

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 25 August, 2015.

2. Basis of preparation

These condensed consolidated interim financial statements, for the year ended 30 June 2015, 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 statements for the financial year ended 31 December, 2014.

3. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December, 2014 except for the following Financial Reporting Standards which take effect from 1 January 2015.

Description	Effective for annual periods beginning or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 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 2014 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 2015.

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 2015.

9. Dividends paid

There were no dividends paid in respect of the quarter ended 30 June 2015.

10. Segment information

Cumulative Quarter ended 30 June 2015

	Malaysia RM	Europe RM	United States of America RM	Elimination RM	Consolidated RM
Revenue					
External sales	16,294,697	1,147,534	749,324	-	18,191,555
Inter-segment sales	889,605	-	-	(889,605)	-
Total revenue	17,184,302	1,147,534	749,324	(889,605)	18,191,555
Result					
Segment result	1,138,013	(371,447)	(713,581)	-	52,985
Finance costs					(446,271)
Loss before taxation					(393,286)
Assets					
Segment assets	146,807,071	6,944,908	4,475,844	(38,318,779)	119,909,044
Unallocated assets					1,228,223
Total assets					121,137,267
Liabilities					
Segment liabilities	30,093,222	22,833,511	2,281,785	(31,045,240)	24,163,278
Unallocated liabilities					-
Total liabilities					24,163,278

10. Segment information (continued)

Revenue by geographical location of customers

	Quarter 30.06.2015 RM	Year-to-date 30.06.2015 RM
Asia	1,154,423	2,500,536
Europe	1,445,178	2,754,351
Malaysia	2,269,176	6,920,899
United States of America	1,757,407	4,078,487
South West Pacific	1,349,747	1,818,629
Others	68,772	118,653
Total	8,044,703	18,191,555

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 2015.

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. Capital commitments

There were no material capital commitments not provided for in the interim financial statements as at 30 June 2015.

14. Contingent liabilities or contingent assets

One of its subsidiaries has initiated legal actions against a customer for recovery of the sum of RM913,784 being the amount owing for timber sold and services rendered. Arising from the legal actions, the said customer has filed counter claims for amount totaling RM11,879,868 for late delivery of work and cost incurred to rectify defects work. The customer has revised their counter claim to RM 1 million. The Group's solicitor is of the view the chance of success for the Company is strong.

Other than the above, there were no other material contingent liabilities or contingent assets.

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 is RM8.0 million compared to the preceding year's corresponding quarter of RM10.6 million. The loss before tax ("LBT) for the quarter is RM0.2 million compared to the preceding year's corresponding quarter LBT of RM1.0 million.

The Group's revenue for the financial year-to-date was RM18.2 million which is lower by 10.3% as compared to the preceding year's RM20.3 million. The Group reported higher LBT of RM0.4million as compared to preceding year's LBT of RM1.4 million.

Malaysia

For Q2 2015, and financial year-to-date, it registered lower profit due to lower revenue generated as compared to preceding year's corresponding quarter in both local and export market mainly due to sluggish demands.

The local market recorded lower retail and project installations in Q2.

Europe

For Q2 2015, European market continued to register flat turnover due to slow market recovery .

For Q2 2015, and financial year-to-date, European market registered slightly higher sales but loss was also slightly higher due to continual administrative expenses incurred as compared with preceding year's quarter.

United States of America

For Q2 2015, revenue remained flat with loss close to that of preceding year's corresponding quarter. For the year to date, higher revenue was due to higher selling price arising from more favourable exchange rate.

Segment	Sale Volumes (M ²)			
	Q2,2015	Q2,2014	YTD 2015	YTD 2014
Malaysia				
- Export market	44,276	53,493	88,220	117,141
- Local market	8,760	20,052	36,602	32,573
Europe	5,909	4,124	10,464	10,680
USA	2,375	2,970	4,738	5,971

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 RM8.0 million, a decrease of 21% from the preceding quarter of RM10.1 million. It registered a marginal higher loss of RM0.21 million for the current quarter as compared to loss of RM0.19 million for the preceding quarter. Despite lower revenue, the better sale mix helped to mitigate the loss of the current quarter.

3. Commentary on prospects

Given the uncertain economic outlook in Europe and economic slack in Australia, demand from these conventional overseas market will likely remain lacklustre. Demand in China is also very low due to the flattening housing market.

The Group is seeing better growth in the USA market as the economy and housing market there continues to improve. We are also starting to see stronger demand in Philippines and Vietnam.

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:

	Current Quarter 30.06.2015 RM'000	Cumulative Quarter 30.06.2015 RM'000
Interest expense	220,523	446,271
Inventories written down	3,754	6,839
Depreciation and amortization	835,171	1,664,388
Property, plant and equipment written off	1,539	2,527
(Gain)/Loss on disposal of property, plant and equipment	(100)	171
Impairment loss on trade receivable	11,295	26,936
Net foreign exchange (gains)/losses		
- Realised	(190,860)	(419,380)
- Unrealised	69,063	(44,598)
Net fair value (gain)/loss on derivative	(28,222)	52,085

6. Taxation

	Current Quarter		Cumulative Quarter	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM	RM	RM	RM
Current tax:				
Malaysian income tax	-	307	(1,000)	389
Foreign tax	-	-	-	-
Under provision in prior year				
Malaysian income tax	-	-	1,000	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(117,583)	(115,512)	(143,696)	(123,468)
Overprovision in prior year	-	-	-	-
	<u>(117,583)</u>	<u>(115,205)</u>	<u>(143,696)</u>	<u>(123,079)</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:

	As at 30.06.2015 RM	As at 30.06.2014 RM
Short term borrowings - unsecured	16,247,161	16,250,287

All borrowings are denominated in Ringgit Malaysia except as follows:

	As at 30.06.2015	
	Amount in Foreign currencies	Amount in RM Equivalent
EURO	46,703	197,280
USD	44,442	169,275
Total		<u>366,555</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 2015.

11. Earnings per share

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
Net loss for the period (RM)	(88,363)	(855,768)	(232,394)	(1,224,314)
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)	(0.05)	(0.51)	(0.14)	(0.73)

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 25 August, 2015.

PART C. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 30 June 2015 and 31 December 2014 into realized and unrealized 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 30.06.2015 RM	As at 31.12.2014 RM
Total retained profits of the Company and its subsidiaries		
- Realised	(31,021,163)	(28,463,185)
- Unrealised	(4,249,537)	(4,304,060)
	(35,270,700)	(32,767,245)
Less: Consolidation adjustments	45,446,318	43,175,257
Total group retained profits as per financial statements	10,175,618	10,408,012