

LEWEKO RESOURCES BERHADCompany No. 568420-K
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 31 MARCH 2008**

	As at 31.3.2008 RM'000 (Unaudited)	As at 31.12.2007 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	38,296	39,149
Prepaid lease payments	3,976	3,994
Timber concessions	35,487	35,487
Goodwill on consolidation	2,692	2,692
Other receivables	23,228	24,370
Total non-current assets	103,679	105,692
Current Assets		
Inventories	39,928	34,683
Trade and other receivables	62,820	55,919
Current tax assets	6,243	4,444
Other assets	1,523	1,487
Fixed deposits, cash and bank balances	11,367	16,554
Total current assets	121,881	113,087
Total assets	225,560	218,779
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	115,118	115,118
Share premium	4,926	4,926
Retained earnings	72,879	71,185
Total equity	192,923	191,229
Non-Current Liabilities		
Hire-purchase payables	614	663
Borrowings	1,266	37
Deferred tax liabilities	11,611	12,160
Total non-current liabilities	13,491	12,860
Current Liabilities		
Trade and other payables	2,090	2,516
Hire-purchase payables	202	305
Borrowings	13,716	9,105
Current tax liabilities	2,365	1,474
Other liabilities	773	1,290
Total current liabilities	19,146	14,690
Total liabilities	32,637	27,550
Total equity and liabilities	225,560	218,779
Net Assets per Share (RM)	1.68	1.66

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

LEWEKO RESOURCES BERHADCompany No. 568420-K
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED INCOME STATEMENTS**
FINANCIAL QUARTER ENDED 31 MARCH 2008
(UNAUDITED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.3.2008 RM'000	Preceding Year Corresponding Quarter 31.3.2007 RM'000	Current Year To Date 31.3.2008 RM'000	Preceding Year Corresponding Period 31.3.2007 RM'000
Revenue	31,666	29,953	31,666	29,953
Investment revenue	4	43	4	43
Other gains and losses	(4)	(79)	(4)	(79)
Other operating income	6	11	6	11
Goodwill written off	(2)	-	(2)	-
Changes in inventories of finished goods and work-in-progress	455	2,884	455	2,884
Raw materials and consumables used	(7,424)	(3,307)	(7,424)	(3,307)
Purchase of trading stocks	(14,495)	(12,069)	(14,495)	(12,069)
Contract fees	(397)	(1,538)	(397)	(1,538)
Employee benefits expenses	(2,299)	(2,096)	(2,299)	(2,096)
Depreciation of property, plant and equipment	(871)	(866)	(871)	(866)
Amortisation of prepaid lease payments	(18)	(18)	(18)	(18)
Amortisation of timber concessions	-	(2,099)	-	(2,099)
Other operating expenses	(4,054)	(4,516)	(4,054)	(4,516)
Profit from operations	2,567	6,303	2,567	6,303
Finance costs	(245)	(84)	(245)	(84)
Profit before tax	2,322	6,219	2,322	6,219
Tax expense	(628)	(793)	(628)	(793)
Net profit attributable to the equity holders of the Company	1,694	5,426	1,694	5,426
Earnings per share:				
Basic (sen)	1.47	4.71	1.47	4.71
Diluted (sen)	-	-	-	-

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

LEWEXO RESOURCES BERHAD

Company No. 568420-K

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FINANCIAL QUARTER ENDED 31 MARCH 2008
(UNAUDITED)**

	Share Capital RM'000	Distributable		Share Premium RM'000	Total RM'000
		Retained Earnings RM'000	Share Premium RM'000		
2008					
At 1 January 2008	115,118	71,185	4,926	4,926	191,229
Net profit for the financial year	-	1,694	-	-	1,694
At 31 March 2008	115,118	72,879	4,926	4,926	192,923
2007					
At 1 January 2007	115,118	62,854	4,926	4,926	182,898
Net profit for the financial quarter	-	5,426	-	-	5,426
Dividend	-	(3,782)	-	-	(3,782)
At 31 March 2007	115,118	64,498	4,926	4,926	184,542

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 31 MARCH 2008
(UNAUDITED)**

	Current Year To Date 31.3.2008 RM'000	Preceding Year Corresponding Period 31.3.2007 RM'000
Net Cash Used In Operating Activities	(10,705)	(1,197)
Net Cash From/(Used In) Investing Activities	75	(362)
Net Cash From/(Used In) Financing Activities	5,443	(1,848)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,187)	(3,407)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	9,333	16,952
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	4,146	13,545
Cash and cash equivalents comprise:		
Bank and cash balances	11,367	13,753
Fixed deposits pledged for bank guarantee facilities	(221)	(208)
	11,146	13,545
Revolving credit	(7,000)	-
	4,146	13,545

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 31 MARCH 2008**

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 Securities"].

