

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 20 May, 2015.

2. Basis of preparation

These condensed consolidated interim financial statements, for the year ended 31 March 2015, 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, 2014.

3. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December, 2014 except for the following Financial Reporting Standards which take effect from 1 January 2015.

Description	Effective for annual periods beginning or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 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 2014 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 2015.

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 2015.

9. Dividends paid

There were no dividends paid in respect of the quarter ended 31 March 2015.

10. Segment information

Cumulative Quarter ended 31 March 2015

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
Revenue					
External sales	9,301,957	465,823	379,072	-	10,146,852
Inter-segment sales	2,474,258	-	-	(2,474,258)	-
Total revenue	11,776,215	465,823	379,072	(2,474,258)	10,146,852
Result					
Segment result	333,568	(180,720)	(112,402)	-	40,446
Finance costs					(225,748)
Loss before taxation					(185,302)
Assets					
Segment assets	142,886,449	6,749,184	4,870,919	(30,611,778)	123,894,774
Unallocated assets					1,115,623
Total assets					125,010,397
Liabilities					
Segment liabilities	34,063,420	21,686,890	2,650,037	(29,863,227)	28,537,120
Unallocated liabilities					-
Total liabilities					28,537,120

10. Segment information (continued)

Revenue by geographical location of customers

	Quarter 31.03.2015 RM	Year-to-date 31.03.2015 RM
Asia	1,346,113	1,346,113
Europe	1,309,173	1,309,173
Malaysia	4,651,723	4,651,723
United States of America	2,321,080	2,321,080
South West Pacific	468,882	468,882
Others	49,881	49,881
Total	10,146,852	10,146,852

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 March 2015.

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. Capital commitments

There were no material capital commitments not provided for in the interim financial statements as at 31 March 2015.

14. Contingent liabilities or contingent assets

One of its subsidiary has initiated legal actions against two customers for recovery of the sum of RM2,477,864 being the amount owing for timber sold and services rendered. Arising from the legal actions, one of the said customers have filed counter claims for amount totaling RM11,879,868 for late delivery of work and cost incurred to rectify defects work. Subsequently, the customer has revised their counter claim to RM 1 million due to certain legal technicality. The Group's solicitor is of the view that chance of success for the Company is strong.

Other than the above, there were no other material contingent liabilities or contingent assets.

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 RM10.1 million compared to the preceding year's corresponding quarter of RM9.8 million. The loss before tax ("LBT) for the quarter is RM0.2 million compared to the preceding year's corresponding quarter LBT of RM0.4 million.

Malaysia

For Q1 2015, it registered higher profit due to higher revenue generated as compared to preceding year's corresponding quarter mainly due to higher export sales.

In addition, the good performance in the local market also contributed to better profit due to higher project installation and retail sales during the Q1.

Europe

For Q1 2015, European market continued to register lower turnover due to slow market recovery.

For the quarter ended, European market registered lower loss despite lower revenue generated due to lower administrative expenses resulting from the down-sizing of European subsidiaries.

United States of America

For Q1 2015, the revenue was higher than previous quarter due to higher average selling price arising from the more favourable exchange rate.

Segment	Sale Volumes (M ²)	
	Q1,2015	Q1,2014
Malaysia		
- Export market	43,944	63,648
- Local market	27,842	12,521
Europe	4,555	6,555
USA	2,363	3,001

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 RM10.1 million, a decrease of 1.7% from the preceding quarter of RM10.3 million. It registered a lower loss of RM0.2 million for the current quarter as compared to loss of RM4.2 million for the preceding quarter mainly due to higher gross profit. In Q4, 2014, the Group has made higher impairment for inventories and receivables.

3. Commentary on prospects

Given the uncertain economic outlook in Europe and economic slack in Australia, demand from these conventional overseas market will likely to remain lacklustre.

The Group is foreseeing better growth in the USA market as the economy and housing market there are improving. Renewed efforts in the USA is expected to see larger contributions from this market. Further development of key emerging market in Philippines, Vietnam and potential markets like India have been earmarked and expected to contribute significantly in coming years. With the growing cautiousness on the 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.

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 31.03.2015 <u>RM</u>	Cumulative Quarter 31.03.2015 <u>RM</u>
Interest expense	225,748	225,748
Inventories written down	3,085	3,085
Depreciation and amortization	829,217	829,217
Property, plant and equipment written off	988	988
Loss on disposal of property, plant and equipment	271	271
Impairment on trade receivable	15,641	15,641
Net foreign exchange (gains)/losses		
- Realised	228,520	228,520
- Unrealised	(113,661)	(113,661)
Net fair value gains on derivative	(80,307)	(80,307)

6. Taxation

	Current Quarter		Cumulative Quarter	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM	RM	RM	RM
Current tax:				
Malaysian income tax	(1,000)	82	(1,000)	82
Foreign tax	-	-	-	-
(Over)/Under provision in prior year				
Malaysian income tax	1,000	-	1,000	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(26,113)	(7,956)	(26,113)	(7,956)
Overprovision in prior year	-	-	-	-
	<u>(26,113)</u>	<u>(7,874)</u>	<u>(26,113)</u>	<u>(7,874)</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 31.03.2015 RM	As at 31.03.2014 RM
Short term borrowings - unsecured	20,567,331	14,856,803

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 31.03.2015	
	Amount in Foreign currencies	Amount in RM Equivalent
EURO	33,940	138,236
USD	56,345	211,885
Total		<u>350,121</u>

9. Changes in material litigation

Except those disclosed in contingent liabilities in Note 14 Part A, 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 2015.

11. Earnings per share

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Net profit / (loss) for the period (RM)	(144,031)	(368,546)	(144,031)	(368,546)
Weighted average number of ordinary shares in issue	168,000,000	168,000,000	168,000,000	168,000,000
Basic earning / (loss) per ordinary share (sen)	(0.09)	(0.22)	(0.09)	(0.22)

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 20 May, 2015.

PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 31 March 2015 and 31 December 2014 into realized and unrealized 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 31.03.2015 RM	As at 31.12.2014 RM
Total retained profits of the Company and its subsidiaries		
- Realised	(29,059,548)	(28,463,185)
- Unrealised	(4,384,367)	(4,304,061)
	(33,443,915)	(32,767,246)
Less: Consolidation adjustments	43,707,896	43,175,258
Total group retained profits as per financial statements	10,263,981	10,408,012