

LEWEKO RESOURCES BERHAD

Company No. 568420-K
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012**

	As at 31.3.2012 RM'000 (Unaudited)	As at 31.12.2010 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	20,148	23,374
Product development costs	3,126	3,458
Investment in unquoted shares	5,000	5,000
Timber concessions	10,235	33,900
Trade and other receivables	3,101	5,798
Deferred tax assets	6,626	6,626
Advances for log purchases	15,359	14,587
Total non-current assets	63,595	92,743
Current Assets		
Inventories	6,493	44,120
Amount owing by an associated company	50,315	50,315
Trade and other receivables	12,985	16,695
Current tax assets	2,052	4,741
Other assets	4,204	2,305
Fixed deposits, cash and bank balances	392	2,106
Total current assets	76,441	120,282
Total assets	140,036	213,025
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	120,874	120,874
Share premium	4,764	4,764
Retained earnings	(11,523)	31,317
Equity attributable to owners of the Parent	114,115	156,955
Non-controlling interest	(806)	6,747
Total equity	113,309	163,702
Non-Current Liabilities		
Hire-purchase payables	360	345
Borrowings	88	4,878
Deferred tax liabilities	2,645	8,576
Total non-current liabilities	3,093	13,799
Current Liabilities		
Trade and other payables	2,534	7,703
Amount owing to an associated company	-	732
Hire-purchase payables	229	243
Borrowings	19,724	25,114
Other liabilities	1,147	1,732
Total current liabilities	23,634	35,524
Total liabilities	26,727	49,323
Total equity and liabilities	140,036	213,025
Net Assets per Share (RM)	0.47	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 2012
(UNAUDITED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.3.2012 RM'000	Preceding Year Corresponding Quarter 31.3.2011 RM'000	Current Year To Date 31.3.2012 RM'000	Preceding Year Corresponding Period 31.3.2011 RM'000
Continuing operations				
Revenue	3,899		34,509	
Investment revenue	954		2,759	
Other gains and losses	(55)		189	
Other operating income	-		40	
Changes in inventories of finished goods and work-in-progress	(341)		(13,090)	
Raw materials and consumables used	(2,722)		(11,885)	
Write down of inventories	(781)		(781)	
Employee benefits expenses	(1,500)		(6,769)	
Depreciation of property, plant and equipment	(459)		(2,417)	
Amortisation of intangible assets	(55)		(333)	
Amortisation of timber concession	(5,578)		(16,950)	
Impairment of timber concession	(6,715)		(6,715)	
Other operating expenses	(1,210)		(22,846)	
Share of loss of associate	-		-	
Loss from operations	(14,563)	-	(44,289)	-
Finance costs	(252)		(1,315)	
Loss before tax	(14,815)	-	(45,604)	-
Tax credit/(expense)	3,077		5,877	
Net loss from continuing operations	(11,738)	-	(39,727)	-
Discontinued operations				
Net loss from discontinued operations	(3,868)		(7,006)	
Net loss and total comprehensive loss for the financial period	(15,606)	-	(46,733)	-
Loss and total comprehensive loss attributable to:				
Owners of the parent	(13,498)	-	(42,840)	-
Non-controlling interest	(2,108)		(3,893)	
	(15,606)	-	(46,733)	-
Basic/diluted loss per share attributable to owners of the parent (sen) from:				
Continuing operations	(4.75)		(16.14)	
Discontinued operations	(0.83)		(1.58)	
	(5.58)	-	(17.72)	-

There are no comparative figures for the current quarter and the cumulative quarter of the preceding financial year following the change in the financial year end from 31 December to 30 June.

