

LEWEKO RESOURCES BERHADCompany No. 568420-K
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2007**

	As at 30.9.2007 RM'000 (Unaudited)	As at 31.12.2006 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	38,858	38,981
Prepaid lease payments	4,014	4,067
Timber concessions	35,487	42,337
Goodwill on consolidation	2,692	2,692
Other receivables	18,212	18,212
Total non-current assets	99,263	106,289
Current Assets		
Inventories	32,020	26,868
Trade and other receivables	68,948	53,814
Current tax assets	2,845	2,126
Other assets	1,894	1,942
Fixed deposits, cash and bank balances	8,826	17,087
Total current assets	114,533	101,837
Total assets	213,796	208,126
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	115,118	115,118
Share premium	4,926	4,926
Retained earnings	68,045	62,854
Total equity	188,089	182,898
Non-Current Liabilities		
Hire-purchase payables	246	247
Borrowings	126	357
Deferred tax liabilities	12,623	14,914
Total non-current liabilities	12,995	15,518
Current Liabilities		
Trade and other payables	2,488	2,843
Hire-purchase payables	202	260
Borrowings	7,302	5,372
Current tax liabilities	1,555	441
Other liabilities	1,165	794
Total current liabilities	12,712	9,710
Total liabilities	25,707	25,228
Total equity and liabilities	213,796	208,126
Net Assets per Share (RM)	1.63	1.59

The accompanying Notes to Interim Financial Report form an integral part of the Condensed Consolidated Balance Sheets

LEWEKO RESOURCES BERHAD

Company No. 568420-K
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENTS
FINANCIAL QUARTER ENDED 30 SEPTEMBER 2007
(UNAUDITED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.9.2007 RM'000	Preceding Year Corresponding Quarter 30.9.2006 RM'000	Current Year To Date 30.9.2007 RM'000	Preceding Year Corresponding Period 30.9.2006 RM'000
Revenue	38,153	38,169	94,955	103,669
Investment revenue	5	4	53	8
Other gains and losses	210	94	193	162
Other operating income	26	14	50	64
Changes in inventories of finished goods and work-in-progress	(3,722)	2,005	2,449	3,417
Raw materials and consumables used	(3,423)	(11,024)	(12,458)	(24,579)
Purchase of trading stocks	(11,801)	(15,338)	(31,391)	(36,820)
Contract fees	(5,866)	-	(9,091)	-
Employee benefits expenses	(1,745)	(1,576)	(5,491)	(5,672)
Depreciation of property, plant and equipment	(853)	(865)	(2,593)	(2,534)
Amortisation of prepaid lease payments	(17)	(17)	(53)	(53)
Amortisation of timber concessions	(2,449)	-	(6,850)	-
Other operating expenses	(5,189)	(3,128)	(13,988)	(14,656)
Profit from operations	3,329	8,338	15,785	23,006
Finance costs	(103)	(271)	(287)	(660)
Profit before tax	3,226	8,067	15,498	22,346
Tax expense	(1,117)	(2,250)	(3,163)	(6,108)
Net profit attributable to the equity holders of the Company	2,109	5,817	12,335	16,238
Earnings per share:				
Basic (sen)	1.83	5.05	10.72	14.11
Diluted (sen)	-	-	-	-

The accompanying Notes to Interim Financial Report form an integral part of the Condensed Consolidated Income Statements

LEWEKO RESOURCES BERHAD

Company No. 568420-K

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FINANCIAL QUARTER ENDED 30 SEPTEMBER 2007
(UNAUDITED)**

	Share Capital RM'000	Distributable		Share Premium RM'000	Total RM'000
		Retained Earnings RM'000	Earnings		
2007					
At 1 January 2007	115,118	62,854	4,926	4,926	182,898
Net profit for the financial period	-	12,335	-	-	12,335
Dividends	-	(7,144)	-	-	(7,144)
At 30 September 2007	115,118	68,045	4,926	4,926	188,089
2006					
At 1 January 2006	115,118	47,561	4,971	4,971	167,650
Net profit for the financial period	-	16,238	-	-	16,238
Dividends	-	(6,447)	-	-	(6,447)
At 30 September 2006	115,118	57,352	4,971	4,971	177,441

The accompanying Notes to Interim Financial Report form an integral part of the Condensed Consolidated Statement of Changes in Equity

