**LINGUI DEVELOPMENTS BERHAD**
**Company No: 7574-D**

QUARTERLY REPORT

Quarterly report on the consolidated results for the 3rd quarter ended 31 March 2007. The figures have not been audited.

The condensed consolidated income statement should be read in conjunction with the annual financial report for the year ended 30 June 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | CURRENT YEAR QUARTER | PRECEDING YEAR CORRESPONDING QUARTER restated | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD restated |
| | 31/3/2007 | 31/3/2006 | 31/3/2007 | 31/3/2006 |
| | RM ' 000 | RM ' 000 | RM ' 000 | RM ' 000 |
| Revenue | 406,624 | 283,484 | 1,252,001 | 889,030 |
| Other operating income | 1,913 | 2,188 | 13,360 | 9,354 |
| Operating expenses | (338,522) | (278,043) | (1,004,848) | (858,553) |
| Profit from operations | 70,015 | 7,629 | 260,513 | 39,831 |
| Interest income | 72 | 136 | 327 | 386 |
| Finance costs * | (11,907) | (35,834) | (15,919) | (71,219) |
| Share of profit after tax of associates | 3,516 | 2,571 | 13,641 | 10,870 |
| Profit / (loss) before taxation | 61,696 | (25,498) | 258,562 | (20,132) |
| Taxation | (14,426) | 1,272 | (49,023) | (1,868) |
| Net profit / (loss) for the period | 47,270 | (24,226) | 209,539 | (22,000) |
| Attributable to: | | | | |
| Equity holders of the parent | 47,270 | (24,226) | 209,539 | (22,000) |
| Minority interests | - | - | - | - |
| Net profit / (loss) for the period | 47,270 | (24,226) | 209,539 | (22,000) |
| **(a) Basic earnings per share (sen)** | 7.17 | (3.67) | 31.77 | (3.34) |
| Net profit / (loss) for the period (RM '000) | 47,270 | (24,226) | 209,539 | (22,000) |
| Weighted average number of ordinary shares on issue during the reporting quarter (' 000) | 659,630 | 659,630 | 659,630 | 659,630 |
| **(b) Diluted earnings per share (sen)** | Not applicable | Not applicable | Not applicable | Not applicable |

* Included in the finance costs is unrealised foreign exchange gain of RM1,992,000 for the current year quarter (current year to date gain : RM28,868,000) and unrealised foreign exchange loss of RM19,632,000 for the preceding year corresponding quarter (preceding year to date loss : RM24,550,000)

**LINGUI DEVELOPMENTS BERHAD**
**Company No: 7574-D**

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

The condensed consolidated balance sheet should be read in conjunction with the annual financial report as at 30 June 2006.

| | AS AT 31/3/2007 RM'000 | AS AT 30/6/2006 restated RM'000 |
|---|---|---|
| Property, plant and equipment | 763,172 | 779,306 |
| Investment properties | 18,294 | 18,642 |
| Forest assets | 1,192,172 | 1,068,998 |
| Investment in associates | 209,957 | 198,725 |
| Timber concession | 51,767 | 56,669 |
| Deferred tax assets | 11,770 | 9,386 |
| **Current assets** | | |
| Inventories | 174,455 | 144,576 |
| Debtors | 545,062 | 452,834 |
| Tax recoverable | 11,439 | 27,902 |
| Cash and bank balances | 59,358 | 47,502 |
| | 790,314 | 672,814 |
| **Current liabilities** | | |
| Creditors | 275,517 | 340,398 |
| Borrowings | 208,256 | 213,606 |
| Taxation | 20,921 | 1,978 |
| | 504,694 | 555,982 |
| Net current assets | 285,620 | 116,832 |
| | 2,532,752 | 2,248,558 |
| Share capital | 329,815 | 329,815 |
| Reserves | 1,253,098 | 982,805 |
| | 1,582,913 | 1,312,620 |
| **Non current liabilities** | | |
| Borrowings | 633,847 | 658,960 |
| Deferred tax liabilities | 315,992 | 276,978 |
| | 2,532,752 | 2,248,558 |
| Net assets per share (RM) | 2.40 | 1.99 |

