

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 24th February, 2015.

2. Basis of preparation

These condensed consolidated interim financial statements, for the year ended 31 December 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 31 December 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 December 2014.

9. Dividends paid

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

10. Segment information

Cumulative Quarter ended 31 December 2014

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
Revenue					
External sales	39,830,184	1,776,271	1,421,190	-	43,027,647
Inter-segment sales	624,793	-	-	(624,793)	-
Total revenue	40,454,977	1,776,271	1,421,190	(624,793)	43,027,647
Result					
Segment result	(4,765,103)	(963,838)	(339,587)	-	(6,068,528)
Finance costs					(867,266)
Loss before taxation					(6,935,794)
Assets					
Segment assets	165,776,146	8,305,922	5,167,704	(41,722,819)	137,526,953
Unallocated assets					1,143,467
Total assets					138,670,420
Liabilities					
Segment liabilities	31,370,917	23,048,527	2,842,728	(32,134,515)	25,127,657
Unallocated liabilities					60,033
Total liabilities					25,187,690

Revenue by geographical location of customers

	Quarter 31.12.2014 RM	Year-to-date 31.12.2014 RM
Asia	758,378	4,774,292
Europe	1,547,071	6,750,987
Malaysia	6,192,115	16,823,347
United States of America	1,153,522	6,063,799
South West Pacific	602,547	6,735,377
Others	65,617	1,879,845
Total	10,319,250	43,027,647

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 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 31 December 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.

16. Prior year adjustments

Prior year adjustments relate to overstatement of deferred tax liability. The adjustment has been accounted for retrospectively in the book.

	As previously stated RM	Prior year adjustments -deferred tax benefits RM	As restated RM
Condensed Statement of Financial Position			
As At 1 January 2013			
Deferred tax liabilities	4,255,613	(4,200,257)	55,356
Retained earnings	32,404,862	4,200,257	36,605,119
As At 31 December 2013			
Deferred tax liabilities	4,096,116	(4,036,083)	60,033
Retained earnings	29,052,187	4,036,083	33,088,270
Condensed Statement of Comprehensive Income			
Financial Year Ended 31 December 2013			
Income tax	(29,864)	(164,174)	(194,038)
Profit after tax	(3,503,676)	(164,174)	(3,667,850)
Basic earnings per share	(2.00)	(0.09)	(2.09)

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 RM10.3 million compared to the preceding year's corresponding quarter of RM11.1 million. The loss before tax ("LBT") for the quarter is RM4.4 million compared to the preceding year's corresponding quarter LBT of RM1.7 million.

The Group's revenue for the financial year ended was RM43.0 million which is lower by 13.5% as compared to the preceding year's RM49.7 million. The Group reported higher LBT of RM6.9 million as compared to preceding year's LBT of RM3.5 million.

Malaysia

For Q4 2014, and financial year ended, it registered higher loss due to lower revenue generated as compared to preceding year's corresponding quarters mainly due to lower export sales to Australia, Europe and USA market and intense price competition.

However the good performance of the local market was due to higher project installation and retail sales during the Q4 and financial year ended.

Higher losses recorded in Q4 also due to higher operating expenses arising from impairment loss on trade receivable and inventories.

Europe

For Q4 2014, European market continued to register lower turnover due to slow market recovery and higher other operating expenses incurred for one off expenditure eg. termination of tenancy and employment contracts in line with the downsizing plan.

For the financial year ended, European market registered lower loss despite lower revenue generated from the slow market mainly due to lower administrative expenses resulting from the closure and down-sizing of European subsidiaries.

United States of America

For Q4 2014, the revenue was lower than previous year. For the financial year ended, 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)			
	Q4,2014	Q4,2013	FY – Dec 2014	FY - Dec 2013
Malaysia				
- Export market	37,150	62,238	210,545	312,040
- Local market	29,155	18,163	82,080	64,807
Europe	2,895	3,823	18,466	30,279
USA	2,395	3,016	11,300	13,017

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 RM10.3 million, a decrease of 16.6% from the preceding quarter of RM12.4 million due to the traditional low demand season. The Group registered a higher loss of RM4.4 million for the current quarter as compared to loss of RM1.2 million for the preceding quarter mainly due to impairment loss on inventory and allowances for doubtful debts.

3. Commentary on prospects

Given the uncertain economic outlook in Europe and economic slack in Australia, demand from conventional overseas market will likely to remain lacklustre. Besides, with the growing cautiousness about the investment trend and local property sector outlook amid the intense price competition for the wood product, the group foresee a more challenging business environment in the year ahead.

Nonetheless, the Group will continue to reorganize businesses in Europe and USA markets. It will also further develop key target markets in Philippines, Vietnam and potential markets like India to revive the sale of the Group.

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 31.12.2014 <u>RM'000</u>	Cumulative Quarter 31.12.2014 <u>RM'000</u>
Rental income	(28,280)	(116,749)
Interest expense	241,148	867,266
Impairment loss on inventories	2,658,641	3,787,750
Depreciation and amortization	813,152	3,294,877
Property, plant and equipment written off	762	26,073
Loss/(Gains) on disposal of property, plant and equipment	-	(246,301)
Impairment on trade receivable	938,636	958,565
Net foreign exchange (gains)/losses		
- Realised	(90,271)	(363,891)
- Unrealised	(70,723)	22,054
Net fair value loss/(gains) on derivative	8,705	(60,180)

6. Taxation

	Current Quarter		Cumulative Quarter	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM	RM	RM	RM
		(Restated)		(Restated)
Current tax:				
Malaysian income tax	(26)	5,779	1,314	10,270
Foreign tax	-	-	-	-
(Over)/Under provision in prior year				
Malaysian income tax	(4,794)	-	(4,794)	5,514
Deferred tax:				
Relating to origination and reversal of temporary differences	(76,807)	152,891	(191,513)	178,547
Overprovision in prior year	-	-	-	(293)
	(81,627)	158,670	(194,993)	194,038

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 31.12.2014 RM	As at 31.12.2013 RM
Short term borrowings - unsecured	19,303,287	18,101,974

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 31.12.2014	
	Amount in Foreign currencies	Amount in RM Equivalent
EURO	45,255	192,325
USD	60,484	211,482
Total		<u>403,807</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 2014.

11. Earnings per share

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
		(Restated)		(Restated)
Net loss for the quarter/year (RM)	(4,228,577)	(1,871,001)	(6,657,807)	(3,516,849)
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)	(2.52)	(1.11)	(3.96)	(2.09)

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 24 February, 2015.

PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 31 December 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 31.12.2014 RM	As at 31.12.2013 RM (Restated)
Total retained profits of the Company and its subsidiaries		
- Realised	(1,392,920)	4,656,634
- Unrealised	(5,031,298)	(4,909,372)
	(6,424,218)	(252,738)
Less: Consolidation adjustments	32,854,681	33,341,008
Total group retained profits as per financial statements	26,430,463	33,088,270