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007. 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 2007.

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 2007, except for the adoption of the following new/revised Financial Reporting Standards ["FRS"] effective for the financial period beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Int 8	Scope of FRS 2

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
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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 107 - Cash Flow Statements

FRS 107 has removed the relevant provisions in FRS 107 2004 which exclude revolving credits as a component of cash and cash equivalent. The adoption of FRS 107 by the Group on 1 January 2008 has resulted in the reclassification of revolving credits as a cash flow arising from financing activities to a component of cash and cash equivalents in the Group's Cash Flow Statement. This reclassification has been accounted retrospectively and its effects on the comparative amounts are disclosed in Note 3.

3. Comparatives

The following comparatives amounts have been reclassified due to the adoption of the FRS 107 (Note 2):

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
At 31 December 2007/1 January 2008			
Net cash used in financing activities	(4,459)	(7,000)	(11,459)
Cash and cash equivalent at end of year	<u>16,333</u>	<u>(7,000)</u>	<u>9,333</u>

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2007 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

No dividends have been paid during the current financial year to date.

10. Segmental Information

(a) Segment Revenue

	Current Financial Quarter/Year To Date		
	External RM'000	Inter-segment RM'000	Total RM'000
Logs and timber products	25,226	3,728	28,954
Timber harvesting and logging contracting	612	-	612
Plantation - oil palm	5,828	-	5,828
	<u>31,666</u>	<u>3,728</u>	<u>35,394</u>
Inter-segment elimination			<u>(3,728)</u>
			<u>31,666</u>

(b) Segment Results

	Profit/(loss) before tax RM'000
Logs and timber products	(1,289)
Timber harvesting and logging contracting	(102)
Plantation - oil palm	<u>4,007</u>
	2,616
Corporate office and unallocated expenses	<u>(294)</u>
	<u>2,322</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

On 25 April 2008, the Company announced the following corporate proposals:

- a bonus issue of 5,755,914 new ordinary shares at RM1 each in the Company to be credited as fully paid-up on the basis of one (1) bonus share for every twenty (20) existing shares held on an entitlement date to be determined later ["Proposed Bonus Issue"];
- a share split involving the subdivision of every one (1) ordinary share of RM1 each in the Company held after the Proposed Bonus Issue into two (2) new ordinary shares of 50 sen each ["Proposed Share Split"]; and
- amendments to the Memorandum and Articles of Association of the Company to facilitate the Proposed Share Split ["Proposed Amendments"].

The Proposed Bonus Issue and the Proposed Share Split are not conditional on one another but the Proposed Share Split is conditional upon the Proposed Amendments.

Bursa Securities has vide its letter of 21 May 2008 approved the listing of and quotation for the bonus shares to be issued pursuant to the Proposed Bonus Issue, and the Proposed Share Split.

The aforesaid proposals will be tabled for the approval of the Company's shareholders at the forthcoming Sixth Annual General Meeting of the Company.

13. Changes in the Composition of the Group

On 25 January 2008, the Company acquired the entire equity interest, comprising 2 ordinary shares of RM1 each, of Tropicworld Capital Sdn. Bhd. ["Tropicworld"], a company incorporated in Malaysia, for a cash consideration of RM2. Tropicworld which has yet to commence active operations, changed its name to Leweko Capital Sdn. Bhd. on 7 March 2008.

Other than the above, 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 of RM31.7 million during the current financial quarter, an increase of 5.7% year-on-year ["YoY"]. Despite this increased revenue, the Group's profit before tax ["PBT"] for the current financial quarter declined 62.7% YoY to RM2.3 million.

The logs and timber products division recorded revenue of RM25.2 million for the current financial quarter. Compared to the revenue of RM27.5 million achieved in the preceding year's corresponding financial quarter, this represents a decrease of 8.2%. This was due primarily to weak export prices and the strong RM which appreciated almost 8.0% YoY against the US\$. These two factors coupled with higher raw material input costs YoY (the Group did not harvest its own timber concessions during the current financial quarter) eroded profit margins and consequently, the logs and timber products division incurred an operating loss of RM1.3 million for the current financial quarter as compared to a profit before tax of RM5.0 million in the preceding year's corresponding financial quarter.