**LINGUI DEVELOPMENTS BERHAD**
**Company No: 7574-D**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2007

The condensed cash flow statement should be read in conjunction with the annual financial report for the year ended 30 June 2006.

| | UNAUDITED CURRENT PERIOD ENDED 31/3/2007 | UNAUDITED CORRESPONDING PERIOD ENDED 31/3/2006 restated |
|---|---|---|
| | RM'000 | RM'000 |
| Profit before taxation | 258,562 | (20,132) |
| Adjustments: | | |
| Depreciation and amortisation | 78,012 | 78,664 |
| Depletion of forest crop | 3,774 | 3,047 |
| Finance costs | 44,787 | 46,669 |
| Interest income | (327) | (386) |
| Unrealised foreign exchange differences | (28,868) | 24,550 |
| Share of profits in associated companies | (13,641) | (10,870) |
| Other non-cash and non-operating items | (7,825) | (3,022) |
| | 334,474 | 118,520 |
| Changes in working capital | | |
| Current assets | (122,107) | (37,006) |
| Current liabilities | (75,638) | (41,656) |
| Net tax paid | (1,145) | (5,870) |
| Net cash flow from operating activities | 135,584 | 33,988 |
| Purchase of property, plant and equipment and forest assets | (46,389) | (104,567) |
| Proceeds from disposal of property, plant and equipment | 21,340 | 19,323 |
| Interest received | 327 | 386 |
| Dividend received | 2,405 | 2,393 |
| Fixed deposit pledged | 429 | (169) |
| Net cash flow from investing activities | (21,888) | (82,634) |
| Interest paid | (37,528) | (28,959) |
| Net borrowings | (29,136) | 42,900 |
| Dividends paid to shareholders | (9,499) | (9,499) |
| Net cash flow from financing activities | (76,163) | 4,442 |
| Net changes in cash and cash equivalents | 37,533 | (44,204) |
| Cash and cash equivalents at beginning of the year | (40,265) | (5,837) |
| Exchange adjustment account | (2,728) | 3,743 |
| Cash and cash equivalents at end of the period | (5,460) | (46,298) |
| Cash and cash equivalents as at 31 March 2007 is represented by: | | |
| Cash and bank balances | 27,810 | 14,421 |
| Short term deposits | 31,548 | 38,291 |
| Bank overdraft | (33,634) | (61,002) |
| | 25,724 | (8,290) |
| Less: fixed deposits and bank balances held as security | (31,184) | (38,008) |
| | (5,460) | (46,298) |

**LINGUI DEVELOPMENTS BERHAD**
**Company No: 7574-D**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2007

The condensed consolidated statement of changes in equity should be read in conjunction with the annual financial report for the year ended 30 June 2006.

