

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 August, 2013.

2. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 June 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
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

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 Malaysia below.

6. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial quarter ended 30 June 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 30 June 2013.

9. Dividends paid

There were no dividends paid in respect of the quarter ended 30 June 2013.

10. Segment information

a) Geographical segments

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
6 months					
Period ended					
30 Jun 2013					
Revenue					
External sales	22,540,474	1,929,561	628,697	-	25,098,732
Inter-segment sales	1,508,343	-	-	(1,508,343)	-
Total revenue	<u>24,048,817</u>	<u>1,929,561</u>	<u>628,697</u>	<u>(1,508,343)</u>	<u>25,098,732</u>
Result					
Segment result	47,075	(669,964)	(136,288)	-	(759,177)
Finance costs					(342,999)
Taxation					(27,611)
Loss after taxation					<u>(1,129,787)</u>
Non-controlling interests					119,586
Loss for the period					<u>(1,010,201)</u>
Assets					
Segment assets	172,771,243	11,192,371	4,009,946	(43,302,104)	144,671,456
Unallocated assets					1,400,402
Total assets					<u>146,071,858</u>
Liabilities					
Segment liabilities	27,266,519	24,324,887	1,458,796	(29,267,187)	23,783,015
Unallocated liabilities					4,519,020
Total liabilities					<u>28,302,035</u>
Other segment information					
Capital expenditure	415,688	-	-	-	415,688
Depreciation	1,763,080	6,813	259	-	1,770,152
Other material non-cash expenses:					
Unrealised loss on foreign exchange	119,924	-	-	-	119,924

10. Segment information (continued)

a) Geographical segments

Revenue by geographical location of customers

	Quarter 30.06.2013 RM	Year-to-date 30.06.2013 RM
Asia	966,537	1,910,357
Europe	4,635,621	9,565,808
Malaysia	2,785,226	5,738,038
United States of America	642,303	1,432,689
South-West Pacific	2,484,030	5,196,238
Others	755,878	1,255,602
	<u>12,269,595</u>	<u>25,098,732</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 30 June 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 30 June 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 30 June 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 and cumulative quarters ended 30 June, 2013 the Group reported revenue of RM12.3 million and RM25.1 million as compared to the preceding year's corresponding period of RM11.4 million and RM21.3 million respectively. The Group registered lower loss before tax for the quarter at RM0.7 million compared to the preceding year's corresponding quarter pre-tax loss of RM1.4 million. For the cumulative quarters, the Group's pretax loss was also lower at RM1.4 million against corresponding quarters of RM2.3 million.

Malaysia

For Q2, 2013 and cumulative quarters ended 30 June, 2013, it registered a lower loss before tax compared to preceding year's corresponding period. This was mainly attributed to higher sale revenue and improved gross profit margin coupled with lower selling and marketing expenses.

Europe

For Q2, 2013 and cumulative quarters ended 30 June, 2013, it registered a higher loss before tax despite increase in sale revenue due to increase in administrative expenses.

United State of America

For the Q2, 2013 and cumulative quarters ended 30 June, 2013 its sale revenue was lower due to poor demand. However, the selling and marketing expenses was also lower and had resulted in a lower loss compared to preceding year's corresponding period.

Segment	Sale Volumes (M ²)			
	Q2,2013	Q2,2012	Cumulative 2013	Cumulative 2012
Malaysia				
- Export	85,827	80,334	168,915	167,230
- Local market	9,775	11,669	24,558	15,260
Europe	10,552	9,088	21,068	13,229
USA	3,021	4,528	5,165	9,108

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 RM0.7 million for the quarter ended 30 June 2013 compared to a loss of RM0.4 million for the preceding quarter ended 31 March 2013. Q2, 2013 registered a higher loss mainly due to lower sale volume and lower average selling price as a result of the strengthening of RM against AUD and EURO and higher operating expenses.

3. Commentary on prospects

The Group's export sales to Australia and Asia countries had picked up slowly despite the continuing economy weakness in European countries. Local market sales also improved significantly and contributed to 23% (Q2 2012:14%) of the total revenue.

However, in view that the world economic growth remains subdued, the Group expect another challenging year ahead whilst initiatives are underway to increase the sales revenues.

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:

	As at	
	Quarter	Year-to-date
	30.06.2013	30.06.2013
	RM	RM
Interest expense	174,302	342,999
Depreciation and amortization	892,963	1,770,152
Foreign exchange (gain) / loss		
- realised	(115,757)	(94,102)
- unrealised	53,241	119,924
Rental Income	44,425	77,162
Net fair value (gain)/loss on derivative	20	(16,515)
Gain on disposal of Property, plant and equipment	(55,228)	(55,228)

6. Taxation

	Quarter ended		Year-to-date ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM	RM	RM	RM
Current tax:				
Malaysian tax	1,105	830	2,396	5,145
Foreign tax	-	-	-	-
	<u>1,105</u>	<u>830</u>	<u>2,396</u>	<u>5,145</u>
Under/(Over) provision in prior years:				
Malaysian tax	-	-	-	-
Foreign tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax:				
Current year	9,465	28,802	25,508	62,757
Under provision in prior year	-	-	(293)	-
	<u>9,465</u>	<u>28,802</u>	<u>25,215</u>	<u>62,757</u>
	<u>10,570</u>	<u>29,632</u>	<u>27,611</u>	<u>67,902</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	
	30.06.2013	31.12.2012
	RM	RM
Short term borrowings		
Unsecured	15,004,515	14,289,283

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 30.06.2013	
	Amount in foreign currencies	Amount in RM equivalent
EURO	91,614	377,825
USD	1,361,066	4,301,649
		<u>4,679,474</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 30 June 2013.

11. Earnings per share

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Net loss for the period (RM)	(622,463)	(1,315,758)	(1,010,201)	(2,223,577)
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>(0.37)</u>	<u>(0.78)</u>	<u>(0.60)</u>	<u>(1.32)</u>

b) Diluted earnings per ordinary share (sen)

	<u>(0.37)</u>	<u>(0.78)</u>	<u>(0.60)</u>	<u>(1.32)</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 August, 2013.

PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 30 June 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 30.06.2013 RM	As at 31.12.2012 RM
Total retained profits of the Company and its subsidiaries		
- Realised	10,075,449	11,296,445
- Unrealised	(8,741,023)	(8,757,558)
	<u>1,334,426</u>	<u>2,538,887</u>
Add : Consolidation adjustment	30,060,235	29,865,975
Total Group retained profits as per financial statements	<u><u>31,394,661</u></u>	<u><u>32,404,862</u></u>