

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 19 November, 2013.

2. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 September 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 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 September 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 September 2013.

9. Dividends paid

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

10. Segment information

a) Geographical segments

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
9 months					
Period ended					
30 September 2013					
Revenue					
External sales	34,677,428	2,686,187	1,224,305	-	38,587,920
Inter-segment sales	2,138,416	-	-	(2,138,416)	-
Total revenue	<u>36,815,844</u>	<u>2,686,187</u>	<u>1,224,305</u>	<u>(2,138,416)</u>	<u>38,587,920</u>
Result					
Segment result	(91,205)	(963,488)	(175,153)	-	(1,229,846)
Finance costs					(520,804)
Taxation					<u>(35,368)</u>
Loss after taxation					<u>(1,786,018)</u>
Non-controlling interests					<u>140,170</u>
Loss for the period					<u>(1,645,848)</u>
Assets					
Segment assets	175,867,898	11,323,358	4,375,763	(43,334,202)	148,232,817
Unallocated assets					<u>1,375,071</u>
Total assets					<u>149,607,888</u>
Liabilities					
Segment liabilities	30,667,714	25,630,467	1,782,383	(31,093,116)	26,987,448
Unallocated liabilities					<u>4,507,516</u>
Total liabilities					<u>31,494,964</u>
Other segment information					
Capital expenditure	440,649	-	-	-	440,649
Depreciation	2,633,513	10,466	396	-	2,644,375
Other material non-cash expenses:					
Unrealised forex					
exchange (gain)/loss	(84,088)	-	-	-	(84,088)

10. Segment information (Continued.)

a) Geographical segments

Revenue by geographical location of customers

	Quarter	Year-to-date
	30.09.2013	30.09.2013
	RM	RM
Asia	1,119,924	3,034,460
Europe	2,931,693	12,497,501
Malaysia	4,397,852	10,131,711
United States of America	2,156,106	3,588,796
South-West Pacific	2,741,878	7,938,116
Others	141,735	1,397,336
	<u>13,489,188</u>	<u>38,587,920</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 September 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 September 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 September 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 MALAYSIA

1. Review of performance

For the current quarter and cumulative quarters ended 30 September, 2013, the Group reported higher revenue of RM 13.5 million and RM38.6 million respectively as compared to the preceding year's corresponding period of RM 10.2 million and RM31.6 million. The Group also posted lower loss for the current quarter and cumulative quarters of RM0.6 million and RM1.8 million respectively against the last year's corresponding quarters of RM1.2 million and RM3.5 million.

Malaysia

For Q3, 2013, it registered a lower loss before tax compared to preceding year's corresponding quarter. This was mainly attributed to higher selling price and increase in sale volume.

For the cumulative quarters ended 30 September, 2013, its performance has improved due to higher domestic sale and recovery in the export market as well as lower operating expenses.

Europe

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

United State of America

For Q3, 2013, its sale revenues was higher compared to Q3, 2012 due to higher demand and had resulted in a lower loss. For the cumulative quarters ended 30 September, 2013, it also reported lower losses mainly due to lower selling and marketing expenses.

Segment	Sale Volumes (M ²)			
	Q3,2013	Q3,2012	Cumulative 2013	Cumulative 2012
Malaysia				
- Export	80,887	75,599	249,802	242,829
- Local market	22,086	16,591	46,644	31,851
Europe	5,387	5,259	26,455	18,488
USA	4,835	3,602	10,000	12,710

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 RM0.6 million for the quarter ended 30 September 2013 compared to a loss of RM0.7 million for the preceding quarter ended 30 June 2013. The marginally improved performance was attributed to higher sale volume and lower administrative expenses.

3. Commentary on prospects

The Group's export sales to non European countries and domestic sale have gathered momentum which now make up over 67% (Q3 2012:59%) of the total revenue. The export sales to non European countries has gradually increased in line with the growth in the businesses in Australia and other Asia countries. As for local market, the group has widened the market coverage across all regions in Malaysia.

However, in view of the uncertainties and continuing weakness in the global market, 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:

	Quarter ended 30.09.2013	Year-to-date ended 30.09.2013
	RM	RM
Interest expense	177,805	520,804
Depreciation and amortization	874,223	2,644,375
Foreign exchange (gain) / loss		
- realised	(62,361)	(156,463)
- unrealised	(204,012)	(84,088)
Rental Income	46,459	123,621
Net fair value (gain)/loss on derivative	36,847	20,332

6. Taxation

	Quarter ended		Year-to-date ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM	RM	RM	RM
Current tax:				
Malaysian tax	2,095	6,397	4,491	11,542
Foreign tax	-	-	-	-
	<u>2,095</u>	<u>6,397</u>	<u>4,491</u>	<u>11,542</u>
Under/(Over) provision in prior years:				
Malaysian tax	5,514	-	5,514	-
Foreign tax	-	-	-	-
	<u>5,514</u>	<u>-</u>	<u>5,514</u>	<u>-</u>
Deferred tax:				
Current year	148	20,929	25,656	83,686
Under provision in prior year	-	-	(293)	-
	<u>148</u>	<u>20,929</u>	<u>25,363</u>	<u>83,686</u>
	<u>7,757</u>	<u>27,326</u>	<u>35,368</u>	<u>95,228</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	
	30.09.2013	31.12.2012
	RM	RM
Short term borrowings		
Unsecured	17,130,647	14,289,283

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 30.09.2013	
	Amount in foreign currencies	Amount in RM equivalent
EURO	261,810	1,152,147
USD	1,336,162	4,355,220
		<u>5,507,367</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 September 2013.

11. Earnings per share

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
Net loss for the period (RM)	(635,647)	(1,168,925)	(1,645,848)	(3,392,502)
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>(0.38)</u>	<u>(0.70)</u>	<u>(0.98)</u>	<u>(2.02)</u>

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 19 November, 2013.

PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 30 September 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 30.09.2013 RM	As at 31.12.2012 RM
Total retained profits of the Company and its subsidiaries		
- Realised	9,461,465	11,296,445
- Unrealised	(8,777,890)	(8,757,558)
	<u>683,575</u>	<u>2,538,887</u>
Add : Consolidation adjustment	30,075,439	29,865,975
Total Group retained profits as per financial statements	<u><u>30,759,014</u></u>	<u><u>32,404,862</u></u>