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 2012
(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	-	(42,840)	-	(3,893)	(46,733)
Subscription of shares in subsidiary company				490	490
Disposal of a subsidiary company				(4,150)	(4,150)
At 31 March 2012	<u>120,874</u>	<u>(11,523)</u>	<u>4,764</u>	<u>(806)</u>	<u>113,309</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)	-	(6,232)	-	-	(6,232)
Effect arising from adoption of FRS 139 by an associate	-	(716)			(716)
At 1 January 2010, as restated	<u>120,874</u>	<u>58,459</u>	<u>4,764</u>	<u>8,791</u>	<u>192,888</u>
Acquisition of a subsidiary company	-	-	-	(370)	(370)
Net loss and total comprehensive loss for the financial period	-	(27,142)	-	(1,454)	(28,596)
Dividend	-	-	-	(220)	(220)
At 31 December 2010	<u>120,874</u>	<u>31,317</u>	<u>4,764</u>	<u>6,747</u>	<u>163,702</u>

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 2012
(UNAUDITED)

	Current Year To Date 31.3.2012 RM'000	Preceding Year Corresponding Period 31.12.2010 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss for the year	(46,731)	(28,596)
Adjustments for:		
Allowance for doubtful debts	-	6,579
Depreciation of property, plant and equipment	2,920	2,142
Finance costs	2,317	1,880
Write down of inventories	4,368	984
Unrealised loss/(gain) on foreign currency exchange	39	39
Amortisation of intangible assets	333	26
Amortisation of timber concession	16,951	-
Impairment of timber concession	6,715	-
Provision for short-term accumulating compensated absences	-	14
Provision for /(Reversal of) sales tax	-	1
Income tax credit recognised in profit or loss	(5,876)	(3,259)
Effects from adopting of FRS 139	(2,259)	(1,948)
Gain on disposal of property, plant and equipment	(108)	(101)
Dividend income	(500)	-
Interest income	(34)	(34)
Operating Loss Before Working Capital Changes	<u>(21,865)</u>	<u>(22,273)</u>
(Increase)/Decrease in:		
Inventories	15,503	22,724
Trade and other receivables	5,811	5,959
Amount owing by an associate	-	(1)
Other assets	(2,063)	753
(Decrease)/Increase in:		
Trade and other payables	141	(3,342)
Amount owing to an associate	-	732
Other liabilities	(182)	519
Cash (Used In)/From Operations	<u>(2,655)</u>	<u>5,071</u>
Income tax refund/(paid)	2,620	(200)
Net Cash (Used In)/From Operating Activities	<u>(35)</u>	<u>4,871</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	145	102
Interest received	34	34
Issues of shares in subsidiary company	490	-
Subscription of unquoted preference shares	-	(5,000)
Acquisition of subsidiary	-	(945)
Net cash outflow on disposal of subsidiary company	(37)	-
Purchase of property, plant and equipment	(427)	(360)
Withdrawal of fixed deposits on lien as collateral	-	(21)
Net Cash From/(Used In) Investing Activities	<u>205</u>	<u>(6,190)</u>

LEWEKO RESOURCES BERHADCompany No. 568420-K
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FINANCIAL QUARTER ENDED 31 MARCH 2012**(UNAUDITED)
[CONTINUED]

	Current Year To Date 31.3.2012 RM'000	Preceding Year Corresponding Period 31.12.2010 RM'000
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from Onshore Foreign Currency Loan	3,647	2,964
Proceeds from /(Repayment of) bankers' acceptances and trust receipts	(2,060)	322
Proceeds from term loan	73	-
Repayment of advances received from a director	-	(10,565)
Finance costs paid	(2,318)	(1,880)
Repayment of term loan	(781)	(910)
Dividend paid	-	(800)
Repayment of hire-purchase payables - net	(343)	(203)
Net Cash Used In Financing Activities	<u>(1,782)</u>	<u>(11,072)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,612)	(12,391)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(10,150)	2,241
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>(11,762)</u>	<u>(10,150)</u>
Cash and cash equivalents comprise:		
Bank and cash balances	352	600
Fixed deposits	40	1,506
	<u>392</u>	<u>2,106</u>
Bank overdraft	(5,364)	(3,750)
Revolving credits	(6,750)	(7,000)
	<u>(11,722)</u>	<u>(8,644)</u>
Fixed deposits pledged for banking facilities	(40)	(1,506)
	<u>(11,762)</u>	<u>(10,150)</u>

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

LEWEKO RESOURCES BERHAD

Company No. 568420-K
(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL REPORT FINANCIAL QUARTER ENDED 31 MARCH 2012

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 estimates.

