,448	2,481,725
Property, plant and equipment written off	24,960	25,312
Loss/(Gains) on disposal of property, plant and equipment	3,760	(246,300)
Allowance for doubtful debts	200,261	200,261
Write back of allowance for doubtful debts	-	(180,332)
Net foreign exchange (gains)/losses		
- Realised	(10,480)	(273,620)
- Unrealised	81,563	48,669
Net fair value loss/(gains) on derivative	4,886	(68,885)

6. Taxation

	Current Quarter		Cumulative Quarter	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM	RM	RM	RM
Current tax:				
Malaysian income tax	951	2,095	1,340	4,491
Foreign tax	-	-	-	-
(Over)/Under provision in prior year				
Malaysian income tax	-	5,514	-	5,514
Deferred tax:				
Relating to origination and reversal of temporary differences	8,762	148	(114,706)	25,656
Over provision in prior year	-	-	-	(293)
	<u>9,713</u>	<u>7,757</u>	<u>(113,366)</u>	<u>35,368</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

Comprises:

	As at 30.09.2014 RM	As at 31.12.2013 RM
Short term borrowings - unsecured	19,199,457	18,101,974

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 30.9.2014	
	Amount in Foreign currencies	Amount in RM Equivalent
EURO	42,151	175,065
USD	82,557	270,828
Total		<u>445,893</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 30 September 2014.

11. Earnings per share

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
Net loss for the period (RM)	(1,204,916)	(635,647)	(2,429,230)	(1,645,848)
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)	(0.72)	(0.38)	(1.45)	(0.98)

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 18 November, 2014

PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 30 September 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.

	As at 30.9.2014 RM	As at 31.12.2013 RM
Total retained profits of the Company and its subsidiaries		
- Realised	2,637,124	4,656,634
- Unrealised	(8,721,226)	(8,945,456)
	(6,084,102)	(4,288,822)
Less: Consolidation adjustments	32,707,059	33,341,009
Total group retained profits as per financial statements	26,622,957	29,052,187