

**LEWEKO RESOURCES BERHAD**

Company No. 568420-K  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2007**

	<b>As at 31.12.2007 RM'000 (Unaudited)</b>	<b>As at 31.12.2006 RM'000 (Audited)</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	39,146	38,981
Prepaid lease payments	3,998	4,067
Timber concessions	35,487	42,337
Goodwill on consolidation	2,692	2,692
Other receivables	24,370	18,212
<b>Total non-current assets</b>	<b>105,693</b>	<b>106,289</b>
<b>Current Assets</b>		
Inventories	34,682	26,868
Trade and other receivables	55,919	53,814
Current tax assets	4,444	2,126
Other assets	1,487	1,942
Fixed deposits, cash and bank balances	16,554	17,087
<b>Total current assets</b>	<b>113,086</b>	<b>101,837</b>
<b>Total assets</b>	<b>218,779</b>	<b>208,126</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share capital	115,118	115,118
Share premium	4,926	4,926
Retained earnings	71,615	62,854
<b>Total equity</b>	<b>191,659</b>	<b>182,898</b>
<b>Non-Current Liabilities</b>		
Hire-purchase payables	665	247
Borrowings	37	357
Deferred tax liabilities	11,728	14,914
<b>Total non-current liabilities</b>	<b>12,430</b>	<b>15,518</b>
<b>Current Liabilities</b>		
Trade and other payables	2,517	2,843
Hire-purchase payables	304	260
Borrowings	9,105	5,372
Current tax liabilities	1,474	441
Other liabilities	1,290	794
<b>Total current liabilities</b>	<b>14,690</b>	<b>9,710</b>
<b>Total liabilities</b>	<b>27,120</b>	<b>25,228</b>
<b>Total equity and liabilities</b>	<b>218,779</b>	<b>208,126</b>
<b>Net Assets per Share (RM)</b>	<b>1.66</b>	<b>1.59</b>

*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 31 DECEMBER 2007**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2007 RM'000 (Unaudited)	Preceding Year Corresponding Quarter 31.12.2006 RM'000 (Unaudited)	Current Year To Date 31.12.2007 RM'000 (Unaudited)	Preceding Year Corresponding Period 31.12.2006 RM'000 (Audited)
Revenue	27,413	28,222	122,368	131,891
Investment revenue	6	4	59	12
Other gains and losses	(40)	(49)	153	113
Other operating income	7	20	57	84
Changes in inventories of finished goods and work-in-progress	7,601	(150)	10,050	3,267
Raw materials and consumables used	(14,396)	(5,698)	(26,854)	(30,277)
Purchase of trading stocks	(8,727)	(7,927)	(40,118)	(44,747)
Contract fees	(1,566)	(1,681)	(10,657)	(1,681)
Employee benefits expenses	(1,683)	(1,612)	(7,174)	(7,284)
Depreciation of property, plant and equipment	(860)	(844)	(3,453)	(3,378)
Amortisation of prepaid lease payments	(20)	(20)	(73)	(73)
Amortisation of timber concessions	-	(2,293)	(6,850)	(2,293)
Other operating expenses	(4,038)	(3,883)	(18,026)	(18,539)
Profit from operations	3,697	4,089	19,482	27,095
Finance costs	(173)	(193)	(460)	(853)
Profit before tax	3,524	3,896	19,022	26,242
Tax expense	46	1,604	(3,117)	(4,503)
Net profit attributable to the equity holders of the Company	3,570	5,500	15,905	21,739
Earnings per share:				
Basic (sen)	3.10	4.78	13.82	18.88
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 31 DECEMBER 2007**

	Share Capital RM'000	Distributable		Share Premium RM'000	Total RM'000
		Retained Earnings RM'000			
<b>2007 (Unaudited)</b>					
<b>At 1 January 2007</b>	115,118	62,854		4,926	182,898
Net profit for the financial year	-	15,905		-	15,905
Dividends	-	(7,144)		-	(7,144)
<b>At 31 December 2007</b>	115,118	71,615		4,926	191,659

**2006 (Audited)**

<b>At 1 January 2006</b>	115,118	47,561		4,971	167,650
Loss not recognised in income statement - share issue expenses under provided in prior years	-	-		(45)	(45)
Net profit for the financial year	-	21,739		-	21,739
Dividends	-	(6,446)		-	(6,446)
<b>At 31 December 2006</b>	115,118	62,854		4,926	182,898

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

**LEWEKO RESOURCES BERHAD**

Company No. 568420-K  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FINANCIAL QUARTER ENDED 31 DECEMBER 2007**