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 FRSSs.

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 FRSSs, IC Interpretations, Amendments to FRSSs and IC Interpretations with effect from 1 January 2011:

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 1	First-time Adoption of Financial Reporting Standards (Revised in 2010) - Amendments to FRS 1 [Improvement to FRSSs (2010)]
FRS 2	Share-based Payment - Amendments relating to group cash-settled share-based payment transactions
FRS 3	Business Combinations (Revised 2010) - Amendments to FRS 3 [Improvement to FRSSs (2010)]
FRS 7	Financial Instruments: Disclosures - Amendments relating to improving disclosures about financial instruments
FRS 7	Financial Instruments: Disclosures - Amendments to FRS 7 [Improvements to FRSSs (2010)]
FRS101	Presentation of Financial Statements - Amendments to FRS 101 [Improvements to FRSSs (2010)]
FRS121	The Effects of Changes in Foreign Exchange Rates - Amendments to FRS 121 [Improvements to FRSSs (2010)]
FRS 127	Consolidated and Separate Financial Statements (Revised 2010)
FRS 128	Investment in Associates - Amendments to FRS 128 [Improvements to FRSSs (2010)]
FRS 132	Financial Instruments: Presentation - Amendments to FRS 132 [Improvements to FRSSs (2010)]
FRS134	Interim Financial Reporting - Amendments to FRS 134 [Improvements to FRSSs (2010)]
FRS 139	Financial Instruments: Recognition and Measurements - Amendments to FRS 139 [Improvements to FRSSs(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

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NOTES TO INTERIM FINANCIAL REPORT FINANCIAL QUARTER ENDED 31 MARCH 2012

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.

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**NOTES TO INTERIM FINANCIAL REPORT
FINANCIAL QUARTER ENDED 31 MARCH 2012**

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 <u>on or after</u>
FRS1	First-time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to FRS 1)	1 January 2012
FRS 7	Financial Instruments Disclosures - Transfer of Financial Assets (Amendments to FRS 7)	1 January 2012
FRS 7	Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to FRS 7)	1 January 2013
FRS7	Financial Instruments Disclosures - Amendments relating to Mandatory Effective Date of FRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and Transition Disclosures	1 March 2012
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015 *
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015 *
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	1 January 2012
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investment in Associates and Joint Ventures	1 January 2013
FRS132	Financial Instruments Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments to FRS 132)	1 January 2014
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. 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

* Effective for annual period beginning on or after January 1, 2015 immediately upon the issuance of Amendments to FRS 9 (IFRS 9 issued by IASB on November 2009 and October 2010 respectively) and FRS 7 relating to "Mandatory Effective Date of FRS 9 and Transition Disclosures" on March 1, 2012.

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.

LEWEKO RESOURCES BERHAD

Company No. 568420-K
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**NOTES TO INTERIM FINANCIAL REPORT
FINANCIAL QUARTER ENDED 31 MARCH 2012**

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.

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LEWEKO RESOURCES BERHAD

Company No. 568420-K
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**NOTES TO INTERIM FINANCIAL REPORT
FINANCIAL QUARTER ENDED 31 MARCH 2012**

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
Continuing operations:						
Sawn and moulded timber	3,538	-	3,538	33,310	-	33,310
Precast concrete products	362	-	362	1,199	-	1,199
	<u>3,900</u>	<u>-</u>	<u>3,900</u>	<u>34,509</u>	<u>-</u>	<u>34,509</u>
Discontinued operations:						
Timber flooring	1,785	-	1,785	24,467	-	24,467
Corporate office and unallocated expenses	-	-	-	-	-	-
	<u>1,785</u>	<u>-</u>	<u>1,785</u>	<u>24,467</u>	<u>-</u>	<u>24,467</u>
	<u>5,685</u>	<u>-</u>	<u>5,685</u>	<u>58,976</u>	<u>-</u>	<u>58,976</u>
Inter-segment elimination			-			-
			<u>5,685</u>			<u>58,976</u>