| | **Share capital** | **Share premium** | **Exchange reserve** | **Fair valuation reserve** | **Distributable retained earnings** | **Proposed dividend reserve** | **Total** |
|---|---|---|---|---|---|---|---|
| | RM ' 000 | RM ' 000 | RM ' 000 | RM ' 000 | RM ' 000 | RM ' 000 | RM ' 000 |
| At 1 July 2005 | | | | | | | |
| As previously stated | 329,815 | 130,089 | 174,818 | 64,455 | 601,755 | 9,499 | 1,310,431 |
| Effect of adopting FRS 121 | - | - | (38,675) | - | 38,675 | - | - |
| At 1 July 2005 (restated) | 329,815 | 130,089 | 136,143 | 64,455 | 640,430 | 9,499 | 1,310,431 |
| | | | | | | | - |
| Net gain / (loss) not recognised in income statement | | | | | | | - |
| - Currency translation differences as previously stated | - | - | (144,036) | - | - | - | (144,036) |
| Effect of adopting FRS 121 | - | - | 24,550 | - | - | - | 24,550 |
| Restated currency translation differences | - | - | (119,486) | - | - | - | (119,486) |
| - Share of currency translation differences of an associate | - | - | 80 | - | - | - | 80 |
| Net profit for the period as previously stated | - | - | - | - | 2,550 | - | 2,550 |
| Effect of adopting FRS 121 | - | - | - | - | (24,550) | - | (24,550) |
| Restated net profit for the period | - | - | - | - | (22,000) | - | (22,000) |
| Dividends paid during the period | - | - | - | - | - | (9,499) | (9,499) |
| At 31 March 2006 (restated) | 329,815 | 130,089 | 16,737 | 64,455 | 618,430 | - | 1,159,526 |
| At 1 July 2006 | | | | | | | |
| As previously stated | 329,815 | 130,089 | 163,761 | 64,535 | 614,921 | 9,499 | 1,312,620 |
| Effect of adopting FRS 121 | - | - | (11,035) | - | 11,035 | - | - |
| At 1 July 2006 (restated) | 329,815 | 130,089 | 152,726 | 64,535 | 625,956 | 9,499 | 1,312,620 |
| Net gain not recognised in income statement | | | | | | | |
| - Currency translation differences | - | - | 70,270 | - | - | - | 70,270 |
| - Share of currency translation differences of an associate | - | - | (17) | - | - | - | (17) |
| Net profit for the period | - | - | - | - | 209,539 | - | 209,539 |
| | | | | | | | - |
| Dividends paid during the period | | | | | | (9,499) | (9,499) |
| At 31 March 2007 | 329,815 | 130,089 | 222,979 | 64,535 | 835,495 | - | 1,582,913 |

**LINGUI DEVELOPMENTS BERHAD**
**Company No: 7574-D**

# NOTES TO 3rd QUARTER FINANCIAL STATEMENTS
## for the financial quarter ended 31 MARCH 2007

### 1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") No. 134: Interim Financial Reporting and Part K of the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2006. These explanatory notes attached to the interim financial statements 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 30 June 2006.

### 2. Changes in Accounting Policies

The significant accounting policies adopted in the unaudited interim statements are consistent with those adopted in the Group's audited financial statements for the year ended 30 June 2006 except for the adoption of the following revised Financial Reporting Standards ("FRS") issued by MASB that are effective for the Group's financial statements commencing 1 July 2006:-

| | |
|---|---|
| FRS 2 | Share-based Payment |
| FRS 3 | Business Combinations |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| FRS 101 | Presentation of Financial Statements |
| FRS 102 | Inventories |
| FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| FRS 110 | Events after Balance Sheet Date |
| FRS 116 | Property, Plant and Equipment |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates |
| FRS 127 | Consolidated and Separate Financial Statements |
| FRS 128 | Investment in Associates |
| FRS 131 | Interest in Joint Ventures |
| FRS 132 | Financial Instruments: Disclosure and Presentation |
| FRS 133 | Earnings Per Share |
| FRS 136 | Impairment of Assets |
| FRS 138 | Intangible Assets |
| FRS 140 | Investment Property |

The adoption of the above mentioned standards does not have significant impact on the Group. The principal effects of the changes in accounting policies with respect to the adoption of the new and revised FRS are discussed below:-

(a) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. Minority interest is now presented within total equity in the consolidated balance sheet and as an allocation from net profit for the period in the consolidated income statement. The movement of minority interest is now presented as in the consolidated statement of changes in equity.

The presentation of the comparative figures in the financial statements of the Group has been restated to conform with the current period's presentation.

(b) FRS 3 : Business Combinations and FRS 136 : Impairment of Assets

The new FRS 3 has resulted in the consequential amendment to FRS 136: Impairment of Assets.

The adoption of these new FRSs has resulted in the following:-

(i) All business combinations are to be accounted for using the purchase method. Prior to 1 January 2006, acquisition of subsidiaries which meet the criteria for merger are accounted for using the merger accounting principles.

Upon the adoption of the new FRS 3, acquisition of subsidiaries which meet the criteria for merger on or after 1 January 2006 ceased to be accounted for using the merger accounting policy and are to be accounted for using the purchase method. This change in accounting policy is applied prospectively and do not have any impact to the Group nor result in any restatement of the comparatives as at 30 June 2006.

