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

EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and should be read in conjunction with the Group's audited financial statement for the financial year ended 31 December 2010.

These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2010 except for the following Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2011.

Amendments to FRS 132 Classification of Rights Issues
FRS 1 First-time Adoption of Financial Reporting Standards
FRS 3 Business Combinations (Revised)
Amendments to FRS 2 Share-based Payment
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 127 Consolidated and Separate Financial Statements
Amendments to FRS 138 Intangible Assets
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives
IC Interpretation 12 Service Concession Arrangements
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17 Distributions of Non-cash Assets to Owners

2. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Amendments to FRS 1 Additional Exemptions for First-time Adopters
Amendments to FRS 1 Limited Exemption from Comparative
FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1 [Improvements to FRSs (2010)]
Amendments to FRS 2 Share-based Payment
Group Cash-settled Share-based Payment Transactions
Amendments to FRS 3 [Improvements to FRSs (2010)]
Amendments to FRS 7 [Improvements to FRSs (2010)]
Amendments to FRS 7 Improving Disclosures about Financial Instruments
Amendments to FRS 101 [Improvements to FRSs (2010)]
Amendments to FRS 132 [Improvements to FRSs (2010)]
Amendments to FRS 139 [Improvements to FRSs (2010)]
Amendments to IC Interpretation 13 [Improvements to FRSs (2010)]
IC Interpretation 4 Determining Whether an Arrangement contains a Lease
IC Interpretation 18 Transfers of Assets from Customers

Except for changes in accounting policies arising from the adoption of the amendments to FRS127, the adoption of the other standards and interpretations will have no material effect on the financial performance statement in the period of initial application. The amendment to FRS127 requires for attributing total comprehensive income to the owners of the parent and to the non-controlling interest even if this result in the non-controlling interests having a deficit balance.

At the date of authorisation of these interim financial statements, the following new FRSs, Amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

FRSs, Amendments to FRSs and Interpretations	**Effective date**
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)	1 July 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
FRS124 Related Party Disclosures (revised)	1 January 2012

The adoption of the above standards and interpretations will not expect to have any significant impact on the accounting policies and presentation of the financial results of the Group in the period of initial application

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3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report of the Group's financial statements for the financial year ended 31 December 2010 was not qualified.

4. 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.

5. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial quarter ended 30 June 2011.

6. CHANGES IN ESTIMATES

There were no changes in estimates that have had a material impact in the current reporting quarter.

7. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 30 June 2011.

8. DIVIDENDS PAID

There were no dividends paid in respect of the quarter ended 30 June 2011.

9. SEGMENTAL REPORTING

a) Geographical segments

	Malaysia RM'000	Europe RM'000	United States of America RM'000	Elimination RM'000	Consolidated RM'000
6 MONTHS PERIOD ENDED 30 JUNE 2011					
Revenue					
External sales	26,845	3,904	1,111	-	31,860
Inter-segment sales	3,390	-	-	(3,390)	-
Total revenue	30,235	3,904	1,111	(3,390)	31,860
Result					
Segment result	(2,837)	(994)	(56)	1,753	(2,134)
Finance costs					(359)
Taxation					(100)
Loss after taxation					(2,593)
Non-controlling interests					298
Loss for the period					(2,295)
Assets					
Segment assets	202,347	19,835	5,027	(69,150)	158,059
Unallocated assets					1,636
Total assets					159,695
Liabilities					
Segment liabilities	21,223	2,691	1,036	(3,391)	21,559
Unallocated liabilities					4,297
Total liabilities					25,856
Other segment information					
Capital expenditure	270	10	-	-	280
Depreciation	1,982	12	-	-	1,994
Other non-cash expenses:					
Unrealised foreign exchange gain	(217)				(217)

9. SEGMENTAL REPORTING (contd.)

6 MONTHS PERIOD ENDED 30 JUNE 2010	Malaysia RM'000	Europe RM'000	United States of America RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External sales	26,065	8,037	966	-	35,068
Inter-segment sales	5,678	-	-	(5,678)	-
Total revenue	31,743	8,037	966	(5,678)	35,068
Result					
Segment result	(13,437)	(520)	(104)	9,336	(4,725)
Finance costs					(390)
Taxation					(219)
Loss after taxation					(5,334)
Non-controlling interests					6
Loss for the period					(5,328)
Assets					
Segment assets	191,474	20,183	5,656	(46,524)	170,789
Unallocated assets					1,697
Total assets					172,486
Liabilities					
Segment liabilities	28,226	34,849	10,942	(44,977)	29,040
Unallocated liabilities					4,598
Total liabilities					33,638
Other segment information					
Capital expenditure	974	-	-	-	974
Depreciation	3,017	14	1	-	3,032
Other non-cash expenses:					
Unrealised foreign exchange loss	410	-	-	-	410

9. SEGMENTAL REPORTING (contd.)

a) Geographical segments

Revenue by geographical location of customers

	Quarter ended		Year-to-date ended	
	30.06.2011	**30.06.2010**	**30.06.2011**	**30.06.2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Asia	2,670	1,924	2,876	4,485
Europe	8,451	9,106	21,607	22,882
Malaysia	2,424	2,136	4,047	2,545
United States of America	551	488	1,090	979
South-West Pacific	709	1,835	908	2,910
Others	495	315	1,331	1,267
	15,300	15,804	31,859	35,068

b) Business segments

The Group operates in a single industry and accordingly, the financial information by business segments is not presented.