LEWEKO RESOURCES BERHADCompany No. 568420-K
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FINANCIAL QUARTER ENDED 30 SEPTEMBER 2007
(UNAUDITED)**

	Current Year To Date 30.9.2007 RM'000	Preceding Year Corresponding Period 30.9.2006 RM'000
Net Cash (Used In)/From Operating Activities	(104)	9,260
Net Cash Used In Investing Activities	(2,283)	(1,776)
Net Cash Used In Financing Activities	(5,951)	(1,468)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,338)	6,016
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	16,952	10,673
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	8,614	16,689
Cash and cash equivalents comprise:		
Bank and cash balances	8,826	16,824
Fixed deposits pledged for bank guarantee facilities	(212)	(135)
	8,614	16,689

The accompanying Notes to Interim Financial Report form an integral part of the Condensed Consolidated Cash Flow Statement

LEWEKO RESOURCES BERHAD

Company No. 568420-K
(Incorporated in Malaysia)

**NOTES TO INTERIM FINANCIAL REPORT
FINANCIAL QUARTER ENDED 30 SEPTEMBER 2007**

1. Basis of Preparation

The interim financial report has been prepared under the historical cost convention.

The interim financial report is unaudited and has been prepared in accordance with FRS 134 Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ["Bursa Malaysia"].

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006. These notes attached to the interim financial report 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.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those in the audited financial statements for the financial year ended 31 December 2006, except for the adoption of the following new/revised Financial Reporting Standards ["FRS"] effective for the financial period beginning 1 January 2007:

FRS 117 Leases
FRS 124 Related Party Disclosures

The Group has not adopted the following new/revised FRS that has been issued but is not yet effective:

	<u>Effective for financial periods beginning on or after</u>
FRS 139 Financial Instruments: Recognition and Measurement	To be announced by Malaysian Accounting Standards Board

At the date of this interim financial report, the possible financial impact that the application of FRS 139 will have on the Group in the period of initial application is not disclosed as the information relevant to assessing such impact cannot be estimated reasonably.

The adoption of the new/revised FRS does not have a significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRS are discussed below:

FRS 117 - Leases

The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the sublease of the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses, if any. Upon the adoption of FRS 117 at 1 January 2007, the unamortised cost of the leasehold land of RM4,067,000 was retained as the carrying amount of prepaid lease payments in accordance with the transitional provisions of the FRS 117. This reclassification has been accounted for retrospectively and its effects on the comparative amounts are disclosed in Note 3.

3. Comparatives

The following comparative amounts have been reclassified due to the adoption of the FRS 117 (Note 2):

	As previously stated	Reclassification	As restated
	RM'000	RM'000	RM'000
At 31 December 2006/1 January 2007			
Property, plant and equipment	43,048	(4,067)	38,981
Prepaid lease payments	-	4,067	4,067

The following amounts for the financial quarter ended 30 September 2006 have also been reclassified due to the adoption of FRS 117 (Note 2):

	As previously stated	Reclassification	As restated
	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	(2,587)	53	(2,534)
Amortisation of prepaid lease payments	-	(53)	(53)

4. Auditors' Report on Preceding Annual Financial Statements

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

5. Seasonality or Cyclical Factors

The Group's performance could be affected by the rainy season during which its logging and log trading activities would be hampered.

6. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current financial quarter.

7. Changes in Estimates

There were no changes in estimates of amounts reported in the prior financial quarter or prior financial years that have had a material effect in the current financial quarter.

8. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current financial quarter.

9. Dividends Paid

The amount of dividends paid during the current financial year to date was as follows:

	RM'000
(a) In respect of the financial year ending 31 December 2007: Special interim dividend of 4.5 sen per share less income tax of 27% (3.3 sen net) per share paid on 2 April 2007.	3,782
(b) In respect of the financial year ended 31 December 2006: Final dividend of 4.0 sen per share less income tax of 27% (2.9 sen net) per share, paid on 19 July 2007.	<u>3,362</u>
	<u>7,144</u>

10. Segmental Information

(a) Segment Revenue

	Current Financial Quarter			Current Financial Year To Date		
	External RM'000	Inter-segment RM'000	Total RM'000	External RM'000	Inter-segment RM'000	Total RM'000
Logs and timber products	26,618	7,648	34,266	77,530	28,805	106,335
Timber harvesting and logging contracting	6,611	2,512	9,123	6,611	7,027	13,638
Plantation - oil palm	4,924	-	4,924	10,814	-	10,814
	<u>38,153</u>	<u>10,160</u>	<u>48,313</u>	<u>94,955</u>	<u>35,832</u>	<u>130,787</u>
Inter-segment elimination			<u>(10,160)</u>			<u>(35,832)</u>
			<u>38,153</u>			<u>94,955</u>

