

EKOWOOD INTERNATIONAL BERHAD (301735-D)

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2015**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31-12-15 RM	Preceding Year Corresponding Quarter 31-12-14 RM	Current Year Quarter 31-12-15 RM	Preceding Year Corresponding Quarter 31-12-14 RM
Revenue	14,570,991	10,319,250	42,919,850	43,027,647
Cost of sales	<u>(13,366,891)</u>	<u>(8,990,132)</u>	<u>(37,166,916)</u>	<u>(37,641,271)</u>
Gross profit	1,204,100	1,329,118	5,752,934	5,386,376
Other income	968,824	450,335	2,234,925	1,218,801
Other items of expenses				
Administrative expenses	(1,944,567)	(1,430,418)	(7,061,374)	(5,358,653)
Selling and marketing expenses	(540,369)	(322,107)	(1,932,781)	(1,804,869)
Finance costs	(270,435)	(241,148)	(954,520)	(867,266)
Other expenses	<u>(1,274,955)</u>	<u>(4,206,339)</u>	<u>(1,490,488)</u>	<u>(5,568,226)</u>
Loss before tax	(1,857,402)	(4,420,559)	(3,451,304)	(6,993,837)
Income tax	<u>(154,095)</u>	<u>81,627</u>	<u>105,505</u>	<u>194,993</u>
Loss after tax	<u>(2,011,497)</u>	<u>(4,338,932)</u>	<u>(3,345,799)</u>	<u>(6,798,844)</u>
Other comprehensive income/(loss):				
<i>Item that may be recycled to profit or loss:</i>				
Foreign currency translation differences	<u>(891,024)</u>	<u>397,506</u>	<u>1,223,056</u>	<u>(510,338)</u>
	<u>(891,024)</u>	<u>397,506</u>	<u>1,223,056</u>	<u>(510,338)</u>
Total comprehensive income /(loss) for the period	<u>(2,902,521)</u>	<u>(3,941,426)</u>	<u>(2,122,743)</u>	<u>(7,309,182)</u>
Income / (loss) attributable to:				
Owner of the parent	(1,984,007)	(3,995,030)	(3,298,238)	(6,424,259)
Non-controlling interests	<u>(27,490)</u>	<u>(343,902)</u>	<u>(47,561)</u>	<u>(374,585)</u>
	<u>(2,011,497)</u>	<u>(4,338,932)</u>	<u>(3,345,799)</u>	<u>(6,798,844)</u>
Total comprehensive income / (loss) attributable to:				
Owner of the parent	(3,185,019)	(3,465,540)	(1,648,464)	(7,292,364)
Non-controlling interests	<u>282,498</u>	<u>(475,886)</u>	<u>(474,279)</u>	<u>(16,818)</u>
	<u>(2,902,521)</u>	<u>(3,941,426)</u>	<u>(2,122,743)</u>	<u>(7,309,182)</u>
Basic loss per share attributable to owners of the parent				
- sen per share	1.18	2.38	1.96	3.82
Diluted sen	1.18	2.38	1.96	3.82

The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014.

EKOWOOD INTERNATIONAL BERHAD (301735-D)
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE QUARTER ENDED 31 DECEMBER 2015**

	As At 31-12-15 RM	As At 31-12-14 RM
Assets		
Non-current assets		
Property, plant and equipment	37,632,948	41,125,030
Intangible assets	401,783	401,783
Deferred tax assets	849,189	740,631
	<u>38,883,920</u>	<u>42,267,444</u>
Current assets		
Inventories	60,714,749	60,347,499
Trade and other receivables	17,430,123	14,900,317
Prepaid operating expenses	408,010	279,205
Amount due from customers for contract	1,058,096	1,790,941
Taxation recoverable	327,135	342,802
Cash and bank balances	2,791,727	2,308,503
	<u>82,729,840</u>	<u>79,969,267</u>
Total assets	<u>121,613,760</u>	<u>122,236,711</u>
Equity and liabilities		
Current liabilities		
Bank borrowings	18,301,370	19,303,286
Trade and other payables	8,266,443	5,756,403
Derivative liability	-	8,332
	<u>26,567,813</u>	<u>25,068,021</u>
Net current assets	56,162,027	54,901,246
Non-current liabilities	-	-
Total liabilities	<u>26,567,813</u>	<u>25,068,021</u>
Net assets	<u>95,045,947</u>	<u>97,168,690</u>
Equity attributable to owners of the parents		
Share capital	84,000,000	84,000,000
Share premium	3,854,541	3,854,541
Other reserves	2,729,144	1,079,370
Retained earnings	7,109,774	10,408,012
	<u>97,693,459</u>	<u>99,341,923</u>
Non-controlling interests	<u>(2,647,512)</u>	<u>(2,173,233)</u>
Total equity	<u>95,045,947</u>	<u>97,168,690</u>
Total equity and liabilities	<u>121,613,760</u>	<u>122,236,711</u>

The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014.

**CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW
FOR THE QUARTER ENDED 31 DECEMBER 2015**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31-12-15	Preceding Year Corresponding Quarter 31-12-14	Current Year Quarter 31-12-15	Preceding Year Corresponding Quarter 31-12-14
Operating activities				
Loss before tax	(1,857,402)	(4,420,558)	(3,451,304)	(6,993,839)
Adjustment for :				
Depreciation of property, plant & equipment	855,079	813,152	3,358,721	3,294,877
Loss / (Gain) on disposal of property, plant & equipment	-	-	171	(246,301)
Impairment loss on inventories	-	1,030,157	-	2,159,266
Reversal of allowance of doubtful debts	(729,096)	(361,516)	(729,096)	(541,848)
Bad debts written off	24,663	813,791	734,903	813,791
Net fair value loss / (gain) on derivative	-	8,705	(8,332)	(60,180)
Unrealised loss / (gain) on foreign exchange	51,052	(70,723)	(303,426)	(22,054)
Property, plant and equipment written off	208,117	762	210,644	26,074
Impairment loss on trade receivable	653,059	2,372,149	67,418	2,572,410
Inventories written down	13,695	-	20,534	-
Interest expense	270,435	241,148	954,520	867,266
Interest income	53,605	(3,294)	(65)	(3,294)
Operating cash flows before changes in working capital	(456,793)	423,773	854,688	1,866,167
Changes in working capital:				
Decrease / (Increase) in inventories	2,787,675	(1,603,909)	(387,784)	(1,133,711)
(Increase) / Decrease in receivables	(3,323,538)	3,833,328	(2,444,376)	111,066
(Increase) / Decrease in amount due from customers on contract	(324,703)	(801,920)	732,845	(1,078,567)
Increase / (Decrease) in payables	608,165	(1,404,223)	738,715	40,923
Increase / (Decrease) in holding company	463,163	(352,942)	1,896,724	(605,269)
Cash (used in) / generated from operations	(246,031)	94,107	1,390,812	(799,391)
Interest paid	(270,435)	(241,148)	(954,520)	(867,266)
Taxation	6,264	10,680	12,615	(11,570)
Interest received	(53,605)	3,294	65	3,294
Net cash (used in) / generated from operating activities	(563,807)	(133,067)	448,972	(1,674,933)
Investing activities				
Withdrawal of deposits	-	(1,498)	65,949	3,859
Purchase of property, plant & equipment	(24,543)	(74,608)	(195,308)	(309,438)
Proceeds from disposal of property, plant & equipment	-	-	100	722,200
Net cash (used in) / generated from investing activities	(24,543)	(76,106)	(129,259)	416,621
Financing Activities				
Net drawdown / (repayment) of bankers' acceptances	1,407,000	(2,875,000)	(862,000)	5,075,000
Net repayment of foreign currency trade credit	27,150	1,855,826	(136,848)	(3,117,520)
(Repayment) / Drawdown of revolving credits	(500,000)	500,000	200,000	(300,000)
Net cash generated from / (used in) financing activities	934,150	(519,173)	(798,848)	1,657,480
Net increase / (decrease) in cash and cash equivalents	345,800	(728,349)	(479,135)	399,168
Cash and cash equivalents at beginning of period	1,980,010	1,040,235	705,075	813,219
Effect of exchange rate differences	(884,460)	393,187	1,215,410	(507,315)
Cash and cash equivalents at end of period	1,441,350	705,073	1,441,350	705,072

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, 2016.

2. Basis of preparation

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

9. Dividends paid

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

10. Segment information

Cumulative Quarter ended 31 December 2015

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
Revenue					
External sales	38,698,226	2,450,434	1,771,190	-	42,919,850
Inter-segment sales	2,372,026	-	-	(2,372,026)	-
Total revenue	41,070,252	2,450,434	1,771,190	(2,372,026)	42,919,850
Result					
Segment result	982,414	(1,497,239)	(1,981,959)	-	(2,496,784)
Finance costs					(954,520)
Loss before taxation					(3,451,304)
Assets					
Segment assets	149,579,418	6,922,013	3,799,346	(39,863,341)	120,437,436
Unallocated assets					1,176,324
Total assets					121,613,760
Liabilities					
Segment liabilities	32,919,024	25,617,526	2,846,493	(34,815,230)	26,567,813
Unallocated liabilities					-
Total liabilities					26,547,813

10. Segment information (continued)

Revenue by geographical location of customers

	Quarter 31.12.2015 RM	Year-to-date 31.12.2015 RM
Asia	579,222	4,723,491
Europe	2,523,432	7,809,896
Malaysia	4,939,196	14,127,419
United States of America	3,920,938	9,512,533
South West Pacific	2,400,992	6,368,297
Others	207,210	378,214
Total	14,570,990	42,919,850

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 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 December 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, the said customers have filed counter claims for amount totaling RM1 million for late delivery of work and cost incurred to rectify defects work. However, its subsidiary reached an amicable settlement with both customers during last quarter.

