LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

QUARTERLY REPORT

Quarterly report on the consolidated results for the 4th quarter ended 30 June 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
	30/06/2007	30/06/2006	30/06/2007	30/06/2006
	RM ' 000	RM ' 000	RM ' 000	RM ' 000
Revenue	377,590	348,041	1,629,591	1,237,071
Other operating income	3,842	1,994	17,202	11,348
Operating expenses	(347,153)	(329,143)	(1,352,001)	(1,187,695)
Profit from operations	34,279	20,892	294,792	60,724
Interest income	240	29	567	415
Finance costs *	(1,808)	(17,907)	(17,727)	(89,126)
Share of profit after tax of associates	7,212	1,812	20,853	12,681
Profit / (loss) before taxation	39,923	4,826	298,485	(15,306)
Taxation	5,310	12,198	(43,713)	10,331
Net profit / (loss) for the period	45,233	17,024	254,772	(4,975)
Attributable to:				
Equity holders of the parent	45,233	17,024	254,772	(4,975)
Minority interests	-	-	-	-
Net profit / (loss) for the period	45,233	17,024	254,772	(4,975)
(a) Basic earnings per share (sen)	6.86	2.58	38.62	(0.75)
Net profit / (loss) for the period (RM '000)	45,233	17,024	254,772	(4,975)
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 RM12,392,000 for the current year quarter (current year to date gain : RM41,262,000) and unrealised foreign exchange loss of RM3,090,000 for the preceding year corresponding quarter (preceding year to date loss : RM27,640,000)

LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

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

	AS AT 30/6/2007 RM'000	AS AT 30/6/2006 Restated RM'000
Property, plant and equipment	754,334	770,103
Investment properties	27,151	27,845
Forest assets	1,290,833	1,068,998
Investment in associates	216,550	198,725
Timber concession	50,134	56,669
Deferred tax assets	10,107	9,386
Current assets		
Inventories	187,051	144,576
Debtors	540,432	452,834
Tax recoverable	22,834	27,902
Cash and bank balances	56,801	47,502
	807,118	672,814
Current liabilities		
Creditors	304,200	340,398
Borrowings	355,714	213,606
Taxation	2,362	1,978
	662,276	555,982
Net current assets	144,842	116,832
	2,493,951	2,248,558
Share capital	329,815	329,815
Reserves	1,345,002	982,805
	1,674,817	1,312,620
Non current liabilities		
Borrowings	481,592	658,960
Deferred tax liabilities	337,542	276,978
	2,493,951	2,248,558
Net assets per share (RM)	2.54	1.99

LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 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 YEAR ENDED 30/06/2007	UNAUDITED CORRESPONDING YEAR ENDED 30/06/2006 Restated
	RM'000	RM'000
Profit before taxation	298,485	(15,306)
Adjustments:		
Depreciation and amortisation	105,313	103,464
Depletion of forest crop	5,577	3,653
Dividend income	(1,212)	-
Finance costs	59,151	61,486
Interest income	(567)	(415)
Unrealised foreign exchange differences	(41,262)	27,640
Share of profits in associated companies	(20,853)	(12,681)
Other non-cash and non-operating items	(7,776)	(3,755)
	396,856	164,086
Changes in working capital		
Current assets	(126,629)	(70,259)
Current liabilities	(57,794)	27,377
Net tax paid	(22,098)	(10,563)
Net cash flow from operating activities	190,335	110,641
Purchase of property, plant and equipment and forest assets	(68,628)	(115,670)
Proceeds from disposal of property, plant and equipment	23,676	20,898
Interest received	567	415
Dividend received	2,406	2,393
Net investments in associates	(564)	-
Fixed deposit pledged	(7)	6,226
Net cash flow from investing activities	(42,550)	(85,738)
Interest paid	(53,593)	(49,716)
Net borrowings	(44,658)	(4,136)
Dividends paid to shareholders	(9,499)	(9,499)
Net cash flow from financing activities	(107,750)	(63,351)
Net changes in cash and cash equivalents	40,035	(38,448)
Cash and cash equivalents at beginning of the year	(40,265)	(5,837)
Exchange adjustment account	(4,947)	4,020
Cash and cash equivalents at end of the period	(5,177)	(40,265)
Cash and cash equivalents as at 30 June is represented by:		
Cash and bank balances	20,800	15,605
Short term deposits	36,001	31,897
Bank overdraft	(30,358)	(56,154)
	26,443	(8,652)
Less: fixed deposits and bank balances held as security	(31,620)	(31,613)
	(5,177)	(40,265)