(ii) In prior years, positive goodwill was written off against reserves upon acquisition of subsidiaries and negative goodwill in excess of the fair values of the net identifiable assets acquired is recognised immediately in reserves. Upon the adoption of the new FRS 3 and FRS 136, the Group no longer write off goodwill against reserves. Any positive goodwill arising from new acquisition of subsidiaries is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Also in accordance with FRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of goodwill has been applied prospectively in accordance with the transitional arrangements under FRS 3.

(c) FRS 116 : Property, Plant and Equipment

In accordance with FRS 116, the asset's residual values, useful lives and depreciation method will be assessed at each financial year and adjusted if necessary. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

(d) FRS 121: The Effects of Changes in Foreign Exchange Rates

In prior years, exchange differences arising on a monetary item in a foreign operation that was previously treated as part of the Group's net investment in that foreign operation were taken to equity.

Under FRS 121, such exchange differences shall be recognised in profit or loss in the consolidated financial statements.

The effect of the adoption of FRS 121 has been accounted for retrospectively and certain comparatives have been restated.

(e) FRS 140: Investment Property

With the adoption of the new FRS 140, properties held for rental or capital appreciation have been reclassified to investment properties. Prior to 1 July 2006, these properties were classifed under Property, Plant and Equipment in the balance sheet.

The above change in accounting policy has been accounted for prospectively and in accordance with the transitional provision of FRS 140.

**Comparatives**

The following comparative amounts of the Group have been restated due to the adoption of abovementioned new and revised FRSs:

| **Balance Sheet At 30 June 2006 / 1 July 2006** | **As previously reported RM'000** | **Adjustments FRS 121 RM'000** | **FRS 140 RM'000** | **As restated RM'000** |
|---|---|---|---|---|
| Property, plant and equipment | 797,948 | - | (18,642) | 779,306 |
| Investment properties | - | - | 18,642 | 18,642 |
| Exchange reserve | 163,761 | (11,035) | - | 152,726 |
| Distributable earnings | 614,921 | 11,035 | - | 625,956 |

| Income Statement<br>3 months ended 31 March 2006 | As previously reported<br>RM'000 | Adjustments<br>FRS 101<br>RM'000 | <br>FRS 121<br>RM'000 | As restated<br>RM'000 |
|---|---|---|---|---|
| Finance costs | 16,202 | - | 19,632 | 35,834 |
| Share of profits in associated companies | 3,586 | (1,015) | - | 2,571 |
| (Loss) / Profit before income tax | (4,851) | (1,015) | (19,632) | (25,498) |
| Taxation | 257 | 1,015 | - | 1,272 |
| Net (loss) / profit for the period | (4,594) | - | (19,632) | (24,226) |
| **9 months ended 31 March 2006** | | | | |
| Finance costs | 46,669 | - | 24,550 | 71,219 |
| Share of profits in associated companies | 14,437 | (3,567) | - | 10,870 |
| (Loss) / Profit before income tax | 7,985 | (3,567) | (24,550) | (20,132) |
| Taxation | (5,435) | 3,567 | - | (1,868) |
| Net (loss) / profit for the period | 2,550 | - | (24,550) | (22,000) |

## 3. Preceding annual financial statements

The audit report of the preceding annual financial statements for the year ended 30 June 2006 was unqualified.

## 4. Seasonality or Cyclical Factors

The timber operations results are to a certain extent affected by weather conditions especially at logging areas. Extracting logs during heavy rainfall seasons is made more difficult thereby causing shortage of log supply for both export and processing while a drier season will be more conducive to higher log extraction.

## 5 Exceptional item

There were no items for which by nature or amount affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size, or incidence during the quarter under review.

## 6 Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the quarter under review.

## 7 Changes in debt and equity securities

There were no other issuances, cancellations, repurchases, resale and repayment of debt and equity securities in the quarter under review.

## 8 Dividends paid

There were no dividends paid during the quarter under review.