	<b>Current Year To Date 31.12.2007 RM'000 (Unaudited)</b>	<b>Preceding Year Corresponding Period 31.12.2006 RM'000 (Audited)</b>
Net Cash From Operating Activities	6,708	15,663
Net Cash Used In Investing Activities	(2,868)	(1,925)
Net Cash Used In Financing Activities	(4,459)	(7,459)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(619)</b>	<b>6,279</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>16,952</b>	<b>10,673</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>16,333</b>	<b>16,952</b>
Cash and cash equivalents comprise:		
Bank and cash balances	16,554	17,087
Fixed deposits pledged for bank guarantee facilities	(221)	(135)
	<b>16,333</b>	<b>16,952</b>

*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  
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**NOTES TO INTERIM FINANCIAL REPORT  
FINANCIAL QUARTER ENDED 31 DECEMBER 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:

	Effective for financial periods beginning on or after
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 RM'000	Reclassification RM'000	As restated RM'000
<b>At 31 December 2006/1 January 2007</b>			
Property, plant and equipment	43,048	(4,067)	38,981
Prepaid lease payments	-	4,067	4,067

The following amounts for the financial quarter and year ended 31 December 2006 have also been reclassified due to the adoption of FRS 117 (Note 2):

	Current Financial Quarter			Current Financial Year		
	As previously stated RM'000	Reclassification RM'000	As restated RM'000	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Depreciation of property, plant and equipment	(864)	20	(844)	(3,451)	73	(3,378)
Amortisation of prepaid lease payments	-	(20)	(20)	-	(73)	(73)

#### 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 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		
	External RM'000	Inter-segment RM'000	Total RM'000	External RM'000	Inter-segment RM'000	Total RM'000
Logs and timber products	19,847	1,800	21,647	97,377	30,605	127,982
Timber harvesting and logging contracting	2,411	-	2,411	9,022	7,027	16,049
Plantation - oil palm	5,155	-	5,155	15,969	-	15,969
	<u>27,413</u>	<u>1,800</u>	<u>29,213</u>	<u>122,368</u>	<u>37,632</u>	<u>160,000</u>
Inter-segment elimination			<u>(1,800)</u>			<u>(37,632)</u>
			<u>27,413</u>			<u>122,368</u>

##### (b) Segment Results

	Profit/(loss) before tax RM'000	Profit before tax RM'000
Logs and timber products	(311)	5,513
Timber harvesting and logging contracting	557	4,345
Plantation - oil palm	<u>3,402</u>	<u>9,818</u>
	3,648	19,676
Corporate office and unallocated expenses	<u>(124)</u>	<u>(654)</u>
	<u>3,524</u>	<u>19,022</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 Group has no capital commitments as at the end of the current financial quarter.



## 16. Performance Review

The Group recorded revenue and profit before tax ["PBT"] of RM27.4 million and RM3.5 million respectively for the current financial quarter. Although the revenue declined marginally 2.9% year-on-year ["YoY"], the PBT decreased 9.5% YoY mainly as a result of weak export prices for downstream timber products and the weakening of the US\$ against the RM.

The Group's logs and timber products division's revenue for the current financial quarter decreased 23.3% YoY to RM19.8 million. This decrease was attributed to the reduced volume of logs and downstream timber products sold as well as lower export selling prices caused by the strengthening of the RM against the US\$ (+7.3% YoY). As a consequence, this division incurred a loss of RM311,000 during the current financial quarter as compared to a PBT of RM2.4 million achieved in the preceding year's corresponding financial quarter.

Timber harvesting contract services rendered by the Group's timber harvesting and logging contracting division to external parties during the current financial quarter yielded RM2.4 million and RM557,000 in revenue and PBT respectively. During the preceding year's corresponding financial quarter, this division did not render any contract services to external parties, and consequently, it merely recorded an intra-group profit of RM478,000.

The Group's plantation division's revenue and PBT increased by 120.8% and 182.3% YoY to RM5.2 million and RM3.4 million respectively during the current financial quarter. These increases were attributable to the 80.9% and 22.0% increases YoY in average fresh fruit bunches ["FFB"] prices and output respectively.

Except for the Group's logs and timber products division which posted lower revenue and PBT for the current financial year, both the other divisions showed improvements in their current year's revenue and PBT. The lower revenue and PBT of the Group's logs and timber products division was mainly attributed to reduced logs trading activities (caused by decreasing log supplies locally) and lower export selling prices (as a result of the strong RM). As a result of these factors, the Group's PBT for the current financial year declined by 27.5% from that of the preceding financial year in spite of the fact that the YoY decrease in the revenue of the Group was only 7.2%.

The Group's timber harvesting and logging contracting division external revenue improved from RM7.9 million in the preceding financial year to RM9.0 million in the current financial year. The PBT also increased by 96.3% YoY to RM4.3 million as more lucrative infrastructure contract works were undertaken during the current financial year.