LINGUI DEVELOPMENTS BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 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	Total
	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	611,254	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	649,929	1,310,431
						-
Net gain / (loss) not recognised in income statement						-
- Currency translation differences as previously stated	-	-	(10,959)	-	-	(10,959)
Effect of adopting FRS 121	-	-	27,640	-	-	27,640
Restated currency translation differences	-	-	16,681	-	-	16,681
- Share of currency translation differences of an associate	-	-	(98)	-	-	(98)
- Share of revaluation surplus of an associate				80		80
Net profit for the year as previously stated	-	-	-	-	22,665	22,665
Effect of adopting FRS 121	-	-	-	-	(27,640)	(27,640)
Restated net loss for the year	-	-	-	-	(4,975)	(4,975)
Dividends paid during the year	-	-	-	-	(9,499)	(9,499)
At 30 June 2006 (restated)	329,815	130,089	152,726	64,535	635,455	1,312,620
At 1 July 2006						
As previously stated	329,815	130,089	163,761	64,535	624,420	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	635,455	1,312,620
Net gain not recognised in income statement						
- Currency translation differences	-	-	130,117	-	-	130,117
Net profit for the year	-	-	-	-	254,772	254,772
Dividends paid during the year	-	-	-	-	(9,499)	(9,499)
Interim dividend declared	-	-	-	-	(13,193)	(13,193)
At 30 June 2007	329,815	130,089	282,843	64,535	867,535	1,674,817

LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

NOTES TO 4TH QUARTER FINANCIAL STATEMENTS FOR THE FINANCIALQUARTER ENDED 30 JUNE 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	-	(27,845)	770,103
Investment properties	-	-	27,845	27,845
Exchange reserve	163,761	(11,035)	-	152,726
Distributable earnings	624,420	11,035	-	635,455

Income Statement 3 months ended 30 June 2006	As previously reported RM'000	Adjustments FRS 101 RM'000	 FRS 121 RM'000	As restated RM'000
Finance costs	14,817	-	3,090	17,907
Share of profits in associated companies	2,523	(711)	-	1,812
(Loss) / Profit before income tax	8,627	(711)	(3,090)	4,826
Taxation	11,487	711	-	12,198
Net (loss) / profit for the period	20,114	-	(3,090)	17,024
12 months ended 30 June 2006				
Finance costs	61,486	-	27,640	89,126
Share of profits in associated companies	16,959	(4,278)	-	12,681
(Loss) / Profit before income tax	16,612	(4,278)	(27,640)	(15,306)
Taxation	6,053	4,278	-	10,331
Net (loss) / profit for the period	22,665	-	(27,640)	(4,975)

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. With normal weather conditions having returned to the Group's operation during the financial year under review, higher volume of logs were extracted.

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**
Logs	343,129	67,447	410,576
Plywood and veneer	900,374	52,208	952,582
Upstream support	352,710	238,573	591,283
Other timber operations	1,262	-	1,262
Other operations	32,116	8,653	40,769
	1,629,591	366,881	1,996,472
Eliminations			(366,881)
Group revenue			1,629,591

Segment results	**Total RM ' 000**
Logs	99,874
Plywood and veneer	190,244
Upstream support	5,925
Other timber operations	4,041
Other operations	15,561
	315,645
Interest income	567
Financing costs	(17,727)
	298,485
Taxation	(43,713)
	254,772

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 April 07 - June 07 RM ' 000	Cumulative YTD July 06 - June 07 RM ' 000
Current taxation	(1,811)	34,374
Deferred taxation	2,593	21,817
	782	56,191
Overprovision in respect of prior years	(6,824)	(6,824)
Origination / Reversal of prior year deferred tax	732	(5,654)
	(5,310)	43,713

The current taxation for the financial quarter under review is a credit due to recovery of interest expenses incurred at the Company level through dividends received from its subsidiaries.

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 30 June 2007 were as follows:

	RM'000
(i) At carrying value/book value	126,353
(ii) At market value	140,450

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 30 June 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	183,463	54,786	-
	-Foreign currency - NZD ' 000	95,370	35,874	-
	-Local currency	59,478		38,613
	-Bond- Local currency	-		150,000
Unsecured		143,281		167,101
Total		481,592		355,714

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 5.12% to 8.11% per annum over the loan period.

The net favourable fair value adjustment not recognised as at 30 June 2007 of interest rate swap agreement which hedge interest rates amounted to RM0.9 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. On 22 June 2007, the Plaintiffs informed the Court that they are still awaiting a hearing date for each of their appeals to the Native Court and Court of Appeal respectively. This matter is adjourned for further mention to 3 December 2007. On 3 August 2007, Pelutan Tiun (3rd Plaintiff) has filed the Notice of Discontinuance and Notice of Withdrawal with the Miri High Court Registry and the Court of Appeal Registry respectively.