(b) Segment Results

	Profit/(loss) before tax RM'000	Profit before tax RM'000
Logs and timber products	(2,985)	5,824
Timber harvesting and logging contracting	3,011	3,788
Plantation - oil palm	<u>3,341</u>	<u>6,416</u>
	3,367	16,028
Corporate office and unallocated expenses	<u>(141)</u>	<u>(530)</u>
	<u>3,226</u>	<u>15,498</u>

11. Valuations of Property, Plant and Equipment

The Group does not have a policy of revaluing its property, plant and equipment.

12. Material Events Subsequent to the End of the Current Financial Quarter

There were no material events subsequent to the end of the current financial quarter which have not been reflected in the interim financial report.

13. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial quarter.

14. Changes in Contingent Liabilities and Contingent Assets

The Group has no contingent liabilities or contingent assets since the end of the last financial year.

15. Capital Commitments

The commitments for the purchase of property, plant and equipment approved and contracted for but not provided in the interim financial report as at the end of the current financial quarter amounted to approximately RM1,152,000.

16. Performance Review

The Group's revenue for the current financial quarter was flat when compared to that of the preceding year's corresponding financial quarter. The profit before tax ["PBT"], however, declined by RM4.8 million year-on-year ["YoY"] to RM3.2 million. This was mainly due to weak export prices for downstream timber products and the weakening of the US\$ against the RM.

The revenue of the Group's logs and timber products division for the current financial quarter declined by 25.1% YoY to RM26.6 million. As a consequence, this division posted a loss before tax of RM3.0 million during the current financial quarter, whereas during the preceding year's corresponding financial quarter, the divisional PBT was RM7.6 million. These declines in revenue and profitability were in the main caused by lower selling prices as well as soft demand for the division's downstream timber products in Europe (the division's major export market which experienced both a slowdown in construction activities as well as overstocking of tropical timber products). In addition, the strengthening of the RM against the US\$ (7.3% YoY) and the rise of about 3% to 5% YoY in the prices of logs and sawn timber (input raw materials for the division) in Peninsular Malaysia also adversely impacted the division's revenue and margins.

The Group's timber harvesting and logging contracting division undertook contract works for the construction of roads and infrastructure works and logs extraction for third parties during the current financial quarter. These works enabled the division to achieve revenue and PBT of RM6.6 million and RM3.0 million respectively for the current financial quarter. During the preceding year's corresponding financial quarter, this division did not render any contract works for third parties and as a result, it reported a loss before tax of RM287,000 then.

Higher revenue and PBT were posted by the Group's plantation division during the current financial quarter. Compared to the preceding year's corresponding financial quarter, this division's revenue increased by RM2.3 million to RM4.9 million while its PBT soared three-fold to RM3.3 million. This tremendous performance was mainly attributable to higher average crude palm oil ["CPO"] prices which rose by 74.4% YoY as well as a 3.8% YoY increase in fresh fruit bunches ["FFB"] output.

17. Comments on Material Changes in the Profit Before Taxation

On a quarter-on-quarter ["QoQ"] basis, the revenue of the Group's logs and timber products division increased by RM3.2 million due to higher sales of logs and Forest Stewardship Council A.C. certified downstream timber products. At the PBT level, however, the division incurred a loss before tax of RM3.0 million as compared to the PBT of RM3.8 million achieved in the preceding financial quarter. The soft demand and lower selling prices in Europe for the Group's main downstream timber products (experienced since the beginning of the preceding financial quarter) was a major cause of the loss. Although the prices of the division's input raw materials such as logs and sawn timber had declined QoQ, these declines were marginal (due to limited supply in Peninsular Malaysia) and therefore, unable to stem the erosion in the profit margins of the division's downstream timber products caused by lower selling prices.

As mentioned earlier, the Group's timber harvesting division and logging contracting division undertook contract works for third parties during the current financial quarter whereas in the preceding financial quarter, it only did in-house work. These contract works which contributed RM6.6 million to the division's revenue for the current financial quarter enabled it to achieve an increase of RM2.57 million in PBT QoQ.