## 9 Segmental information

The segment information in respect of the Group's business segment are as follows :

| **Revenue** | **External sales RM ' 000** | **Inter-segment sales RM ' 000** | **Total sales RM ' 000** |
|---|---|---|---|
| Timber and plywood | 1,071,692 | | 1,071,692 |
| Trading and services | 154,227 | 102,863 | 257,090 |
| Manufacturing - Rubber | 11,535 | | 11,535 |
| Properties and quarry operations | 14,547 | 87 | 14,634 |
| | 1,252,001 | 102,950 | 1,354,951 |
| Eliminations | | | (102,950) |
| Group revenue | | | 1,252,001 |

| **Segment results** | **Total RM ' 000** |
|---|---|
| Timber and plywood | 259,683 |
| Trading and services | 7,115 |
| Manufacturing - Rubber | 702 |
| Properties and quarry operations | 1,064 |
| Plantations ** | 6,803 |
| | 275,367 |
| Unallocated corporate expenses | (1,213) |
| Interest income | 327 |
| Financing costs | (15,919) |
| | 258,562 |
| Taxation | (49,023) |
| | 209,539 |

** The segment results for plantations arise from the Company's investment in an associate.

**10** **Valuations of property, plant and equipment**

The Company does not have a policy on revaluing its property, plant and equipment.

**11** **Material events subsequent to the end of the reporting quarter**

There have been no material events subsequent to the end of the quarter under review that have not been reflected in the financial statements.

**12** **Changes in the composition of the Group**

There were no changes in the composition of the Group during the quarter which were previously not announced.

**13** **Contingent liabilities or contingent assets**

No contingent liabilities or contingent assets has arisen since the last annual balance sheet date except as disclosed in Note 20.

**14** **Taxation**

Taxation comprises:-

| | Individual Quarter Jan 07 - Mac 07 RM ' 000 | Cumulative YTD July 06 - Mac 07 RM ' 000 |
|---|---|---|
| Current taxation | 9,527 | 36,185 |
| Deferred taxation | 4,899 | 19,224 |
| | 14,426 | 55,409 |
| Underprovision in respect of prior years | - | - |
| Reversal of prior year deferred tax over provided | - | (6,386) |
| | 14,426 | 49,023 |

The Group's effective tax rate for the quarter under review is lower than the statutory tax rate due to the effect of double deductions available for certain expenses.

**15** **Profits/(losses) on sale of unquoted investments and/or properties**

There were no disposals of unquoted investments and/ or properties during the quarter under review.

## 16 Quoted securities

(a) There were no purchase or disposals of quoted securities for the current quarter and financial year to date.

(b) Total investments in quoted securities as at 31 March 2007 were as follows:

| | RM'000 |
|---|---|
| (i) At carrying value/book value | 121,355 |
| (ii) At market value | 116,349 |

The Group has not provided for diminution of investment in quoted securities as the net tangible assets of this investment exceeds the carrying value as at 31 March 2007.

## 17 Status of Corporate Proposals

There were no new corporate proposals during the current quarter under review.

## 18 Group borrowings and debt securities

Total Group borrowings as at 31 March 2007 were as follows :-

| | | **Long term liabilities** RM'000 | **Long term liabilities** In foreign currency | **Short term bank borrowings** RM'000 |
|---|---|---|---|---|
| **Secured** | -Foreign currency - USD ' 000 | 186,116 | 53,721 | - |
| | -Foreign currency - NZD ' 000 | 86,918 | 35,268 | - |
| | -Local currency | 62,201 | | 37,472 |
| | -Bond- Local currency | 150,000 | | - |
| **Unsecured** | | 148,612 | | 170,784 |
| Total | | 633,847 | | 208,256 |

## 19 Off balance sheet financial instruments

The Group has entered into interest rate swap agreements for loans denominated in USD and NZD to ensure that the exposure to changes in interest are fixed for the respective tranches throughout the tenure of the term loan. The interest rate swaps range from fixed rates of 3.77% to 7.31% per annum over the loan period.