(b) **Segment Results**

	Profit/(loss) before tax RM'000	Profit/(loss) before tax RM'000
Continuing operations:		
Sawn and moulded timber	(14,293)	(44,288)
Precast concrete products	(505)	(1,536)
	<u>(14,798)</u>	<u>(45,824)</u>
Corporate office and unallocated expenses	(17)	220
	<u>(14,815)</u>	<u>(45,604)</u>
Discontinued operations:		
Timber flooring	(3,800)	(6,501)
Corporate office and unallocated expenses	(68)	(505)
	<u>(3,868)</u>	<u>(7,006)</u>
Total	<u>(18,683)</u>	<u>(52,610)</u>

LEWEKO RESOURCES BERHAD

Company No. 568420-K
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**NOTES TO INTERIM FINANCIAL REPORT
FINANCIAL QUARTER ENDED 31 MARCH 2012**

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.

On 12 March 2012, the Company has disposed off its entire equity interest in Leweko Capital Sdn. Bhd. for a cash consideration of RM20,000.

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

For the quarter under review, The Group's continuing operations recorded a revenue and loss before tax ("LBT") of RM3.90 million and RM14.81 million respectively as compared to a revenue of RM11.16 million and LBT of RM5.61 million in the corresponding period from January to March 2011. The loss recorded in the current quarter is mainly due to the impairment of timber concession and inventories written down in the sawn and moulded timber division.

The sawn and moulded timber division's recorded a revenue of RM3.54 million, a decreased of 66.8% from RM10.66 million recorded in the corresponding period from January to March 2011, the lower revenue was due to the absence of logs trading activities. During the quarter under review, the Group recognised an impairment loss on timber concession and a write-down of obsolete stock amounting to RM6.71 million and RM0.78 million respectively in this division. This has resulted the LBT for this division increased from RM5.71 to RM14.29 million.

The precast concrete division registered a revenue of RM0.36 million, a decreased of 28.0% from RM0.50 million recorded in the corresponding period from January to March 2011. The lower revenue was mainly due to the lower percentage of workdone as most of the projects are at preliminary stage. LBT for this division increased to RM0.51 million as compared to RM0.01 million recorded in the corresponding period from January to March 2011 due to the higher startup costs incurred in the current quarter.

The Group has disposed off its timber flooring division on 12 March 2012. As such, the results of this division was classified under discontinued operations in the Statement of Comprehensive Income. This division recorded a net loss of RM3.87 million in the current financial quarter as compared to the net loss of RM0.62 million recorded in the corresponding period from January to March 2011.

LEWEKO RESOURCES BERHAD

Company No. 568420-K
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**NOTES TO INTERIM FINANCIAL REPORT
FINANCIAL QUARTER ENDED 31 MARCH 2012****16. Comparison of Results with Preceding Quarter**

For the quarter under review, The Group's continuing operations recorded a revenue and loss before tax ("LBT") of RM3.90 million and RM14.81 million respectively as compared to a revenue of RM4.53 million and LBT of RM12.05 million in the preceding quarter.

The sawn and moulded timber division's recorded a revenue of RM3.54 million, an decreased of 15.7% from RM4.20 million recorded in the preceding quarter, the lower revenue was affected by the lower demand from European countries. LBT for this division increased by 19.8% from RM11.93 million to RM14.29 million mainly due to the recognition of impairment loss on timber concession.

The precast concrete division registered a slight improvements in revenue from RM0.34 million to RM0.36 million recorded in the preceding quarter. However, LBT increased from RM0.17 million to RM0.51 million due to the higher startup costs incurred in the current quarter.

The Timber flooring division which was disposed during the financial quarter recorded a net loss of RM3.87 million as compared to RM1.24 million in the preceding quarter due to the write-down of obsolete stock.

