

LEWEKO RESOURCES BERHAD

Company No. 568420-K
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011**

	As at 30.9.2011	As at 31.12.2010
	RM'000	RM'000
	(Unaudited)	(Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	21,843	23,374
Product development costs	3,236	3,458
Investment in unquoted shares	5,000	5,000
Timber concessions	27,409	33,900
Trade and other receivables	1,450	5,798
Deferred tax assets	6,626	6,626
Advances for log purchases	14,907	14,587
Total non-current assets	80,471	92,743
Current Assets		
Inventories	35,328	44,120
Amount owing by an associated company	50,315	50,315
Trade and other receivables	21,244	16,695
Current tax assets	2,063	4,741
Other assets	2,294	2,305
Fixed deposits, cash and bank balances	2,491	2,106
Total current assets	113,735	120,282
Total assets	194,206	213,025
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	120,874	120,874
Share premium	4,764	4,764
Retained earnings	13,407	31,317
Equity attributable to owners of the Parent	139,045	156,955
Non-controlling interest	5,593	6,747
Total equity	144,638	163,702
Non-Current Liabilities		
Hire-purchase payables	254	345
Borrowings	4,168	4,878
Deferred tax liabilities	6,945	8,576
Total non-current liabilities	11,367	13,799
Current Liabilities		
Trade and other payables	9,767	7,703
Amount owing to an associated company	-	732
Hire-purchase payables	244	243
Borrowings	26,238	25,114
Other liabilities	1,952	1,732
Total current liabilities	38,201	35,524
Total liabilities	49,568	49,323
Total equity and liabilities	194,206	213,025
Net Assets per Share (RM)	0.60	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 30 SEPTEMBER 2011
(UNAUDITED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.9.2011 RM'000	Preceding Year Corresponding Quarter 30.9.2010 RM'000	Current Year To Date 30.9.2011 RM'000	Preceding Year Corresponding Period 30.9.2010 RM'000
Revenue	10,903	12,408	42,537	44,457
Investment revenue	456	344	1,380	1,056
Other gains and losses	285	(66)	452	(490)
Other operating income	-	30	21	42
Changes in inventories of finished goods and work-in-progress	(509)	(5,237)	(8,248)	(15,433)
Raw materials and consumables used	(6,144)	(7,232)	(20,256)	(26,962)
Employee benefits expenses	(1,892)	(2,099)	(5,982)	(7,292)
Depreciation of property, plant and equipment	(609)	(515)	(1,858)	(1,547)
Amortisation of intangible assets	(55)	-	(223)	-
Amortisation of timber concession	(1,861)	-	(6,492)	-
Other operating expenses	(8,052)	(3,491)	(20,530)	(10,924)
Share of (loss)/profit of associate (net of tax)	-	33	-	115
Loss from operations	<u>(7,478)</u>	<u>(5,825)</u>	<u>(19,199)</u>	<u>(16,978)</u>
Finance costs	<u>(484)</u>	<u>(477)</u>	<u>(1,443)</u>	<u>(1,335)</u>
Loss before tax	<u>(7,962)</u>	<u>(6,302)</u>	<u>(20,642)</u>	<u>(18,313)</u>
Tax credit	467	1,480	1,578	4,303
Net loss and total comprehensive loss for the financial period	<u>(7,495)</u>	<u>(4,822)</u>	<u>(19,064)</u>	<u>(14,010)</u>
Loss and total comprehensive loss attributable to:				
Owners of the parent	(6,852)	(4,656)	(17,910)	(13,485)
Non-controlling interest	<u>(643)</u>	<u>(166)</u>	<u>(1,154)</u>	<u>(525)</u>
	<u>(7,495)</u>	<u>(4,822)</u>	<u>(19,064)</u>	<u>(14,010)</u>
Basic/diluted loss per share attributable to owners of the parent (sen) from:	<u>(2.83)</u>	<u>(1.93)</u>	<u>(7.41)</u>	<u>(5.58)</u>

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 30 SEPTEMBER 2011
(UNAUDITED)

	← Attributable to owners of the Parent →			Non-controlling Interest RM'000	Total RM'000
	Share Capital RM'000	Retained Earnings RM'000	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	-	(17,910)	-	(1,154)	(19,064)
At 30 September 2011	<u>120,874</u>	<u>13,407</u>	<u>4,764</u>	<u>5,593</u>	<u>144,638</u>
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)	-	(4,068)	-	-	(4,068)
At 1 January 2010, as restated	<u>120,874</u>	<u>61,339</u>	<u>4,764</u>	<u>8,791</u>	<u>195,768</u>
Net loss and total comprehensive loss for the financial period	-	(13,485)	-	(525)	(14,010)
Dividend	-	-	-	(221)	(221)
At 30 September 2010	<u>120,874</u>	<u>47,854</u>	<u>4,764</u>	<u>8,045</u>	<u>181,537</u>

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 STATEMENT OF CASH FLOWS**
FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011
(UNAUDITED)

	Current Year To Date 30.9.2011 RM'000	Preceding Year Corresponding Period 30.9.2010 RM'000
Net Cash Used In Operating Activities	306	(13,791)
Net Cash Used In Investing Activities	(248)	(65)
Net Cash From Financing Activities	1,377	1,064
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,435	(12,792)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	(10,150)	2,241
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(8,715)	(10,551)
Cash and cash equivalents comprise:		
Bank and cash balances	985	910
Fixed deposits	1,506	1,452
	2,491	2,362
Bank overdraft	(2,700)	(4,461)
Revolving credits	(7,000)	(7,000)
	(7,209)	(9,099)
Fixed deposits pledged for banking facilities	(1,506)	(1,452)
	(8,715)	(10,551)