Other than the above, there were no other material contingent liabilities or contingent assets since the last annual balance sheet date.

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 RM14.6 million compared to the preceding year's corresponding quarter of RM10.3 million. Loss before tax ("LBT") for the quarter was RM1.9 million lower than the preceding year's corresponding quarter LBT of RM4.4 million.

The Group's revenue for the financial year ended 31 Dec 2015 was RM42.9 million as compared to preceding year's RM43 million. The Group reported LBT of RM3.5 million as compared to preceding year's LBT of RM7.0 million.

In 2014, there were impairment on inventories of RM 2.1 million and trade receivables of RM2.4 million respectively.

Malaysia

For Q4 2015, it registered a higher export revenue as overseas demand picked up compared to previous corresponding quarter. However, local market recorded a lower retail and project installations due to slow down in the local property market. As compared to previous corresponding quarter it registered a profit due to higher export.

For the financial year ended 31 Dec 2015, export sales remained flat and local sales was lower. However, loss was also lower as compared to preceding year's due to one-off impairment loss on inventories and trade receivables in preceding year.

Europe

For Q4 2015, sale improved but higher loss was registered as compared with preceding year's corresponding quarter due to one-off lay off compensation expenses. Nevertheless, for financial year ended 31 Dec 2015, it registered lower sales, therefore higher loss as compared to last year.

United States of America

For Q4 2015 and financial year ended 31 Dec 2015, revenue was higher. However, it registered higher loss as compared with preceding year's corresponding quarter and financial year attributable to lower average price obtained and stronger USD exchange rate.

Segment	Sale Volumes (M ²)			
	Q4,2015	Q4,2014	YTD 2015	YTD 2014
Malaysia				
- Export market	77,978	37,150	231,984	210,545
- Local market	17,709	29,155	68,508	82,080
Europe	4,817	2,895	21,875	18,466
USA	11,942	2,395	19,044	11,300

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 RM14.6 million, an increase of 43.5% from the preceding quarter of RM10.2 million. However, it registered a higher loss of RM1.8 million as compared to loss of RM1.2 million for the preceding quarter due to higher other operating expenses mainly on impairment of receivables.

3. Commentary on prospects

Demands in both local and international market were sluggish during the first half of the year 2015. We experienced a strengthening of demand in the second half of 2015 and expect similar improvement in the coming quarters.

Improved demand is coming from Australia and USA but demand in Europe remains weak with pricing remaining very competitive. Asian demand remains weak throughout mainly due to competition from local and Chinese manufacturers.

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 31.12.2015 <u>RM'000</u>	Cumulative Quarter 31.12.2015 <u>RM'000</u>
Interest expense	270,435	954,520
Inventories written down	13,695	20,534
Depreciation and amortization	855,079	3,358,721
Property, plant and equipment written off	208,117	210,644
Loss on disposal of property, plant and equipment	-	171
Reversal of allowance for impairment on trade receivable	(76,037)	(661,678)
Net foreign exchange gains		
- Realised	(149,608)	(871,207)
- Unrealised	51,052	(303,426)
Net fair value gain on derivative	-	(8,332)

6. Taxation

	Current Quarter		Cumulative Quarter	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM	RM	RM	RM
Current tax:				
Malaysian income tax	1,548	(26)	2,053	1,314
Foreign tax	-	-	-	-
(Over)/Under provision in prior year				
Malaysian income tax	-	(4,794)	1,000	(4,794)
Deferred tax:				
Relating to origination and reversal of temporary differences	152,547	(76,807)	(108,558)	(191,513)
Overprovision in prior year	-	-	-	-
	<u>154,095</u>	<u>(81,627)</u>	<u>(105,505)</u>	<u>(194,993)</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 31.12.2015 RM	As at 31.12.2014 RM
Short term borrowings - unsecured	18,301,370	19,303,286

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 31.12.2015	
	Amount in Foreign currencies	Amount in RM Equivalent
AUD	39,450	123,900
EURO	9,056	42,472
USD	27,626	118,613
Total		<u>284,985</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 December 2015.

11. Earnings per share

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Net loss for the period (RM)	(1,984,007)	(3,995,030)	(3,298,238)	(6,424,259)
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)	1.18	2.38	1.96	3.82

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, 2016.

PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 31 December 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 31.12.2015 RM	As at 31.12.2014 RM
Total retained profits of the Company and its subsidiaries		
- Realised	(28,931,159)	(28,463,185)
- Unrealised	(4,348,429)	(4,304,060)
	(33,279,588)	(32,767,245)
Less: Consolidation adjustments	40,389,362	43,175,257
Total group retained profits as per financial statements	7,109,774	10,408,012