

EKOWOOD INTERNATIONAL BERHAD (301735-D)

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2016**

	Individual Quarter Current Year Quarter 31-12-16 RM	Preceding Year Corresponding Quarter 31-12-15 RM	Cumulative Quarter Current Year Quarter 31-12-16 RM	Preceding Year Corresponding Quarter 31-12-15 RM
Revenue	12,612,027	14,571,489	52,150,448	42,920,348
Cost of sales	<u>(10,369,535)</u>	<u>(12,893,067)</u>	<u>(46,110,606)</u>	<u>(36,693,092)</u>
Gross profit	2,242,492	1,678,422	6,039,842	6,227,256
Other income	675,916	971,220	1,329,946	2,237,321
Other items of expenses				
Administrative expenses	(1,358,694)	(1,958,635)	(5,121,297)	(7,075,442)
Selling and marketing expenses	(650,569)	(540,370)	(2,087,494)	(1,932,782)
Finance costs	(242,154)	(270,435)	(967,182)	(954,520)
Other expenses	<u>(855,349)</u>	<u>(1,323,394)</u>	<u>(836,877)</u>	<u>(1,538,927)</u>
Profit / (Loss) before tax	(188,358)	(1,443,192)	(1,643,062)	(3,037,094)
Income tax	<u>58,990</u>	<u>(523,081)</u>	<u>90,447</u>	<u>(263,481)</u>
Profit / (Loss) after tax	<u>(129,368)</u>	<u>(1,966,273)</u>	<u>(1,552,615)</u>	<u>(3,300,575)</u>
Other comprehensive income/(loss):				
<i>Item that may be recycled to profit or loss:</i>				
Foreign currency translation differences	261,069	(976,655)	(23,908)	1,137,425
	<u>261,069</u>	<u>(976,655)</u>	<u>(23,908)</u>	<u>1,137,425</u>
Total comprehensive income /(loss) for the period	<u>131,701</u>	<u>(2,942,928)</u>	<u>(1,576,523)</u>	<u>(2,163,150)</u>
Income / (loss) attributable to:				
Owner of the parent	(126,170)	(1,937,641)	(1,566,426)	(3,251,872)
Non-controlling interests	<u>(3,198)</u>	<u>(28,632)</u>	<u>13,811</u>	<u>(48,703)</u>
	<u>(129,368)</u>	<u>(1,966,273)</u>	<u>(1,552,615)</u>	<u>(3,300,575)</u>
Total comprehensive income / (loss) attributable to:				
Owner of the parent	481,619	(3,006,663)	(1,545,909)	(1,470,108)
Non-controlling interests	<u>(349,918)</u>	<u>63,735</u>	<u>(30,614)</u>	<u>(693,042)</u>
	<u>131,701</u>	<u>(2,942,928)</u>	<u>(1,576,523)</u>	<u>(2,163,150)</u>
Basic loss per share attributable to owners of the parent				
- sen per share	0.08	1.15	0.93	1.94
Diluted sen	0.08	1.15	0.93	1.94

The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015.

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

**CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE QUARTER ENDED 31 DECEMBER 2016**

	As At 31-12-16 RM	As At 31-12-15 RM
Assets		
Non-current assets		
Property, plant and equipment	34,615,037	37,632,948
Intangible assets	401,783	401,783
Deferred tax assets	580,280	480,204
	<u>35,597,100</u>	<u>38,514,935</u>
Current assets		
Inventories	63,763,837	61,062,067
Trade and other receivables	17,682,084	18,571,097
Prepaid operating expenses	418,509	408,009
Amount due from customers for contract	-	221,321
Tax recoverable	336,901	327,135
Cash and bank balances	1,568,249	2,791,727
	<u>83,769,580</u>	<u>83,381,356</u>
Total assets	<u>119,366,680</u>	<u>121,896,291</u>
Equity and liabilities		
Current liabilities		
Bank borrowings	17,778,284	18,301,370
Trade and other payables	7,685,907	8,589,381
Amount due to customers for contract	473,472	-
	<u>25,937,663</u>	<u>26,890,751</u>
Net current assets	57,831,917	56,490,605
Total liabilities	<u>25,937,663</u>	<u>26,890,751</u>
Net assets	<u>93,429,017</u>	<u>95,005,540</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	2,881,651	2,861,134
Retained earnings	5,589,714	7,156,140
	<u>96,325,906</u>	<u>97,871,815</u>
Non-controlling interests	<u>(2,896,889)</u>	<u>(2,866,275)</u>
Total equity	<u>93,429,017</u>	<u>95,005,540</u>
Total equity and liabilities	<u>119,366,680</u>	<u>121,896,291</u>

The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015.

**CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW
FOR THE QUARTER ENDED 31 DECEMBER 2016**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31-12-16	Preceding Year Corresponding Quarter 31-12-15	Current Year Quarter 31-12-16	Preceding Year Corresponding Quarter 31-12-15
Operating activities				
Profit / (Loss) before tax	(188,358)	(1,443,193)	(1,643,062)	(3,037,095)
Adjustment for :				
Depreciation of property, plant & equipment	793,443	855,079	3,171,879	3,358,721
(Gain) / Loss on disposal of property, plant & equipment	(24,634)	-	(29,634)	171
Reversal of allowance of doubtful debts	(268,058)	(731,493)	(509,706)	(731,493)
Bad debts written off	-	32,295	-	742,535
Net fair value (gain) / loss on derivative	-	-	-	(8,332)
Unrealised (gain) / loss on foreign exchange	239,753	51,052	246,332	(303,426)
Property, plant and equipment written off	69,601	208,117	73,866	210,644
Impairment loss on trade receivable	521,261	645,428	555,068	59,787
Inventories written down	5,605	59,738	6,469	66,577
Interest expense	242,154	270,435	967,182	954,520
Interest income	-	(65)	-	(65)
Operating cash flows before changes in working capital	1,390,767	(52,607)	2,838,394	1,312,544
Changes in working capital:				
(Increase)/ decrease in inventories	(194,948)	2,394,314	(2,708,239)	(781,145)
(Increase)/ decrease in receivables	(693,032)	(4,462,117)	600,902	(3,582,955)
Decrease in amount due from customers on contract	812,359	512,072	694,792	1,569,620
Increase/ (decrease) in payables	198,557	931,104	(1,171,424)	1,061,654
Increase in holding company	1,470,261	463,163	267,951	1,896,724
Cash generated from/ (used in) operations	2,983,964	(214,071)	522,376	1,476,442
Interest paid	(242,154)	(270,435)	(967,182)	(954,520)
Taxation	5,365	6,264	(19,396)	12,615
Interest received	-	65	-	65
Net cash generated from/ (used in) operating activities	2,747,175	(478,177)	(464,202)	534,602
Investing activities				
Withdrawal of deposits	-	-	-	65,949
Purchase of property, plant & equipment	(18,094)	(24,543)	(293,059)	(195,308)
Proceeds from disposal of property, plant & equipment	91,509	-	97,509	100
Net cash generated from/ (used in) investing activities	73,415	(24,543)	(195,550)	(129,259)
Financing Activities				
Net (repayment)/ drawdown of bankers' acceptances	(3,626,000)	1,407,000	(1,255,000)	(862,000)
Net (repayment)/ drawdown of foreign currency trade credit	(329,643)	27,150	128,884	(136,848)
Net drawdown/ (repayment) of revolving credits	500,000	(500,000)	500,000	200,000
Net cash (used in)/ generated from financing activities	(3,455,643)	934,150	(626,116)	(798,848)
Net (decrease) / increase in cash and cash equivalents	(635,053)	431,430	(1,285,868)	(393,505)
Cash and cash equivalents at beginning of period	407,024	1,980,010	1,441,350	705,075
Effect of exchange rate differences	356,952	(970,090)	(26,559)	1,129,780
Cash and cash equivalents at end of period	128,923	1,441,350	128,923	1,441,350

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015.

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 27 February, 2017.

2. Basis of preparation

These condensed consolidated interim financial statements, for the Quarter ended 31 December 2016, 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 2015.

3. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015 except for the following Financial Reporting Standards which take effect from 1 January 2016.

Description	Effective for annual periods beginning or after
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016

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 2015 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 2016.

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 2016.

9. Dividends paid

There were no dividends paid in respect of the quarter ended 31 December 2016.

10. Segment information

Cumulative Quarter ended 31 December 2016

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
Revenue					
External sales	49,947,176	666,376	1,536,896	-	52,150,448
Total revenue	49,947,176	666,376	1,536,896	-	52,150,448
Result					
Segment result	253,104	(333,406)	(595,578)	-	(675,880)
Finance costs					(967,182)
Loss before taxation					(1,643,062)
Assets					
Segment assets	152,905,044	5,064,123	2,660,971	(42,180,639)	118,449,499
Unallocated assets					917,181
Total assets					119,366,680
Liabilities					
Segment liabilities	31,710,560	28,048,408	2,715,328	(36,536,633)	25,937,663
Unallocated liabilities					-
Total liabilities					25,937,663

Revenue by geographical location of customers

	Quarter 31.12.2016 RM	Year-to-date 31.12.2016 RM
Asia	992,681	8,436,181
Europe	1,147,769	10,568,032
Malaysia	2,461,653	12,546,678
United States of America	2,767,075	7,178,132
South West Pacific	5,129,841	12,456,074
Others	113,007	965,351
Total	12,612,026	52,150,448

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 2016.

