

INTERIM REPORT

TIMBERWELL BERHAD

(387185-W)

(Incorporated in Malaysia)

The Directors are pleased to present the Interim Report for the period ended 30 June 2007 as follows:

INTERIM FINANCIAL REPORT AS AT 30 JUNE 2007**PART A2 : SUMMARY OF KEY FINANCIAL INFORMATION**

	Individual Period		Cumulative Period		
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year to-date	Preceding Year Corresponding Period	
	30/6/2007 RM'000	30/6/2006 RM'000	30/6/2007 RM'000	30/6/2006 RM'000	
1	Revenue	17,287	11,285	26,500	15,569
2	Profit / (loss) before tax	604	(2,024)	1,174	(3,552)
3	Profit / (loss) for the period	302	(2,136)	478	(4,200)
4	Profit/(loss) attributable to ordinary equity holders of the parent	1,151	(989)	1,870	(2,403)
5	Basic earnings/(loss) per share (sen)	1.72	(1.49)	2.80	(3.70)
6	Dividend per share (sen)	0.00	0.00	0.00	0.00
		AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7	Net assets per share attributable to ordinary equity holders of the parent (RM)	0.5400		0.5100	

Remark:

Profit / (loss) before tax under item 2 of PART A2 : Summary of Key Financial Information comprise of profit / (loss) before tax from continuing operations and discontinued operations. Information on discontinued operations is disclosed in Note A14 of PART A: Explanatory notes pursuant to FRS 134.

PART A3 : SUMMARY OF KEY FINANCIAL INFORMATION

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year to-date	Preceding Year Corresponding Period
	30/6/2007 RM'000	30/6/2006 RM'000	30/6/2007 RM'000	30/6/2006 RM'000
1	Gross interest income	0	0	0
2	Gross interest expense	351	736	1,185

TIMBERWELL BERHAD
CONDENSED UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007

	← INDIVIDUAL QUARTER →		← CUMULATIVE YTD →	
	Current year	Preceding year comparative	Current year	Preceding year comparative
	3 months ended 30.06.2007 (RM'000)	3 months ended 30.06.2006 (RM'000)	6 months ended 30.06.2007 (RM'000)	6 months ended 30.06.2006 (RM'000)
Continuing Operations				
Revenue	17,287	11,285	26,500	15,569
Operating expenses	(16,898)	(13,008)	(25,142)	(18,260)
Other income	525	650	532	757
Profit/(loss) from operations	914	(1,073)	1,890	(1,934)
Finance costs	(73)	(291)	(143)	(319)
Profit/(loss) before tax	841	(1,364)	1,747	(2,253)
Income tax expense	(302)	(112)	(696)	(648)
Profit/(loss) for the period from continuing operation	539	(1,476)	1,051	(2,901)
Discontinued Operations				
Loss for the period from discontinued operations	(237)	(660)	(573)	(1,299)
Profit/(loss) for the period	302	(2,136)	478	(4,200)
Attributable to:				
Equity holders of the parent	1,151	(989)	1,870	(2,403)
Minority interest	(849)	(1,147)	(1,392)	(1,797)
	302	(2,136)	478	(4,200)
Earnings per share (Sen) attributable to equity holders of the parent :				
- Basic	1.72	(1.49)	2.80	(3.70)
- Diluted	N/A	N/A	N/A	N/A

The Condensed Unaudited Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2007

	As at 30.06.2007 (RM'000)	As at 31.12.2006 (RM'000) Restated
NON-CURRENT ASSETS		
Property, plant and equipment	26,893	28,803
Prepaid lease payment	1,824	1,838
Tree plantation development expenditure	16,296	15,659
Other Investment	93	93
	<u>45,106</u>	<u>46,393</u>
CURRENT ASSETS		
Inventories	7,107	7,370
Trade and other receivables	15,519	11,767
Deposits, bank and cash balances	247	1,017
	<u>22,873</u>	<u>20,154</u>
Non-current assets classified as held for sale	14,843	14,843
	<u>37,716</u>	<u>34,997</u>
TOTAL ASSETS	<u>82,822</u>	<u>81,390</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	66,788	66,788
Reserves	(30,942)	(32,567)
	<u>35,846</u>	<u>34,221</u>
Equity attributable to equity holders of the parent	35,846	34,221
Minority Interests	4,052	5,444
	<u>39,898</u>	<u>39,665</u>
NON-CURRENT LIABILITIES		
Borrowings	230	171
Deferred tax liabilities	3,623	3,731
	<u>3,853</u>	<u>3,902</u>
CURRENT LIABILITIES		
Trade and other payables	25,866	21,964
Borrowings	37	58
Tax payables	1,851	2,533
	<u>27,754</u>	<u>24,555</u>
Liabilities directly associated with assets classified as held for sale	11,317	13,268
	<u>39,071</u>	<u>37,823</u>
Total liabilities	42,924	41,725
TOTAL EQUITY AND LIABILITIES	<u>82,822</u>	<u>81,390</u>
 Net assets per share attributable to ordinary equity holders of the parent (RM)	 0.5400	 0.5100

