

LEWEKO RESOURCES BERHAD

Company No. 568420-K
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011**

	As at 31.3.2011 RM'000 (Unaudited)	As at 31.12.2010 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	22,892	23,374
Product development costs	3,345	3,458
Investment in unquoted shares	5,000	5,000
Timber concessions	30,992	33,900
Trade and other receivables	4,348	5,798
Deferred tax assets	6,626	6,626
Advances for log purchases	14,766	14,587
Total non-current assets	87,969	92,743
Current Assets		
Inventories	40,880	44,120
Amount owing by an associated company	50,898	50,315
Trade and other receivables	19,370	16,695
Current tax assets	4,746	4,741
Other assets	2,028	2,305
Fixed deposits, cash and bank balances	2,237	2,106
Total current assets	120,159	120,282
Total assets	208,128	213,025
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	120,874	120,874
Share premium	4,764	4,764
Retained earnings	25,989	31,317
Equity attributable to owners of the Parent	151,627	156,955
Non-controlling interest	6,522	6,747
Total equity	158,149	163,702
Non-Current Liabilities		
Hire-purchase payables	384	345
Borrowings	4,901	4,878
Deferred tax liabilities	7,846	8,576
Total non-current liabilities	13,131	13,799
Current Liabilities		
Trade and other payables	11,499	7,703
Amount owing to an associated company	-	732
Hire-purchase payables	261	243
Borrowings	23,703	25,114
Other liabilities	1,385	1,732
Total current liabilities	36,848	35,524
Total liabilities	49,979	49,323
Total equity and liabilities	208,128	213,025
Net Assets per Share (RM)	0.65	0.68

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

LEWEKO RESOURCES BERHAD

Company No. 568420-K
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FINANCIAL QUARTER ENDED 31 MARCH 2011
(UNAUDITED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.3.2011 RM'000	Preceding Year Corresponding Quarter 31.3.2010 RM'000	Current Year To Date 31.3.2011 RM'000	Preceding Year Corresponding Period 31.3.2010 RM'000
Revenue	15,966	18,022	15,966	18,022
Investment revenue	465	645	465	645
Other gains and losses	134	(401)	134	(401)
Other operating income	12	6	12	6
Changes in inventories of finished goods and work-in-progress	(4,383)	(775)	(4,383)	(775)
Raw materials and consumables used	(5,748)	(14,065)	(5,748)	(14,065)
Employee benefits expenses	(2,155)	(2,974)	(2,155)	(2,974)
Depreciation of property, plant and equipment	(632)	(516)	(632)	(516)
Amortisation of intangible assets	(113)	-	(113)	-
Amortisation of itimber concession	(2,908)	-	(2,908)	-
Other operating expenses	(6,427)	(3,414)	(6,450)	(3,414)
Share of profit of associate (net of tax)	-	125	-	125
Loss from operations	(5,789)	(3,347)	(5,812)	(3,347)
Finance costs	(443)	(418)	(420)	(418)
Loss before tax	(6,232)	(3,765)	(6,232)	(3,765)
Tax credit	679	1,018	679	1,018
Net loss and total comprehensive loss for the financial period	(5,553)	(2,747)	(5,553)	(2,747)
Loss and total comprehensive loss attributable to				
Owners of the parent	(5,328)	(2,664)	(5,328)	(2,664)
Non-controlling interest	(225)	(83)	(225)	(83)
	(5,553)	(2,747)	(5,553)	(2,747)
Basic/diluted loss per share attributable to owners of the parent (sen) from:	(2.20)	(1.10)	(2.20)	(1.10)

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

LEWEKO RESOURCES BERHAD
 Company No. 568420-K
 (Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FINANCIAL QUARTER ENDED 31 MARCH 2011
 (UNAUDITED)

	← Attributable to owners of the Parent →				Share Premium RM'000	Non-controlling Interest RM'000	Total RM'000
	Share Capital RM'000	Retained Earnings RM'000	Distributable	Share Premium RM'000			
2011							
At 1 January 2011	120,874	31,317		4,764		6,747	163,702
Net loss and total comprehensive loss for the financial period	-	(5,328)		-		(225)	(5,553)
At 31 March 2011	120,874	25,989		4,764	6,522	158,149	
2010							
At 1 January 2010, as previously stated	120,874	65,407		4,764	8,791	199,836	
Effect arising from adoption of FRS 139 (Note 1)	-	(4,398)		-	-	(4,398)	
At 1 January 2010, as restated	120,874	61,009		4,764	8,791	195,438	
Net loss and total comprehensive loss for the financial period	-	(2,664)		-	(83)	(2,747)	
At 31 March 2010	120,874	58,345		4,764	8,708	192,691	

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 STATEMENT OF CASH FLOWS
FINANCIAL QUARTER ENDED 31 MARCH 2011
(UNAUDITED)