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 30 SEPTEMBER 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 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 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. 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 and 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 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2013
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2013
FRS10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
FRS 101	Presentation of Items of Other Comprehensive Income (Amendment to FRS 101)	1 July 2012
FRS 112	Deferred Tax: Recovery of Underlying Assets (Amendments to FRS 112)	1 January 2012
FRS 119	Employee Benefits	1 January 2013
FRS 124	Related Party Disclosure (Revised in 2010)	1 January 2012
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investment in Associates and Joint Ventures	1 January 2013
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)	1 July 2011
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			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
Timber flooring	5,072	-	5,072	16,463	-	16,463
Sawn and moulded timber	5,831	-	5,831	25,574	-	25,574
Precast concrete products	-	-	-	500	-	500
	<u>10,903</u>	<u>-</u>	<u>10,903</u>	<u>42,537</u>	<u>-</u>	<u>42,537</u>
Inter-segment elimination			<u>10,903</u>			<u>-</u>

(b) **Segment Results**

	Profit/(loss) before tax RM'000	Profit/(loss) before tax RM'000
Timber flooring	(780)	(1,231)
Sawn and moulded timber	(6,615)	(18,062)
Precast concrete products	(408)	(864)
	<u>(7,803)</u>	<u>(20,157)</u>
Corporate office and unallocated expenses	(159)	(485)
Loss before tax	<u>(7,962)</u>	<u>(20,642)</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

On 18 July 2011, the Company has acquired two ordinary shares of RM1.00 each representing the entire equity interest in Tanah Damai Sdn. Bhd. at par for cash.

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 RM10.9 million decreased by 12.1% from the revenue of RM12.4 million achieved in the preceding year's corresponding quarter. The Group registered an operating loss of RM8.0 million in the current quarter as opposed to the operating loss of RM6.3 million reported in the preceding year's corresponding quarter. Compared to the same period of previous year, the lower performance was mainly due to lower sales and higher costs incurred in timber extraction.

16. Comparison of Results with Preceding Quarter

Compared to the preceding quarter, the Group's revenue for current quarter decreased by 30.1% to RM10.9 million from RM15.6 million. This was mainly due to the lower sales volume recorded in the sawn and moulding division.

The Group registered an operating loss of RM8.0 million in the current quarter compared to operating loss of RM6.4 million reported in the preceding quarter. The results was affect by lower sales and higher costs incurred in timber extraction.

17. Commentary on Prospects

Demand of timber products from the European countries which is our traditional markets is still unstable and the profit margin of the timber industry in general is thinning. The Group is of the view that the outlook of the timber industry will continue to be challenging in the near term.

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	Current Financial Year To Date
	RM'000	RM'000
Malaysian income tax		
Current financial year	(1)	(3)
Under provision in prior financial year	-	(50)
	(1)	(53)
Deferred taxation		
Current financial year	468	1,631
	<u>467</u>	<u>1,578</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

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 17 November 2011.

23. Borrowings and Debt Securities

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings	26,206	276	26,482
Long term borrowings	4,238	184	4,422
	<u>30,444</u>	<u>460</u>	<u>30,904</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>2,613</u>	<u>8,074</u>

24. Off Balance Sheet Financial Instruments

The Group has no off balance sheet financial instruments as at 17 November 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.

The bankruptcy proceedings against the Defendant which was initiated by MWTI is still in progress.

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.

The winding-up petition has been extracted and is fixed for hearing on 3 January 2012. The said petition has been filed with the Insolvency Department and Registrar of Companies on 21 October 2011, and served on the Defendant on 24 October 2011.

The winding-up petition has been advertised in the News Straits Times on 31 October 2011 and 1 November 2011, and in Harian Metro on 10 November 2011 and 11 November 2011. It has also been gazetted on 10 November 2011 and currently in the process of application for Certificate of Compliance.

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 24 October 2011, MWTI received a counter proposal from the Plaintiff and the Court has on 12 September 2011 adjourned the matter to 9 December 2011 as the final date pending settlement.

26. 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	20	60
Rental of premises paid to Jurang Hijau Sdn. Bhd., a company in which persons connected with a director of the Company have interests	8	24
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	30	30
Sales of timber flooring	-	137
Purchase of sawn timber	52	129
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	350	1,166
Transactions with Syarikat Amiziz Sdn. Bhd., an associated company		
Purchases of logs	1,265	4,291
Transport charges	356	571

27. Basic/Diluted Loss Per Share

	Current Financial Quarter	Current Financial Year To Date
Net loss attributable to owners of the parent (RM'000)	6,852	17,910
Weighted average number of ordinary shares in issue ('000)	241,748	241,748
Basic/diluted loss per share (sen)	2.83	7.41

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 30.9.2011 RM'000	As at 31.12.2010 RM'000
<u>Total retained earnings of the Leweko Resources Berhad and its subsidiary companies</u>		
Realised	55,137	62,799
Unrealised	193	6,587
	<u>55,330</u>	<u>69,386</u>
Consolidation adjustments	(41,923)	(38,069)
Total Group's retained earnings as per statements of financial position	<u>13,407</u>	<u>31,317</u>

By order of the Board,

Chan Chee Kheong
Chang Pooi Yee
Company Secretaries

24 November 2011