The unfavourable weather conditions have hampered the operations of the Group's timber harvesting and logging contracting division during the current financial quarter. As a result, this division only managed to harvest approximately 1,600 tonnes of logs for a third party for a revenue of RM612,000 and in the process, suffered a marginal operating loss of RM102,000. In the preceding year's corresponding financial quarter, it derived inter-segment revenue of RM2.2 million and achieved a PBT of RM337,000.

A 75.2% YoY increase in the average crude palm oil ["CPO"] price to RM3,370 per metric tonne combined with a 24.5% YoY increase in fresh fruit bunches ["FFB"] yield during the current financial quarter boosted the plantation division's revenue from RM2.5 million to RM5.8 million YoY. This led to a near 3 fold increase in PBT from RM1.0 million to RM4.0 million YoY.

17. Comments on Material Changes in the Profit Before Taxation

The increased sales of higher value downstream timber products with Forest Stewardship Council A.C. and KOMO® certifications during the current financial quarter had increased the revenue of the Group's logs and timber products division by 27.1% quarter-on-quarter ["QoQ"] to RM25.2 million. The operating loss however, increased from RM311,000 in the preceding financial quarter to RM1.3 million in the current financial quarter. The widening of the loss was mainly due to the QoQ strengthening of RM against the US\$ by about 3.8%.

Unfavourable weather conditions and Chinese New Year holidays during the current financial quarter have resulted in lower operating activity of the Group's timber harvesting and logging contracting division. Consequently, its revenue decreased by 74.6% QoQ to RM612,000 and this led to an operating loss of RM102,000 as compared to a PBT of RM557,000 achieved in the preceding financial quarter.

The plantation division experienced a 21.8% QoQ increase in the average CPO price during the current financial quarter. However, its FFB output contracted by 7.2% QoQ. The net result of these two factors was a 13.1% and 17.8% QoQ increase in the division's revenue and PBT to RM5.8 million and RM4.0 million for the current financial quarter.

18. Commentary on Prospects

Although buying interest from European buyers for the Group's downstream timber products appeared to have picked up recently, the price increases concerned were very marginal. These positives are insufficient to negate the effects on revenue and profit margins caused by the continuous slide of the US\$ against RM. In the light of these factors, the environment and the market place in which the Group's logs and timber products division operates will continue to be challenging in the near term. Given such adversities, the Group will continue to take all necessary measures to enhance the productivity and efficiency of this division.

The work on the current third party's timber concession which the Group's timber harvesting and logging contracting division has been engaged as the harvesting contractor is near the tail end. This division is proactively seeking new harvesting contract works to sustain its revenue and earnings going forward.

Since the end of the current financial quarter, CPO prices have been in the region of RM3,500 per metric tonne. If this price can be sustained and assuming no significant drop in FFB yield in the coming months, the plantation division's contribution to the Group's revenue and earnings for the current financial year is expected to increase.

Given the above circumstances, the Group is cautiously optimistic that the increased contribution of its plantations will mitigate the uncertain performance of its timber-based business in the current financial year.

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/Year To Date RM'000
Malaysian income tax	1,177
Deferred taxation	<u>(549)</u>
	<u>628</u>

The Group's effective tax rate for the current financial quarter is higher than the statutory tax rate of 26% due to certain expenses being not deductible for tax purposes.

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

Except for the corporate proposals disclosed in Note 12, there were no corporate proposals announced but not completed as at 22 May 2008.

24. Borrowings and Debt Securities

	RM'000
Short term borrowings (including hire-purchase payables)	13,918
Long term borrowings (including hire-purchase payables)	1,880
	<u>15,798</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 May 2008.

26. Changes in Material Litigations

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

27. Related Party Transactions

	Current Financial Quarter/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
Rental of premises paid to Jurang Hijau Sdn. Bhd., a company in which persons connected with a director of the Company have interests	8
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	612
- Purchase of timber logs	<u>8,126</u>

28. Earnings Per Share

(a) **Basic**

	Current Financial Quarter/Year To Date
Profit after tax (RM'000)	1,694
Weighted average number of ordinary shares in issue ('000)	115,118
Basic earnings per share (sen)	<u>1.47</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 May 2008