The net unfavourable fair value adjustment not recognised as at 31 March 2007 of interest rate swap agreement which hedge interest rates amounted to RM1.8 million.

## 20 Material litigation

**Suit I : Kelasau Naan, Jawa Nyipa, Pelutan Tiun, Bilong Oyoi & Ors (hereinafter collectively referred to as "Plaintiffs") vs Government of Sarawak, Samling Plywood (Baramas) Sdn Bhd ("SPK") and Syarikat Samling Timber Sdn Bhd ("SST") (hereinafter collectively referred to as "Defendants")**

The Government of Sarawak, SPK and SST are being jointly sued by Penan of four longhouses and settlements situated on the timber concessions held by SPK. The Penans are seeking declaration that they have native customary rights over their claimed land located within the said timber concession areas.

An application was filed by Matthew Uchat Kajan and Jalong Bilong to have themselves added as defendants in this action (on behalf of themselves as well as other inhabitants of the 2 Kenyah kampongs known as Long Semiang and Lio Mato) ("1st Application").

An application was filed by Gabriel Ajan Jok and Anthony Belarek to have themselves added as defendants in this action (on behalf of themselves as well as some of the other inhabitants of the Kenyah kampongs known as Long Tungan) ("2nd Application").

On 15 January 2003, the Court had

(a) granted leave to the Government of Sarawak to amend its defence
(b) granted leave to SPK & SST to amend its defence and counterclaim
(c ) granted leave to the Plaintiffs to amend its pleadings in reply to all the Defendants' amended pleadings

The Court granted an order in terms as stated in both the 1st and 2nd Applications on 7 April 2003. The Plaintiffs' advocates appealed against the Court orders dated 7 April 2003 in respect of the 1st and 2nd Applications. The Plaintiffs' advocates have since withdrawn the said appeal.

The Plaintiffs and the 1st to 3rd Defendants have filed and served their amended pleadings pursuant to the Court Order dated 15 January 2003.

On 14 January 2003, another application was taken out by Joachim Engan Sigau to have himself added as plaintiff in this action (on behalf of himself as well as all other inhabitants of Long Tungan) ("3rd Application"). The 3rd Application was withdrawn by Joachim Engan Sigau's advocates and Joachim was ordered to pay the cost of the 3rd Application, such costs to be taxed unless otherwise agreed.

The matter was called up for mention on 27 March 2004 and again on 21 April 2004, wherein the Plaintiffs' counsel undertook to serve the Amended Writ listing on Mathew Uchat Kajan, Jalong Bilong, Gabriel Ajan Jok and Anthony Belarek, (the applicants in the 1st and 2nd Applications) as the 4th to 7th defendants in this action. By a court order dated 21 June 2004, it was ordered inter alia, that the Plaintiffs file and serve the Amended Writ of Summons and Amended Statement of Claim within 14 days from the date thereof and thereafter, the defendants have 14 days to file and serve their amended pleadings. The Defendants have been served with the Amended Writ of Summons and Amended Statement of Claim on 6 August 2004 and these were received on a without prejudice' basis. The Defendants have filed the Amended Defence and Counterclaim.

The pre trial case management for the above matter which was originally scheduled on 26 August 2004 had been rescheduled to 24 February 2005 pending the outcome of the hearing of an application to stay this action taken out by the advocates for the 4th to 7th Defendants ("the Stay Application"). The Stay Application was heard on 28 July 2005, where the court ordered that this action be stayed pending the conclusion and determination of native court claim filed by the 4th to 7th Defendants in the native court against the Plantiffs and awarded cost of the Stay Application to the 4th to 7th Defendants to be taxed unless otherwise agreed ("the Court Order of 28 July 2005"). The court adjourned the pre trial case management of this action to a date to be fixed or to a date to be requested by counsel. The Plaintiff has filed an appeal in the Court of Appreal against the Court Order of 28 July 2005.