10. VALUATIONS

There were no valuations of property, plant and equipments 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 June 2011.

11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There were no material events subsequent to the end of the reporting period.

12. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter ended 30 June 2011, including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructurings and discontinuing operations.

13. CAPITAL COMMITMENTS

There is no material capital commitments not provided for in the interim financial statements as at 30 June 2011.

14. 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 2010.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

1. REVIEW OF PERFORMANCE

The Group's revenue for the three months ended 30 June 2011 was RM15.3 million compared to the preceding year's corresponding period of RM15.8 million. The marginal decrease in revenue was mainly due to lower sales volume.

The lower loss before tax for this quarter at RM0.9 million compared to the preceding year's corresponding quarter loss of RM2.6 million was due to the strengthening of Euro against ringgit coupled with better sale mix which contributed to higher selling price and better gross profit margin. Lower pretax losses was also attributable to the continuing rationalization of administrative and marketing functions.

2. MATERIAL CHANGES IN PROFIT BEFORE TAXATION FOR THE QUARTER REPORTED AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

The lower loss before tax of the Group at RM0.9 million for the quarter ended 30 June 2011 compared to loss of RM1.6 million for the preceding quarter ended 31 March 2011 was due to higher average selling price per unit resulted from better sales mix and strengthening of Euro against Ringgit Malaysia.

3. COMMENTARY ON PROSPECTS

The Group's export sales to European countries declined for the quarter but it remained the Group's main export market making up about 68% of the total sale revenue for the first half year. In view of the on-going European sovereign debt crisis and its Governments' implementation of fiscal austerity plan, the difficult operating environment in Europe will continue to impact the Group's sale revenue.

Given the foregoing, the Group performances for the coming months will continue to be challenging in view of the present market conditions.

4. PROFIT FORECAST OR PROFIT GUARANTEE

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast after tax and minority interest and for the shortfall in profit guarantee are not applicable.

5. TAXATION

	Quarter ended		Year-to-date ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM	RM	RM	RM
Current tax:				
Malaysian tax	2,021	63,185	4,875	96,960
Foreign tax	-	-	-	-
	2,021	63,185	4,875	96,960
Under/(Over) provision in prior years:				
Malaysian tax	-	191,984	-	673
Foreign tax	-	-	-	-
	-	191,984	-	673
Deferred tax:				
Current year	8,840	150,268	95,217	121,864
Under provision in prior year	-	-	-	-
	8,840	150,268	95,217	121,864
	10,861	405,437	100,092	219,497

6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments or properties during the reporting period.

7. CORPORATE PROPOSALS

There was no corporate proposal announced at the date of this quarterly report.

8. GROUP BORROWINGS AND DEBT SECURITIES

	As at	
	30.06.2011	**31.12.2010**
	RM	**RM**
Short term borrowings		
Unsecured	11,772,274	14,012,401

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 30.06.2011	
	Amount in foreign currencies	**Amount in RM equivalent**
EURO	69,477	303,914
USD	564,858	1,705,872
		2,009,786

9. FINANCIAL INSTRUMENTS

As at 30 June 2011, the Group has the following outstanding derivative financial instrument:-

Foreign currency forward contracts-less than 1 year:	**RM**
Contract / Notional Amount	3,898,008
Fair value	(14,740)

The management objective and policies in respect of the above derivatives and its various risk management are consistent with those adopted during the last financial year ended 31 December 2010.

10. 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.

11. PROPOSED DIVIDEND

The Company did not declare any interim dividend for the current quarter ended 30 June 2011.

12. EARNINGS PER SHARE

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	30.06.2011	**30.06.2010**	**30.06.2011**	**30.06.2010**
Net loss for the period (RM)	(737,890)	(3,026,709)	(2,295,280)	(5,328,429)
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)	(0.44)	(1.80)	(1.37)	(3.17)

b) Diluted earnings per ordinary share

This is not applicable to the Group.

13. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 August 2011.

PART C. DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

Total unappropriated profit is analysed as follows:

	As at 30.06.2011 RM	As at 31.12.2010 RM
Total unappropriated profit of the Company and its subsidiaries		
- Realised	47,002,584	52,900,149
- Unrealised	(3,455,389)	(3,609,593)
	43,547,195	49,290,556
Less : Consolidation adjustment	5,415,097	1,967,016
Total Group unappropriated profit as per consolidated accounts	48,962,292	51,257,572