The Condensed Unaudited Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2007

	← Attributable to Equity Holders of the Parent →			Distributable Retained Earnings/ (Accumulated losses)	Minority Interest	Total Equity
	Share capital (RM'000)	Share premium (RM'000)	Merger deficit (RM'000)			
For The Year <u>Ended 30 June 2007</u>						
At 1 January 2007	66,788	10,165	-	(42,732)	5,444	39,665
Share issue cost	-	(245)	-	-	-	(245)
Net Profit/(loss) for the period	-	-	-	1,870	(1,392)	478
At 30 June 2007	<u>66,788</u>	<u>9,920</u>	<u>-</u>	<u>(40,862)</u>	<u>4,052</u>	<u>39,898</u>
For The Year <u>Ended 30 June 2006</u>						
At 1 January 2006	60,717	6,760	(591)	(8,525)	6,684	65,045
Issue of ordinary shares pursuant to Private Placement	5,625	3,375	-	-	-	9,000
Share issue cost	-	(234)	-	-	-	(234)
Net loss for the period	-	-	-	(2,403)	(1,797)	(4,200)
At 30 June 2006	<u>66,342</u>	<u>9,901</u>	<u>(591)</u>	<u>(10,928)</u>	<u>4,887</u>	<u>69,611</u>

The Condensed Unaudited Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

TIMBERWELL BERHAD
CONDENSED UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007

	6 months ended	
	30.06.2007	30.06.2006
	(RM'000)	(RM'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation		
Continuing operations	1,747	(2,253)
Discontinued operations	(573)	(1,299)
	<u>1,174</u>	<u>(3,552)</u>
Adjustment for :		
Non-cash Items	2,380	2,693
Non-operating Items	736	1,094
Operating profit / (loss) before changes in working capital	<u>4,290</u>	<u>235</u>
Net change in Current Assets	(3,489)	(3,929)
Net change in Current Liabilities	3,659	(4,822)
Net cash flow from operations	<u>4,460</u>	<u>(8,516)</u>
Interest paid	(736)	(852)
Tax paid	(1,488)	(345)
Net cash flow from / (used in) operating activities	<u>2,236</u>	<u>(9,713)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	12	-
Purchase of property, plant and equipment	(308)	(26)
Tree plantation development expenditure	(725)	(1,034)
Net cash flow used in investing activities	<u>(1,021)</u>	<u>(1,060)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share pursuant to Private Placement	-	9,000
Proceeds from share issued to minority shareholder in a subsidiary	-	-
Repayment of borrowings	(1,804)	(1,491)
Net cash flow from / (used in) financing activities	<u>(1,804)</u>	<u>7,509</u>
Net change in Cash and Cash Equivalents	(589)	(3,264)
Cash and Cash Equivalents at beginning of the financial period	(8,220)	(5,912)
Cash and Cash Equivalents at end of the financial period	<u>(8,809)</u>	<u>(9,176)</u>

Cash and cash equivalents at the end of the financial period comprise the following:

	As at	As at
	30.06.2007	30.06.2006
	(RM'000)	(RM'000)
Fixed deposit, Cash and bank balances	247	241
Bank overdrafts	(9,056)	(9,417)
	<u>(8,809)</u>	<u>(9,176)</u>

The Condensed Unaudited Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2006.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following new/revised Financial Reporting Standard ("FRS") effective for financial period beginning 1 January 2007.

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of all FRS mentioned above don not have significant financial impact on the Group except the effects of the changes in accounting policies resulting from the adoption of FRS are discussed below:-

(a) FRS 117: Leases

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leasehold land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payments represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and certain comparatives as at 31 December 2006 have been restated as follows:

	Previously stated RM'000	Adjustment RM'000	Restated RM'000
Property, plant and equipment	30,641	(1,838)	28,803
Prepaid lease payments	-	1,838	1,838

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2006 was not qualified.

A4. Comments about Seasonality or Cyclicity

The Group's performance is not subject to seasonality or cyclicity except that the timber logs harvesting operation could be severely affected by the prevailing weather condition.

A5. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter under review due to their nature, size or incidence.

A6. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter results.

A7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale or repayment of debt securities nor any movement in the share capital for the quarter and financial period under review.

A8. Dividends Paid

There were no dividends paid since the last financial year ended 31 December 2006.

A9. Segmental Information

No segmental analysis was prepared as the Group is primarily engaged in the manufacturing, harvesting, marketing and trading of timber and related products in Malaysia.