On 4 October 2006, the Court has fixed the Civil Suit for Trial on 18 January 2007 and has brought forward for mention before the Senior Assistant Registrar, High Court Bintulu in Miri on 6 October 2006. At the mention on 6 October 2006, the Plaintiffs' counsel informed the Court that an appeal has been filed against the Court Order 28 July 2005. The Senior Assistant Registrar, High Court Bintulu in Miri fixed the matter for further mention in Miri before the Judicial Commissioner on 6 November 2006 and after hearing counsels, the Court maintained the trial date of 18 January 2007. On 18 January 2007, the Senior Assistant Registrar fixed the matter for further mention on 28 March 2007. On 28 March 2007, the Plaintiff informed the Judge that a reply from the Court of Appeal Registry was received stating that the record of appeal is incomplete as it does not have the Notes of Proceedings. As such, the Court of Appeal Registry has yet to fix a hearing date. The Judge ordered the Plaintiff to write to the Native Court Registry to ascertain the current status so as to decide on their next cause of action. The Judge fixed the above matter for further mention on 22 June 2007.

**Suit II: Lasah Mering & Ors v Tamex Timber Sdn Bhd & Ors**

A Writ of Summons had been served on 5 June 2003 upon Tamex Timber Sdn Bhd ("Tamex") , a wholly-owned subsidiary company, in respect of Suit II, and named as first defendant. The Superintendent of Lands & Surveys Department Bintulu Division and the Government of the State of Sarawak as second and third defendants respectively, are being jointly sued by Lasah Mering, Mering Anak Madang, Mering Anak Lasah, Imut Anak Ding and Bilong Anak Pudang who are suing on behalf of themselves and all other proprietors, occupiers, holders and claimants of native customary rights land at Kayan Longhouse community known as Rumah Lasah Mering, Sg. Pesu, Jelulong, Tubau, Bintulu, Sarawak (hereinafter collectively known as "Plaintiffs").

The Plaintiffs are claiming for various reliefs including declarations that issuance of the land title and/ or provisional lease of that parcel of land at and/ or around the Longhouse community of Rumah Lasah Mering, Sg. Pesu, Jelulong, Tubau, Bintulu, Sarawak where Tamex is the appointed timber logging contractor, was bad and/ or void as it was unconstitutional and/or wrongful.

The first defendant had on 7 August 2003 filed its defence and counterclaim against the Plaintiffs and each of them, from interfering or attempting to interfere with the first defendant's right to carry out its business and harvesting operations in the License Area including its performance of its contract under the Letter Contract with Samling Reforestation (Bintulu) Sdn Bhd. The first defendant is also claiming against the Plaintiffs and each of them for damages, costs, interest and further or other relief. The Plantiffs had filed its Reply and Defence to Counterclaim on 29 August 2003 and served a copy thereof on Tamex on 10 September 2003. In compliance with procedural requirements, the Plaintiffs had on 6 February 2004 served the Defendants with the following:

(i) Summons for Directions pursuant to Order 25 dated 18 November 2003
This application originally fixed for hearing on 8 March 2004 was heard on 6 September 2004. At the hearing, it was directed that expert evidence be limited to 2 witnesses for the Plaintiff and the 1st Defendant and 1 witness for the 2nd and 3rd Defendants, a plan and photographs of the locus in quo be agreed, if possible, and at the trial, the Plaintiff will have 8 witnesses and require 5 days, the 1st Defendant 9 witnesses and 5 days and the 2nd and 3rd Defendants 6 witnesses and 5 days. No date has been fixed for the hearing of the action.

(ii) Notice to Attend Pre-Trial Case Management dated 18 November 2003
Counsel for the respective parties attended the Case Management Meeting with the Judge presiding in Chambers on 9 March 2005. The affidavit and the List of Documents were filed on the 4 April 2005 and a copy therefore served on the Plaintiff and the 2nd and 3rd Defendant. A Pre-Trial Case Management was held on the 21 February 2006 at the High Court. Counsel for the Plaintiff informed the Court that documents had been exchanged between the parties but Statement of Facts has not been agreed and that the Plaintiffs require time to carry out a survey of their area. The Judge then fixed tentative trial date from 9 to 13 October 2006 with another Pre-Trial Management fixed for 14 August 2006 to monitor progress. At the Pre-Trial Case Management hearing on 14 August 2006, the Plaintiffs have not completed their survey works and the Court fixed another Pre-Trial Case Management hearing on 8 November 2006. The said Pre-Trial Case Management was further adjourned to 6 February 2007. On 6 February 2007, the Court had fixed the matter for trial from 17 to 21 September 2007.

