

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, 2013.

2. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2013, 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, 2012.

3. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December, 2012 except for the following Financial Reporting Standards which take effect from 1 January 2013.

Description	Effective for annual periods beginning on or after
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to FRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013

3. Significant accounting policies (continued)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards - Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

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 2012 was 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 Securities 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 2013.

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 2013.

9. Dividends paid

There were no dividends paid in respect of the quarter ended 31 March 2013.

10. Segment information

a) Geographical segments

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
3 months Period ended 31 March 2013					
Revenue					
External sales	11,778,344	794,947	255,845	-	12,829,136
Inter-segment sales	755,530	-	-	(755,530)	-
Total revenue	<u>12,533,874</u>	<u>794,947</u>	<u>255,845</u>	<u>(755,530)</u>	<u>12,829,136</u>
Result					
Segment result	29,722	(250,976)	(68,595)	63,000	(226,849)
Finance costs					(168,698)
Taxation					(17,041)
Loss after taxation					<u>(412,588)</u>
Non-controlling interests					24,850
Loss for the period					<u>(387,738)</u>
Assets					
Segment assets	174,247,429	11,742,065	3,919,030	(43,769,224)	146,139,300
Unallocated assets					1,196,336
Total assets					<u>147,335,636</u>
Liabilities					
Segment liabilities	28,482,322	23,958,169	1,354,402	(28,921,994)	24,872,899
Unallocated liabilities					4,308,133
Total liabilities					<u>29,181,032</u>
Other segment information					
Capital expenditure	317,572	-	-	-	317,572
Depreciation	873,637	3,422	130	-	877,189
Other material non-cash expenses:					
Unrealised foreign exchange (gain)/loss	66,683	-	-	-	66,683

10. Segment information (continued)

a) Geographical segments

Revenue by geographical location of customers

	Quarter	Year-to-date
	31.03.2013	31.03.2013
	RM	RM
Asia	943,820	943,820
Europe	4,930,187	4,930,187
Malaysia	2,952,812	2,952,812
United States of America	790,386	790,386
South-West Pacific	2,712,208	2,712,208
Others	499,724	499,724
	<u>12,829,137</u>	<u>12,829,137</u>

b) Business segments

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

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 2013.

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

There were no changes in the composition of the Group during the quarter ended 31 March 2013, including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructurings and discontinuing operations.

14. Capital commitments

There is no material capital commitments not provided for in the interim financial statements as at 31 March 2013.

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 2012.

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

1. Review of performance

For the current quarter, the Group register a higher revenue of RM12.8 million compared to the preceding year's corresponding quarter of RM9.9 million.

The loss before tax for the quarter was RM0.4 million compared to the preceding year's corresponding quarter loss of RM0.9 million .

Malaysia

For Q1, 2013, a lower loss before tax was registered compared to preceding year's corresponding quarter mainly due to increase in sale volume and higher gross margin. The improved gross profit was due to the higher local sale of 3 strip products which fetch higher selling prices.

Europe

For Q1 of 2013, higher sale revenues were registered as a result of a new project sale secured in Scandinavia Countries (refer chart below).

United State of America

For Q1 sale revenues was lower compared to corresponding Q1 due to lower demand.

Segment	Sale Volumes (M ²)	
	Q1,2013	Q1,2012
Malaysia		
- Export	83,088	86,896
- Local market	14,783	3,591
Europe	10,516	4,141
USA	2,144	4,580

2. Material changes in profit before taxation for the quarter reported as compared with the immediate preceding quarter

Loss before tax of the Group was RM0.4 million for the quarter ended 31 March 2013 compared to loss of RM3.4 million for the preceding quarter ended 31 December 2012. This was due mainly to higher overall operating expenses coupled with allowance for impairment made on the receivable and inventories in Q4 2012.

3. Commentary on prospects

The Group will continue to grow the businesses in Australia, Asia and local markets to make up for the reduced export sales to European countries.

Nonetheless, in view of the uncertainties and continuing weaknesses in the global economy, the Group expects another challenging 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:

	Quarter ended	Year-to- date ended
	31.03.2013	31.03.2013
	RM	RM
Interest expense	168,698	168,698
Depreciation and amortization	877,189	877,189
Foreign exchange loss		
- realised	21,655	21,655
- unrealised	66,683	66,683
Rental Income	32,737	32,737
Fair value gain on forward contract	16,535	16,535

6. Taxation

	Quarter ended		Year-to-date ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM	RM	RM	RM
Current tax:				
Malaysian tax	1,291	4,314	1,291	4,314
Foreign tax	-	-	-	-
	<u>1,291</u>	<u>4,314</u>	<u>1,291</u>	<u>4,314</u>
Under/(Over) provision in prior years:				
Malaysian tax	-	-	-	-
Foreign tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax:				
Current year	16,043	33,955	16,043	33,955
Under provision in prior year	(293)	-	(293)	-
	<u>15,750</u>	<u>33,955</u>	<u>15,750</u>	<u>33,955</u>
	<u>17,041</u>	<u>38,269</u>	<u>17,041</u>	<u>38,269</u>

The tax represents mainly tax on rental income and deferred tax liabilities.

7. Corporate proposals

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

8. Group borrowings and debt securities

	As at	
	31.03.2013	31.12.2012
	RM	RM
Short term borrowings		
Unsecured	15,918,927	14,289,283

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 31.3.2013	
	Amount in foreign currencies	Amount in RM equivalent
EURO	303,761	1,229,312
USD	1,312,035	4,052,045
		<u>5,281,357</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 March 2013.

11. Earnings per share

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
Net loss for the period (RM)	(387,738)	(907,819)	(387,738)	(907,819)
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)	<u>(0.23)</u>	<u>(0.54)</u>	<u>(0.23)</u>	<u>(0.54)</u>

b) Diluted earnings per ordinary share (sen)

	<u>(0.23)</u>	<u>(0.54)</u>	<u>(0.23)</u>	<u>(0.54)</u>
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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, 2013.

PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 31 March 2013 and 31 December 2012 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 31.3 .2013 RM	As at 31.12.2012 RM
Total retained profits of the Company and its subsidiaries		
- Realised	10,820,072	11,296,445
- Unrealised	(8,741,023)	(8,757,558)
	<u>2,079,049</u>	<u>2,538,887</u>
Add : Consolidation adjustment	29,938,075	29,865,975
Total Group retained profits as per financial statements	<u><u>32,017,124</u></u>	<u><u>32,404,862</u></u>