

## **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 26 August, 2014

### **2. Basis of preparation**

These condensed consolidated interim financial statements, for the period ended 30 June 2014, 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, 2013.

### **3. Significant accounting policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December, 2013 except for the following Financial Reporting Standards which take effect from 1 January 2014.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 January 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 January 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 January 2014

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 2013 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 30 June 2014.

**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 2014.

**9. Dividends paid**

There were no dividends paid in respect of the quarter ended 30 June 2014.

**10. Segment information**

Cumulative Quarter ended 30 June 2014

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
<b>Revenue</b>					
External sales	18,474,058	1,155,547	710,171	-	20,339,776
Inter-segment sales	1,411,313	-	-	(1,411,313)	-
<b>Total revenue</b>	<b>19,885,371</b>	<b>1,155,547</b>	<b>710,171</b>	<b>(1,411,313)</b>	<b>20,339,776</b>
<b>Result</b>					
Segment result	(349,005)	(432,498)	(198,980)	-	(980,483)
Finance costs					(399,056)
<b>Loss before taxation</b>					<b>(1,379,539)</b>
<b>Assets</b>					
Segment assets	167,844,299	8,730,695	4,188,695	(39,733,883)	141,029,806
Unallocated assets					1,075,482
<b>Total assets</b>					<b>142,105,288</b>
<b>Liabilities</b>					
Segment liabilities	28,168,890	23,390,609	1,917,050	(30,539,009)	22,937,540
Unallocated liabilities					4,096,115
<b>Total liabilities</b>					<b>27,033,655</b>

**Revenue by geographical location of customers**

	Quarter 30.6.2014 RM	Year-to-date 30.6.2014 RM
Asia	1,434,236	3,153,047
Europe	2,173,112	3,663,164
Malaysia	4,271,691	6,464,877
United States of America	909,583	2,714,093
South West Pacific	1,285,335	3,271,825
Others	498,679	1,072,770
<b>Total</b>	<b>10,572,636</b>	<b>20,339,776</b>

**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 2014.

**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**

Alden S.A.S.U, (“Alden”), a wholly-owned subsidiary of the Company has on 17 December 2013 commenced a member’s voluntary winding up in accordance with the laws in France.

On 16 May 2014, we had been informed by our agent in France that Alden had been dissolved on 31 December 2013 ("Date of Dissolution") following the expiration of 3 months grace period from the Date of Dissolution and 30 days from the publication in the Official Journal on 4 April 2014.

**14. Capital commitments**

There were no material capital commitments not provided for in the interim financial statements as at 30 June 2014.

**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 2013.

**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 RM10.6 million compared to the preceding year's corresponding quarter of RM12.3 million. The loss before tax ("LBT) for the quarter was RM1.0 million compared to the preceding year's corresponding quarter loss of RM0.7 million.

The Group's revenue for the financial year-to-date was RM20.3 million as compared to the preceding year's corresponding period of RM25.1 million. Revenue for the period under review was lower by 19% against the same period last year. The Group reported higher LBT of RM1.4 million as compared to preceding year's corresponding period LBT of RM1.1 million.

**Malaysia**

For Q2 2014, and financial year-to-date, it registered a lower revenue with higher loss as compared to preceding year's corresponding quarters. This was mainly due to lower export sales to European and South West Pacific market despite the increased sale volume from local market. The higher loss was also attributed to impairment loss on inventories.

**Europe**

For Q2, 2014 and financial year-to-date, it registered a lower revenue due to slow recovery in European market. However, the loss also reduced due to better sales mix with higher sale of 1 strip product which fetches higher selling price coupled with lower administrative expenses attributed to closure and down-sizing of European subsidiaries.

**United States of America**

For Q2, 2014, it registered a lower sale due to lower demand. For the financial year to date, higher loss was due to higher discount given to customers.

Segment	Sale Volumes ( M <sup>2</sup> )			
	Q2,2014	Q2,2013	YTD Q2,2014	YTD Q2,2013
Malaysia				
- Export market	53,493	85,827	117,141	168,915
- Local market	20,052	9,775	32,573	24,558
Europe	4,124	10,552	10,680	21,068
USA	2,970	3,021	5,971	5,165

**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 under review was RM10.6 million, an increase of 8% from the preceding quarter of RM9.8 million. Despite higher sales revenue, the Group registered a higher LBT of RM0.8 million for the current quarter as compared to LBT of RM0.4 million for the preceding quarter mainly due to lower other income such as write back of allowances for doubtful debts and gain on disposal of fixed assets. Higher loss was also due to impairment loss provided on the inventory. However, saving was noted in administrative and selling and marketing expenses attributed to the closure and downsizing of overseas subsidiaries.

**3. Commentary on prospects**

The composition of export sales to Europe has steadily declined in line with the growth in the business in Australia, Asia, and local market. The Group will continue to expand the local market and penetrate non conventional export market when the recovery in European market remains slow. This trend saw the local market contribution on the total group revenue increased from 33% for the corresponding quarter to 40% for the quarter under review.

With the demand of the domestic market expected to gain traction in the second half of the year, the group expects a positive impact to the Group performance in the coming quarters.

**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:

	<b>Current Quarter 30.06.2014 RM'000</b>	<b>Cumulative Quarter 30.06.2014 RM'000</b>
Rental income	(29,786)	(60,200)
Interest expense	216,554	399,056
Impairment loss on inventories	1,128,820	1,129,108
Depreciation and amortization	826,548	1,657,278
Gain on disposal of property, plant and equipment	(37,992)	(250,061)
Net foreign exchange (gains)/losses		
- Realised	(193,929)	(263,140)
- Unrealised	77,057	(32,894)
Net fair value gain on derivative	(21,957)	(73,771)
Write back of allowance for doubtful debts	-	(180,332)

**6. Taxation**

	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Current tax:				
Malaysian income tax	307	1,105	389	2,396
Foreign tax	-	-	-	-
(Over)/Under provision in prior year				
Malaysian income tax	-	-	-	-
Foreign tax	-	-	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(115,512)	9,465	(123,468)	25,508
Over provision in prior year	-	-	-	(293)
	<u>(115,205)</u>	<u>10,570</u>	<u>(123,079)</u>	<u>27,611</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:

	<b>As at 30.06.2014 RM</b>	<b>As at 31.12.2013 RM</b>
<b>Short term borrowings</b> - unsecured	16,250,287	18,101,974

All borrowings are denominated in Ringgit Malaysia except as follows:

	<b>As at 30.6.2014</b>	
	<b>Amount in Foreign currencies</b>	<b>Amount in RM Equivalent</b>
EURO	18,854	82,681
USD	326,604	1,048,727
Total		<u>1,131,408</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 2014.

**11. Earnings per share**

a) Basic earnings per ordinary share

	<b>Quarter ended</b>		<b>Year-to-date ended</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>	<b>30.6.2014</b>	<b>30.6.2013</b>
Net loss for the period (RM)	(855,768)	(622,463)	(1,224,314)	(1,010,201)
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)	(0.51)	(0.37)	(0.73)	(0.60)

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 26 August, 2014



**PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES**

The breakdown of the retained profits of the Group as at 30 June 2014 and 31 December 2013 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.

	<b>As at 30.6.2014 RM</b>	<b>As at 31.12.2013 RM</b>
Total retained profits of the Company and its subsidiaries		
- Realised	2,510,790	4,656,634
- Unrealised	(7,354,255)	(8,945,456)
	(4,843,465)	(4,288,822)
Less: Consolidation adjustments	32,671,338	33,341,009
Total group retained profits as per financial statements	27,827,873	29,052,187