**21 Material changes in the quarterly results compared to the results of the immediate preceding quarter**

For the financial quarter under review, the volume of logs, plywood and veneer sold by the Group was 12% lower, 18% higher and 45% higher respectively than that of the immediate preceding financial quarter. Whilst US Dollar log and veneer prices achieved by the Group for the financial quarter under review were slightly higher than that achieved for the preceding financial quarter, plywood prices achieved in US Dollar trended lower with the easing of prices, especially in Japan. The strengthening of the Ringgit Malaysia against the US Dollar in the financial quarter under review negatively affected prices of logs, plywood and veneer in Ringgit Malaysia terms.

With effects of the lower Ringgit Malaysia prices of logs, plywood and veneer offsetting the impact of higher plywood and veneer sales volumes, the operating profits of the Group decreased from RM93.2 million achieved in the preceding financial quarter to RM70.0 million for the financial quarter under review.

The Group continued to write off an amount of RM7.3 million, equivalent to the amount of interest capitalized in its New Zealand forest asset in the financial quarter under review.

As a result of US Dollar strengthening against New Zealand Dollar during the quarter under review as compared to preceding financial quarter, the Group recognised an unrealised foreign exchange gain of RM2.0 million as compared to a RM13.1 million gain in preceding financial quarter.

**22 Review of performance of the Group for the quarter and financial year-to-date**

For the financial quarter under review, the Group recorded a profit before taxation of RM61.7 million and an earnings before interest, taxation, depreciation and amortisation ("EBITDA") of RM100.9 million. The profit before taxation was after the write down of RM7.3 million and the unrealised foreign exchange gain of RM2.0 million as mentioned in the paragraph above.

For the financial year to date, the Group sold 408,869 cubic meter of logs, 349,222 cubic meter of plywood and 67,727 cubic meter of veneer. Average prices achieved were RM585 per cubic meter for logs, RM1,797 per cubic meter for plywood and RM1,135 per cubic meter for veneer. For the financial year to date, after the write-off an amount equivalent to the interest that was capitalized to plantation assets which amounted to RM22.4 million and the recognition of an unrealised foreign exchange gain of RM28.9 million, the Group achieved a profit before taxation of RM258.6 million and an EBITDA of RM355.9 million.

## 23 Commentary on the outlook for the Group

There are indications of an easing in timber prices from the highs experienced in the immediate preceding quarter, partly due to the overstocked position and lower than expected housing starts in Japan. However, with rising production costs, continued log shortages and stable demand from China and India, prices are expected to be higher than that of the previous financial year. The recent announcement by Russia of a step up increase in export taxes of softwood logs from Russia from July 2007 hopefully will have a positive impact on the prices of hardwood logs as well.

On the local front, the continued strengthening of the Ringgit Malaysia will affect profitability unless US Dollar prices increase in tandem. Although costs in Ringgit Malaysia terms have remained relatively stable for the Group, we will continue to closely monitor them to ensure margins are maintained if selling prices in Ringgit Malaysia terms are affected by the Ringgit Malaysia - US Dollar exchange rate.

## 24 Variation of actual profit from forecast profit and shortfall in profit guarantee

The Group did not issue any profit forecast for this quarter and therefore comments on variances with forecast profit are not applicable.

## 25 Dividends

The Board does not propose to declare or recommend any interim dividend for the current quarter and financial year to date.

BY ORDER OF THE BOARD

TAN GHEE KIAT (MICPA 811)
T.V. SEKHAR A/L T.G. VENKATESAN (MICPA 1371)
Secretaries
Kuala Lumpur
22 May 2007