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 timber market especially for plywood, generally softened principally attributable to an overstocked position in Japan. As a consequence, the volume of plywood sold by the Group was 13.6% lower than that of the immediate preceding financial quarter. Demand for veneer which was mainly from Taiwan also slowed down slightly which resulted in 28,592 cubic meter being sold by the Group compared to the 30,751 cubic meter sold in the immediate preceding financial quarter. Demand for logs remained stable with the Group exporting about 113,478 cubic meter during the quarter under review. With the softening of the timber market, prices of logs, plywood and veneer in US Dollar terms that were achieved in the quarter under review were lower than the immediate preceding quarter. The strengthening of the Malaysian Ringgit against the US Dollar in the financial quarter under review further affected the recorded Malaysian Ringgit prices of such products.

As a result of the lower prices achieved and the volumes of plywood and veneer sold, the Group achieved an operating profit of RM34.3 million and a profit before taxation of RM39.9 million which were 51.0% and 35.3% lower respectively than that of the immediate preceding financial quarter.

As in the immediate preceding financial quarter, the Group wrote 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. The New Zealand Dollar continued to strengthened against the US Dollar in the quarter under review. As a result, the Group recognized an unrealized foreign exchange gain of RM12.4 million on its US$54.8 million denominated loan in New Zealand in the financial quarter under review compared to a RM2.0 million gain in the immediate preceding quarter.

The Group recorded a credit for taxation of RM5.3 million in the quarter under review compared to a tax charge of RM14.4 million in the immediate preceding financial quarter. This was due to the effects of the tax credits that were accounted for on inter-company dividends which were set off against interest on bank borrowings.

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 RM39.9 million and an earnings before interest, taxation, depreciation and amortisation ("EBITDA") of RM70.6 million. The profit before taxation was after the write down of RM7.3 million and the unrealized foreign exchange gain of RM12.4 million as mentioned in the paragraph above.

On a year to date basis, the Group achieved a profit before taxation of RM298.5 million and an EBITDA of RM426.5 million. This was after a write off of an amount equivalent to the interest capitalized to the New Zealand plantations assets of RM29.7 million and the recognition of an unrealized foreign exchange gain of RM41.3 million. The major contributors to EBITDA were plywood and veneer operations and log trading operations which contributed 55.2% and 29.5% respectively to total EBITDA. The Group during the financial year to date sold 454,060 cubic meter of plywood and 93,241cubic meter of veneer. Average prices realized was RM1,751 per cubic meter for plywood and RM1,131 per cubic meter for veneer. For logs, the Group sold 560,537 cubic meter at an average price of RM570 per cubic meter.

23 Commentary on the outlook for the Group

The market for tropical logs remains promising in China and India. However demand for plywood from Japan slowed down in the last two months, principally due to an overstocked position and lower housing starts. For the whole financial year, prices are expected to remain firm as log supply shortage remains prevalent and production costs trending up. Continued strict enforcement on logging in Indonesia augurs well for timber products prices. Demand for tropical timber products should remain strong due to the limited tropical timber supply coupled with increasing demand for wood products to cater for the positive economic growth in Asia Pacific region. Improved standards of living together with urbanization in the Group's traditional market should increase wood consumption level. Another development which may have positive impact on timber prices would be the recent Russian announcement of the increase in export duties on Russian logs. The recent announcement by China on the reduction in VAT rebates on plywood exports augurs well for plywood prices. On a bearish level, a continued slowdown in housing starts in Japan and other economic developments, such as the slowdown of the USA housing sector and the increase in crude oil prices, may affect the demand growth pace.

For the current financial year, the Group will continue its efforts to maintain its competitive edge by being efficient in its operations and constantly improving on the process flow. Being an intergrated timber Group, it has the advantage of being able to accommodate and adapt quickly to changes in operating and market environments to maximise margins from the wood resource. Recognising that cost of production will likely remain at higher level due to higher fuel, glue and spare parts costs, the Group will continuously monitor its cost containment programmes.

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 Directors declared a tax exempt interim dividend of 4% totalling RM13,192,609 on 28 June 2007 which to be paid on 21 September 2007.

The Directors propose a final dividend of 8% per share less tax totalling RM19,261,209 (2006 : 4% per share less tax totalling RM9,498,678) for the financial year ended 30 June 2007 subject to the approval of the shareholders at the forthcoming Annual General Meeting. The book closure date will be announced at a later date.

BY ORDER OF THE BOARD

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