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 2016.

14. Contingent liabilities or contingent assets

There were no material contingent liabilities or contingent assets since the last annual balance sheet date.

15. Operating lease commitments – as lessee

Future minimum rentals payable under non-cancellable operating leases of the Group at the reporting period are as follows:

	As at 31.12.2016 RM
Not later than 1 year	94,205
Later than 1 year but not later than 5 years	44,842
	<u>139,047</u>

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 RM12.61 million compared to the preceding year's corresponding quarter of RM14.57 million. Loss before tax ("LBT") for the quarter was RM0.2 million which is an improvement from that of the preceding year's corresponding quarter Loss before tax ("LBT") of RM1.44 million. Revenue for the year to date ("YTD") was RM 52.15 million, an increase of 21% over preceding year. As a result of higher sales revenue, YTD loss reduced to RM 1.64 million versus RM 3.04 million for 2015.

Malaysia

For Q4 2016, higher export revenue was registered as overseas demand picked up compared to previous corresponding quarter. However, local sales were lower due to delay in commencement of certain local projects. As a result, lower turnover and profit were registered as compared to previous corresponding quarter.

For YTD 2016, improvement in both export volume and higher selling price partially offset the lower local sales.

Europe

No sales were recorded in Q4 as stocks were fully disposed in Q1. As a result, lower loss was recorded against previous corresponding quarter due to lower operating expenses because of lesser activities.

YTD 2016 loss too was lower compared to corresponding period of 2015 as trading activities ceased follow by lesser operating losses.

United States of America

Q4 2016 and YTD, 2016 recorded lower loss, compared with corresponding periods of 2015 due to lesser trading activities and operational expenses.

Segment	Sale Volumes (M ²)			
	Q4,2016	Q4,2015	YTD 2016	YTD 2015
Malaysia				
- Export market	78,637	77,978	323,470	231,984
- Local market	12,029	17,709	59,857	68,508
Europe	-	4,817	3,599	21,875
USA	4,921	11,942	12,795	19,044

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 was RM12.61 million, an increase of 17% from the preceding quarter of RM10.74 million with improvement in demands in export market. Despite this, it registered a loss before tax of RM 0.19 million compared to pretax profits of RM 0.05 million for the immediate preceding quarter mainly attributable to higher admin & selling expenses.

3. Commentary on prospects

Domestic demand for flooring products is likely to remain subdued as local property market is expected to remain in doldrums due to an overhang of unsold property and high household debt level constraining demand. Over the past few years, management has refocused marketing toward the Asian and Australian markets. While there are initial signs that our effort is bearing fruits, it will take time for momentum to build up.

In the light of the above, 2017 will remain a challenging year.

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. Profit /(Loss) before tax

The following amounts have been included in arriving at loss before tax:

	Current Quarter 31.12.2016 RM	Cumulative Quarter 31.12.2016 RM
Depreciation and amortization	793,443	3,171,879
Property, plant and equipment written off	69,601	73,866
Allowance for impairment on trade receivable	253,203	45,362
Net foreign exchange (gains)/ loss		
- Realised	(358,497)	(758,418)
- Unrealised	239,752	246,332

6. Taxation

	Current Quarter		Cumulative Quarter	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM	RM	RM	RM
Current tax:				
Malaysian income tax	1,679	1,041	2,013	1,547
Foreign tax	-	-	-	-
Under provision in prior year				
Malaysian income tax	69	506	7,616	1,506
Deferred tax:				
Relating to origination and reversal of temporary differences	(60,738)	521,533	(100,076)	260,428
Over provision in prior year	-	-	-	-
	<u>(58,990)</u>	<u>523,080</u>	<u>(90,447)</u>	<u>263,481</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 31.12.2016 RM	As at 31.12.2015 RM
Short term borrowings - unsecured	17,778,284	18,301,370

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 31.12.2016	
	Amount in Foreign currencies	Amount in RM Equivalent
AUD	24,300	78,684
EURO	19,310	91,151
USD	49,961	224,124
Total		<u>393,959</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 2016.

11. Earnings per share

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net loss for the period (RM)	(126,170)	(1,937,641)	(1,566,426)	(3,251,872)
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)	0.08	1.15	0.93	1.94

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 27 February, 2017.

PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 31 December 2016 and 31 December 2015 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 31.12.2016 RM	As at 31.12.2015 RM
Total retained profits of the Company and its subsidiaries		
- Realised	(35,659,111)	(34,579,353)
- Unrealised	(4,491,012)	(4,348,429)
	(40,150,123)	(38,927,782)
Less: Consolidation adjustments	45,739,837	46,083,922
Total group retained profits as per financial statements	5,589,714	7,156,140