A10. Valuations of Property, Plant and Equipment

The Directors have applied the transitional provisions of International Accounting Standard No. 16 (Revised) "Property, Plant and Equipment" as adopted by Malaysian Accounting Standards Board which allow the long term leasehold land and building to be stated at their 1996 valuation less accumulated depreciation. Accordingly, these have been no change to the valuation.

A11. Subsequent Events

There were no material events subsequent to the end of the current quarter.

A12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current year to-date.

A13. Changes in Contingent Liabilities and Contingent Assets

There Group's contingent liabilities of a material nature as at the date issue of this interim report were as follows:

	RM'000
Unsecured	
Disputed claims by suppliers	1,507
Bank guarantees granted by a subsidiary company in order for the Company to provide a performance bond to the forestry department	5,000
Corporate guarantee granted to financial institutions for borrowing facilities of subsidiary companies	16,266
	<u>22,773</u>

A14. Discontinued Operations and Disposal Group Classified as Held for Sale

In the financial year ended 31 December 2004, Timberwell Enterprise Sdn. Bhd., a subsidiary of the Company ceased its manufacturing activities. Furthermore, in the financial year ended 31 December 2006, the Group relocated its head office from property owned by one of its subsidiaries to a third party owned property. The Group intended to dispose of the property of this subsidiary and negotiations for the sale are in progress.

	3 months ended		6 months ended	
	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	RM'000	RM'000	RM'000	RM'000
Revenue	12	-	23	-
Loss before tax	(237)	(660)	(573)	(1,299)
Income tax expense	-	-	-	-
Loss for the period from discontinued operations	(237)	(660)	(573)	(1,299)
Cash flows from operating activities	(266)	(660)	(584)	(1,299)
Cash flows from investing activities	-	-	-	-
Cash flows from financing activities	(1,226)	(948)	(1,769)	(1,510)
Total cash flows	(1,492)	(1,608)	(2,353)	(2,809)

The major classes of assets and liabilities of the Group classified as held for sale as at 31 March 2007 are as follows:-

Assets	As at	As at
	30.06.2007	31.12.2006
	RM'000	RM'000
Property, plant and equipment	14,843	14,843
Liabilities		
Borrowings	11,289	13,240
Trade and Other payables	28	28
	11,317	13,268

A15. Tree Plantation Development Expenditure

The Company has been granted a sustainable forest management license (SFML) for 100 years commencing 1997 over an area of 71,293 hectares in the Lingkabau Forest Reserve ("LFR") in Sabah under an agreement entered into with the State Government of Sabah. Under the agreement, the State Government of Sabah granted permission to the Company to plant, rehabilitate and harvest forests in the sustainable forest management concession area.

Tree plantation development expenditure is stated at cost which comprises expenditure incurred on land clearing, new planting, enrichment planting, silvicultural treatments, upkeep and maintenance of the sustainable forest management concession area.

The cost will be amortised upon commencement of timber harvesting on the basis of the volume of timber harvested during the financial year as a proportion of the estimated volume available.

The Directors are of the opinion that the standing timber in the concession area commands a valuation far greater than the carrying value of the tree plantation development expenditure.

PART B: ADDITIONAL INFORMATION REQUIRED BY BMSB'S LISTING REQUIREMENTS

B1 Review of Performance

In the current quarter under review, the Group achieved a higher revenue of RM17.29 million, an increase of RM6.00 million as compared to RM11.29 million in the corresponding quarter of 2006. The Group achieved profit before tax of RM0.60 million as compared to a loss before tax of RM2.02 million in the corresponding quarter of 2006.

For the current financial year-to-date, the Group recorded a higher revenue of RM26.50 million and profit before tax of RM1.17 million when compared to a revenue of RM15.57 million and a loss before tax of RM3.55 million in the preceding financial year-to-date of 2006

The increase in revenue in current quarter and financial year-to-date was mainly due to higher export sales volume. The increase in profit before tax in current quarter and financial year-to-date was mainly attributable to higher export sales volume and profit margin from the timber harvesting operations.

B2 Variation of Results as Compared to the Preceding Quarter

In the current quarter ended 30 June 2007, the Group recorded profit before tax from continuing operations of RM0.84 million as compared to a profit before tax from continuing operations of RM 0.91 million in the immediate preceding quarter. The decrease in profit before tax of its continuing operations was mainly due to lower average selling price of its plywood exports.

B3 Commentary on Prospects

Barring unforeseen circumstances, the Directors are of the opinion that the Group's financial performance in the remaining period of the financial year 2007 will continue to improve.

B4 Statement of Revenue or Profit Estimate, Forecast, Projection or Internal Targets previously announced or Disclosed in a Public Document

This note is not applicable.

B5 Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast or profit guarantee for the current financial year to date.