	Current Year To Date 31.3.2011 RM'000	Preceding Year Corresponding Period 31.3.2010 RM'000
Net Cash From/(Used In) Operating Activities	1,600	(14,605)
Net Cash Used In Investing Activities	(142)	(8)
Net Cash (Used In)/From Financing Activities	(2,122)	661
NET DECREASE IN CASH AND CASH EQUIVALENTS	(664)	(13,952)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	(10,150)	(2,241)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(10,814)	(16,193)
Cash and cash equivalents comprise:		
Bank and cash balances	731	487
Fixed deposits	1,506	1,464
	<u>2,237</u>	<u>1,951</u>
Bank overdraft	(4,545)	(5,198)
Revolving credits	(7,000)	(7,000)
	<u>(9,308)</u>	<u>(10,247)</u>
Fixed deposits pledged for banking facilities	(1,506)	(1,464)
	<u>(10,814)</u>	<u>(11,711)</u>

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

NOTES TO INTERIM FINANCIAL REPORT
FINANCIAL QUARTER ENDED 31 MARCH 2011

1. **Basis of Preparation**

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

The preparation of an interim financial report in conformity with FRS 134 Interim Financial Reporting, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimate

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010. It contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010. The condensed consolidated interim financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with FRSs

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 2010, except for the adoption of the following FRSs, IC Interpretations, Amendments to FRSs and IC Interpretations with effect from 1 January 2011

FRS 1	First-time Adoption of Financial Reporting Standards (Revised in 2010)
FRS 1	First-time Adoption of Financial Reporting Standards (Revised in 2010) (Amendments relating to limited exemption from comparative FRS 7 disclosures for first-time adopters)
FRS 1	First-time Adoption of Financial Reporting Standards (Revised in 2010) (Amendments relating to additional exemptions for first-time adopters)
FRS 2	Share-based Payment (Amendments relating to group cash-settled share-based payment transactions)
FRS 3	Business Combinations (Revised 2010)
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments - Disclosures (Amendments relating to improving disclosures about financial instruments)
FRS 127	Consolidated and Separate Financial Statements (Revised 2010)
FRS 132	Financial Instruments - Presentation (Amendments relating to classification on rights issue)
FRS 138	Intangible Assets
FRS 139	Financial Instruments - Recognition and Measurements (Amendments relating to consequential amendments arising from FRS 3 (Revised in 2010) and FRS 127 (Revised in 2010))
Int 4	Determining whether an Arrangement contains a Lease
Int 9	Reassessment of Embedded Derivatives
Int 12	Service Concession Arrangements
Int 16	Hedges of a Net Investment in a Foreign Operation
Int 17	Distributions of Non-cash Assets to Owners
Int 18	Transfers of Assets from Customers

The principal effects of the changes in presentation, changes or methods of computation and in accounting policies resulting from the adoption of the above new FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations are set out below:

FRS 3 Business Combinations (Revised 2010)

The revised FRS 3

- allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interests') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree,
- changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date, subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss,
- requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, and
- requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred whereas previously they were accounted for as part of the cost of the business combination.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

FRS 127 Consolidated and Separate Financial Statements (Revised 2010)

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiary companies that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiary companies were treated in the same manner as the acquisition of subsidiary companies, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiary companies regardless of whether the disposals would result in the Group losing control over the subsidiary companies, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised profit or loss.

Under FRS 127 (revised), increases or decreases in ownership interests in subsidiary companies that do not result in the Group losing control over the subsidiary companies are dealt with in equity attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary company is lost as a result of a transaction, event or other circumstance, FRS 127 (revised) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary company is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

The Group has not adopted the following new/revised FRSs, IC Interpretations, Amendments to FRSs and IC Interpretations that have been issued but are not yet effective:

Effective for financial periods beginning on or after

FRS 124	Related Party Disclosure (Revised in 2010)	1 January 2012
Int. 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendments relating to prepayments of a minimum funding requirement)	
Int. 15	Agreements for the Construction of Real Estate	1 January 2012
Int. 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

The Board anticipates that the adoption of these FRSs and Int.s in future financial periods will have no material financial impact on the Group.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2010 was not qualified.

4. 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.

5. Unusual Items

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

6. 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.

7. Debt and Equity Securities

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

8. Dividends Paid

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

9. Segmental Information

(a) Segment Revenue

	Current Financial Quarter/Year To Date		
	External	Inter-segment	Total
	RM'000	RM'000	RM'000
Timber flooring	4,810	-	4,810
Sawn and moulded timber	10,656	-	10,656
Precast concrete products	500	-	500
	<u>15,966</u>	<u>-</u>	<u>15,966</u>
Inter-segment elimination			-
			<u>15,966</u>

(b) Segment Results

	Profit/(loss) before tax
	RM'000
Timber flooring	(418)
Sawn and moulded timber	(5,714)
Precast concrete products	<u>(10)</u>
	(6,142)
Corporate office and unallocated expenses	<u>(90)</u>
Loss before tax	<u>(6,232)</u>

10. Valuations of Property, Plant and Equipment

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.

11. 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 has not been reflected in the interim financial report.

12. Changes in the Composition of the Group

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

13. Changes in Contingent Liabilities and Contingent Assets

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

14. Capital Commitments

The Group has no capital commitments as at the end of the current financial quarter.