17. Commentary on Prospects

The performance of the Group's sawn & moulded and timber flooring division were adversely affected by the sluggish demand of tropical timber in Europe, which is the Group's largest market segment for timber products. In order to reserve its resources, the Group has disposed off its timber flooring division, which was in loss making position for the last two years, as the Board foresees the recovery of timber flooring industry is bleak and uncertain due to the on-going European sovereign debt crisis. At the meantime, the Group is planning to diversify its risk profile arising from focusing on European markets by reviewing its marketing strategy to expand its market boundaries for its sawn and moulded timber products. The Group will also continuously review its product mix and take all necessary measures to improve its productivity and efficiency.

The Group's precast concrete division has seen its order book increased in the current quarter and expected to complete a few jobs in the next quarter. The Group foresees the contributions from this division will be improved in the next

Given the above circumstances and measures taken by the Group, the Board is fairly confident the Group's performance will be improved 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	-	(4)
Under provision in prior financial year	-	(50)
	-	(54)
Deferred taxation		
Current financial year	3,077	5,931
	<u>3,077</u>	<u>5,877</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.

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**NOTES TO INTERIM FINANCIAL REPORT
FINANCIAL QUARTER ENDED 31 MARCH 2012**

20. 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.

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 May 2012.

23. Borrowings and Debt Securities

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings	19,722	230	19,952
Long term borrowings	411	38	449
	<u>20,133</u>	<u>268</u>	<u>20,401</u>

All of the above borrowings are denominated in RM.

24. Off Balance Sheet Financial Instruments

The Group has no off balance sheet financial instruments as at 17 May 2012.

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.

MWTI has filed Proof of Debt with the Malaysian Department of Insolvency on 7 May 2012.

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.

MWTI and the Plaintiff has successfully reached an amicable settlement and MWTI has paid an amount of RM50,000 to the Plaintiff on 8 May 2012 as full and final settlement of the legal suit. A consent judgement has been recorded on 23 May 2012 in Court as per the agreed mode of settlement.

LEWEKO RESOURCES BERHADCompany No. 568420-K
(Incorporated in Malaysia)**NOTES TO INTERIM FINANCIAL REPORT
FINANCIAL QUARTER ENDED 31 MARCH 2012****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	21	100
Rental of premises paid to Jurang Hijau Sdn. Bhd., a company in which persons connected with a director of the Company have interests	8	40
Transactions with Syarikat Amiziz Sdn. Bhd., an associated company		
Purchases of logs	531	6,925
Transport charges	5	591

27. Basic/Diluted Loss Per Share

	Current Financial Quarter RM'000	Current Financial Year To Date RM'000
Net loss from continuing operations	(11,738)	(39,727)
Net loss from discontinued operations	(3,868)	(7,006)
Net loss and total comprehensive loss for the financial period	<u>(15,606)</u>	<u>(46,733)</u>
Loss and total comprehensive loss attributable to:		
Owners of the parent	(13,498)	(42,840)
Non-controlling interest	(2,108)	(3,893)
	<u>(15,606)</u>	<u>(46,733)</u>
Weighted average number of ordinary shares in issue ('000)	241,748	241,748
Basic/diluted loss per share attributable to owners of the parent (sen) from:		
Continuing operations	(4.75)	(16.14)
Discontinued operations	(0.83)	(1.58)
	<u>(5.58)</u>	<u>(17.72)</u>

28. Dividends Payable

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

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LEWKO RESOURCES BERHAD

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**NOTES TO INTERIM FINANCIAL REPORT
FINANCIAL QUARTER ENDED 31 MARCH 2012**

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 31.3.2012 RM'000	As at 31.12.2010 RM'000
Total retained earnings of the Leweko Resources Berhad and its subsidiary companies		
Realised	37,260	62,799
Unrealised	(32)	6,587
	<hr/> 37,228	<hr/> 69,386
Consolidation adjustments	(48,751)	(38,069)
Total Group's retained earnings as per statements of financial position	<hr/> <hr/> <u>(11,523)</u>	<hr/> <hr/> <u>31,317</u>

By order of the Board,

Chan Chee Kheong
Chang Pooi Yee
Company Secretaries

24 May 2012