The Group's plantation division continued to enjoy higher average CPO prices (increased 7.4% QoQ) and increased FFB output (33.1% QoQ) during the current financial quarter. These favourable factors resulted in the division's revenue increasing by 44.7% to RM4.9 million while its PBT improved by 64.3% to RM3.3 million.

18. Commentary on Prospects

With the traditional long holiday break in Europe this coming December and reduced construction activities during the winter season there, demand and prices for the Group's downstream timber products are expected to remain soft in the coming financial quarter. Further weakening of the US\$ against the RM will also impact the Group's revenue as well as margins. On a positive note, it is envisaged that the overstocking of tropical timber products in Europe should be reduced by mid-1st financial quarter of 2008 and this would prompt the importers to replenish their inventory. If this happens, it is likely that selling prices for tropical timber products will be firmer by then.

The expansion of the Group's kiln-drying capacity is on-going and is expected to be completed by the 1st financial quarter of 2008. The Group envisaged that this increased kiln-drying capacity will enable it to increase the production and sales volume of its higher margin downstream timber products and at the same time, achieve lower unit fixed cost due to higher throughput.

The Group's timber harvesting and logging contracting work for third parties which commenced at the end of the current financial quarter will continue into the forthcoming financial quarter if the weather permits.

With CPO prices trading above RM2,900 per metric tonne over the last one month, the Group's plantation division is almost certain of showing better earnings in the forthcoming financial quarter.

Based on the above factors and barring any unforeseen circumstances, the Group is cautiously optimistic that its performance in the current financial year will be profitable.

19. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax with profit forecast and shortfall in profit guarantee are not applicable.

20. Taxation

	Current Financial Quarter RM'000	Current Financial Year To Date RM'000
Malaysian income tax	1,345	5,454
Deferred taxation	(682)	(2,291)
	<hr/> 663	<hr/> 3,163
Under provision of Malaysian income tax in prior financial quarters	454	-
	<hr/> 1,117	<hr/> 3,163

The Group's effective tax rate for the current financial year is lower than the "normal" statutory tax rate of 27% due to the first RM500,000 of each of the subsidiary companies' chargeable income being taxed at the reduced tax rate of 20%, double tax deductions claimed for freight charges on exports and tax exemption on certain portion of the value of increased exports.

21. Profits/(Losses) on Sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments and/or properties during the current financial quarter.

22. Quoted Securities

- (a) There were no purchases or disposals of quoted securities during the current financial quarter.
- (b) The Group has no quoted securities as at the end of the current financial quarter.

23. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 22 November 2007.

24. Borrowings and Debt Securities

RM'000

Short term borrowings (including hire-purchase payables)	7,504
Long term borrowings (including hire-purchase payables)	372
	<u>7,876</u>

All of the above borrowings are secured and denominated in Ringgit Malaysia.

25. Off Balance Sheet Financial Instruments

The Group has no off balance sheet financial instruments as at 22 November 2007.

26. Changes in Material Litigations

The Group has no material litigations as at 22 November 2007.

27. Related Party Transactions

	Current Financial Quarter RM'000	Current Financial Year To Date RM'000
Rental of premises paid to Indra Pusaka Sdn. Bhd., a company in which certain directors of the Company have interests	18	54
Rental of premises paid to Jurang Hijau Sdn. Bhd., a company in which persons connected with a director of the Company have interests	8	23
Contract fees in respect of harvesting of timber logs received from Ikatan Syarikat Pembalak-Pembalak Perak Berhad, a company in which a director of the Company and a person connected with that director have interests	3,611	3,611
Sawing fees paid to Megan Tenggara Sdn. Bhd., a company in which a former substantial shareholder of the Company has interest	*	302

* Ceased to be a related party on 15 June 2007

28. Earnings Per Share

(a) **Basic**

	Current Financial Quarter	Current Financial Year To Date
Profit after tax (RM'000)	2,109	12,335
Weighted average number of ordinary shares in issue ('000)	115,118	115,118
Basic earnings per share (sen)	<u>1.83</u>	<u>10.72</u>

(b) **Diluted**

This disclosure requirement for the diluted earnings per share is not applicable.

29. Dividends Payable

No interim dividends have been declared or recommended for the current financial quarter.

By order of the Board,

Chung Wai Choong
Tan Cheong Yeow
Company Secretaries

29 November 2007