15. Performance Review

The Group's revenue for the current quarter was RM16.0 million declined by 11.4% from the revenue of RM18.0 million achieved in the preceding year's corresponding quarter. The Group registered an operating loss of RM6.2 million in the current quarter as opposed to the operating loss of RM3.8 million reported in the preceding year's corresponding quarter. Compared to the same period of previous year, the lower performance was mainly due to higher raw material costs incurred in the sawn and timber division.

16. Comparison of Results with Preceding Quarter

Compared to the preceding quarter, the Group's revenue for current quarter increased by 44.1% to RM16.0 million from RM11.1 million. This was mainly due to the higher sales volume recorded in the sawn and timber division.

The Group registered an operating loss of RM6.2 million in the current quarter compared to operating loss of RM13.1 million reported in the preceding quarter. The improved result is in tandem with the higher revenue achieved in the current quarter and the inclusion of provision of doubtful debts in the preceding quarter.

17. Commentary on Prospects

With the on-going European sovereign debt crisis and the uncertainty of economy environment in European countries which are the Group's traditional markets, the Group is expecting the challenging times ahead for the forthcoming quarter.

18. 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.

19. Tax (Expense)/Credit

	Current Financial Quarter/Year To Date
	RM'000
Malaysian income tax	
Current financial year	(1)
Under provision in prior financial year	(50)
	(51)
Deferred taxation	
Current financial year	730
	<u>679</u>

The Group's effective tax rate for the current financial quarter and year to date is higher than the statutory tax rate of 25% due to the non-deductibility of certain expenses.

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

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

21. 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.

22. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 19 May 2011.

23. Borrowings and Debt Securities

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings	23,667	267	23,934
Long term borrowings	4,938	377	5,315
	<u>28,605</u>	<u>644</u>	<u>29,249</u>

All of the above borrowings are denominated in RM except for:

	USD'000	RM'000 equivalent
Short term borrowings denominated in foreign currency	<u>1,708</u>	<u>6,203</u>

24. Off Balance Sheet Financial Instruments

The Group has no off balance sheet financial instruments as at 19 May 2011.

25. Changes in Material Litigations

Suit I : Maju Weko Timber Industries Sdn. Bhd. ["MWTI"] vs. Irni Hana binti Mohd Ramli t/a Akrab Timber ["Defendant"]

On 29 April 2009, MWTI filed a summons to the Ipoh Sessions Court to recover a sum of approximately RM228,000 for goods sold and delivered to the Defendant.

On 10 December 2010, MWTI have obtained a Judgment in Default against the Defendant from the Court. MWTI has on 14 February 2011 submitted fair copies of the said Judgment to the Court for extraction.

Suit II : MWTI vs. Akrab Global Sdn. Bhd. ["Defendant"]

On 16 April 2009, MWTI filed a summons to the Ipoh Sessions Court to recover a sum of approximately RM217,000 for goods sold and delivered to the Defendant.

On 10 December 2010, MWTI have obtained a Judgment in Default against the Defendant from the Court. MWTI has on 14 February 2011 submitted fair copies of the said Judgment to the Court for extraction.

Suit III : Lamitech Sdn. Bhd. ["Plaintiff"] vs. MWTI

On 28 October 2010, MWTI has received a summons from the Plaintiff claiming for an alleged sum of approximately RM223,000 for supply of goods to MWTI.

On 2 December 2010, the Court has fixed the matter for mention on 7 March 2011 to set the matter for trial which was subsequently postponed to 29 April 2011 as the Plaintiff has filed an application to amend their Statement of Claim to a sum of approximately RM113,000.

On 29 April 2011, the Court has fixed 24 May 2011 as the hearing date for the Plaintiff's application to amend the Statement of Claim.

26. **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	20
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 TPS Wooden Industries Sdn. Bhd., a company in which a director of a subsidiary company and a person connected with him have interests:	
Sale of moulded timber	-
Moulding fees received	-
Sales of timber flooring	113
Purchase of sawn timber	77
Timber flooring sold to Wood & Wood Flooring Pte. Ltd., a company in which a person connected with a director of a subsidiary company has interest	392
Transactions with Syarikat Amiziz Sdn. Bhd., an associated company	
Purchases of logs	1,906
Transport charges	129

27. **Basic/Diluted Loss Per Share**

	Current Financial Quarter/Year To Date
Net loss attributable to owners of the parent (RM'000)	5,328
Weighted average number of ordinary shares in issue ('000)	241,748
Basic/diluted loss per share (sen)	2.20

28. **Dividends Payable**

No interim dividend has been declared or recommended for the current financial quarter.

29. **Realised and Unrealised Profits**

The breakdown of retained profits of the Group as at the reporting date into realised and unrealised profits, is as follows:-

	As at 31.3.2011 RM'000	As at 31.12.2010 RM'000
<u>Total retained earnings of the Leweko Resources Berhad and its subsidiary companies</u>		
Realised	66,133	62,799
Unrealised	(33)	6,587
	<u>66,100</u>	<u>69,386</u>
Consolidation adjustments	(40,111)	(38,069)
Total Group's retained earnings as per statements of financial position	<u>25,989</u>	<u>31,317</u>

By order of the Board,

Chan Chee Kheong
Chang Pooi Yee
Company Secretaries

26 May 2011