B6 Taxation

	3 months ended		6 months ended	
	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	RM'000	RM'000	RM'000	RM'000
<u>Taxation comprise the following :</u>				
<i>Malaysian income tax</i>				
Current	390	64	805	279
Deferred	(88)	48	(109)	369
	<u>302</u>	<u>112</u>	<u>696</u>	<u>648</u>

The effective tax rate for the periods presented above is higher than the statutory tax rate on chargeable income applicable in Malaysia principally due to losses of certain subsidiaries.

B7 Sales of Unquoted Investments and/or Properties

There were no disposal of unquoted investments and/or properties for the current quarter and financial period under review.

B8 Purchase or Disposal of Quoted Securities

- (a) There were no purchases or disposals of quoted securities for the current quarter under review.
- (b) There were no investments in quoted securities as at the end of the financial period.

B9 Corporate Proposal

(a) Status of Corporate Proposals

As announced on 12 April 2007, a proposed renounceable rights issue of up to 22,262,667 new ordinary shares of RM1.00 each in the Company with up to 22,262,667 free detachable new warrants ("Warrant(s)") on the basis of one (1) Rights Share and one (1) Warrant for every three (3) existing ordinary shares of RM1.00 each in the Company held at an entitlement date to be determined later ("Entitlement Date"), based on a minimum subscription level of 8,223,866 Rights Share together with 8,223,866 Warrants ("Proposed Rights Issue with Warrants");

As announced on 9 June 2007, Securities Commission has approved the Proposed Rights Issue with Warrant subject to certain terms and conditions vide its letter dated 15 June 2007.

Bank Negara Malaysia had vide its letter dated 29 June 2007, approved the Company's issuance of up to 22,262,667 Warrants pursuant to the Proposed Rights Issue with Warrants to its entitled shareholders, including non-resident shareholders.

There is no other corporate proposals announced but not completed as at the date of this report.

(b) Status of Utilisation of proceeds from previous corporate proposals

The Company has issued additional 6,071,000 new ordinary shares of RM1.00 each at RM1.60 per share pursuant to private placement which were listed and quoted in the Bursa Malaysia on 24 February 2006 and 4 January 2007 respectively. As at the date of this interim report, the Company has fully utilised the total proceeds of RM9.72 million in accordance to its proposed utilisation as follows:-

- (i) Working captial for plywood operations
- (ii) Shares issue costs

TIMBERWELL BERHAD
(Company No. 387185-W)

B10 Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2007 were as follows :-

	Secured RM'000	Unsecured RM'000	As at 30.06.2007 Total RM'000
Current	-	115	115
Non-current	-	152	152
Liabilities directly associated with assets classified as held for sale (Note A14)	11,289	-	11,289
	<u>11,289</u>	<u>267</u>	<u>11,556</u>

B11 Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at the date of this announcement.

B12 Material Litigation

As announced on 10 April 2006, a writ of summon has been filed in the High Court of Sabah and Sarawak in Kota Kinabalu bearing Suit No.: K22-55 of 2006 on Timberwell Enterprise Sdn. Bhd. ("TEnterprise"), a wholly-owned subsidiary of the Company by Syarikat Neptune Enterprise Sdn. Bhd. ("Neptune") in respect of the outstanding sum of RM900,594.55 arising from the supply of 1,411 round logs of various species in two different occasions in year 2002.

The Board of Directors is of opinion that the claims by Neptune are baseless. On 15 May 2006, TEnterprise vide its solicitors, Messrs Ting Annuar & Co, filed in a Statement of Defence denying each and every Neptune's claim. On 26 October 2006, Neptune vide its solicitors filed an Affidavit in Reply to oppose an Affidavit in Opposition made by the former managing director of TEnterprise on 10 October 2006 in respect of TEnterprise's Statement of Defence.

Neptune has applied for a summary judgement while TEnterprise has also applied for the striking out of the action. On 4 April 2007, the court dismissed both applications and directed the former managing director of TEnterprise to lodge a police report on the plaintiff's claim. The trial is fixed to commence on 16 November 2009.

The claim is not expected to have material financial and operation impact on the Group.

B13 Dividend Proposed or Declared

No dividend has been proposed or declared for the financial period end 31 December 2006.

TIMBERWELL BERHAD
(Company No. 387185-W)

B14 Earnings per Share

The basic earnings per share for the current quarter and preceding year corresponding quarter are computed as follow:

	3 months ended		6 months ended	
	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period (RM'000)	1,151	(989)	1,870	(2,403)
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	66,788	66,342	66,788	64,936
Basic Earnings Per Share (sen)	1.72	(1.49)	2.80	(3.70)

There is no diluted earnings per share as there were no potential dilutive ordinary shares outstanding as at the end of the reporting period.

By order of the Board
TIMBERWELL BERHAD

CHIA SIEW CHIN -MIA 2184
Company Secretary
KUALA LUMPUR
13/8/2007