The 63.3% and 3.9% YoY increases in the average FFB price and output had resulted in the Group's plantation division's revenue and PBT increasing by 79.6% and 179.6% to RM16.0 million and RM9.8 million respectively for the current financial year.

## 17. Comments on Material Changes in the Profit Before Taxation

In line with the seasonal trend of traditional low season for downstream timber products during the last financial quarter of the Group's financial year in the Group's export markets, the revenue of the Group's logs and timber products division for the current financial quarter declined by 25.4% to RM19.8 million from that of the preceding financial quarter. Despite this decline and the further strengthening of RM by 3.6% on a quarter-on-quarter ["QoQ"] basis, this division managed to trim its operating loss from RM3.0 million in the preceding financial quarter to RM311,000 for the current financial quarter. This was achieved through better product mix and improved cost management.

The rainy season during the current financial quarter has hampered timber harvesting activities and as a result, the Group's timber harvesting and logging contracting division recorded lower revenue and PBT when compared to those in the preceding financial quarter. On a QoQ basis, the division's revenue and PBT decreased by RM4.2 million and RM2.5 million respectively.

Compared to the preceding financial quarter, the Group's FFB output declined by 6.5% to 8,650 metric tonnes in the current financial quarter. This was however compensated with a 11.9% increase in the FFB price QoQ and a consequence, the Group's plantation division's revenue and PBT increased marginally by RM231,000 and RM61,000 respectively QoQ.



## 18. Commentary on Prospects

A strong RM vis-a-vis the US\$, higher operating costs and the weak prices and demand for tropical timber products in Europe during the last 4-5 months have reduced the profit margins of many of the Group's downstream timber products. On a positive note, the demand for Malaysian timber products from Europe has picked up slightly with marginal increases in prices since the end of the current financial quarter. The Group's expansion of its kiln dry plant has been completed and with this increased kiln-drying capacity, the Group is hopeful that it will be able to lower its unit fixed cost. On an overall basis, the Group is cognisant that the environment and the market place in which its logs and timber products division operates will continue to be challenging in the couple of forthcoming financial quarters. Given such conditions, the Group will take the necessary measures to enhance the productivity and efficiency of this division.

The Group's timber harvesting and logging contracting work for third parties which commenced at the end of September 2007 will continue into the forthcoming financial quarter.

The crude palm oil ["CPO"] price has recently surpassed RM3,500 per metric tonne. Compared to the average CPO price of about RM2,400 during the current financial year, this price is higher by more than 45.0%. If this price can be sustained in the coming financial year, it will ensure higher profit for the Group's plantation division going forward.

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

## 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 RM'000
Charge for the current financial period:		
Malaysian income tax	688	6,079
Deferred taxation	83	(2,208)
	<hr/> 771	<hr/> 3,871
Malaysian income tax over provided in preceding financial quarters	(63)	-
	<hr/> 708	<hr/> 3,871
Under/(over) provision in respect of prior financial years:		
Malaysian income tax	224	224
Deferred taxation - change in tax rate from 27% to 25%	(978)	(978)
	<hr/> <hr/> (46)	<hr/> <hr/> 3,117

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 February 2008.

24. **Borrowings and Debt Securities**

RM'000

Short term borrowings (including hire-purchase payables)	9,409
Long term borrowings (including hire-purchase payables)	702
	<u>10,111</u>

All of the above borrowings are secured and denominated in RM.

25. **Off Balance Sheet Financial Instruments**

The Group has no off balance sheet financial instruments as at 22 February 2008.

26. **Changes in Material Litigations**

The Group has no material litigations as at 22 February 2008.

27. **Related Party Transactions**

	<b>Current Financial Quarter RM'000</b>	<b>Current Financial Year RM'000</b>
Rental of premises paid to Indra Pusaka Sdn. Bhd., a company in which certain directors of the Company have interests	18	72
Rental of premises paid to Jurang Hijau Sdn. Bhd., a company in which persons connected with a director of the Company have interests	8	31
Transactions with Ikatan Syarikat Pembalak-Pembalak Perak Berhad, a company in which a director of the Company and a person connected with that director have interests:		
- Contract fees received in respect of harvesting of timber logs	5,411	9,022
- Purchase of timber logs	6,118	6,118
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**

	<b>Current Financial Quarter</b>	<b>Current Financial Year</b>
Profit after tax (RM'000)	3,570	15,905
Weighted average number of ordinary shares in issue ('000)	115,118	115,118
Basic earnings per share (sen)	<u>3.10</u>	<u>13.82</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.

The final dividend for the current financial year will be decided at a later date.

By order of the Board,

Chung Wai Choong  
Tan Cheong Yeow  
Company Secretaries

29 February 2008