

LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2007

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/12/2007 RM'000	31/12/2006 RM'000	31/12/2007 RM'000	31/12/2006 RM'000
Revenue	363,493	409,870	720,020	845,377
Other operating income	1,752	3,636	4,253	11,447
Operating expenses	(342,905)	(320,314)	(666,585)	(666,326)
Profit from operations	<u>22,340</u>	<u>93,192</u>	<u>57,688</u>	<u>190,498</u>
Interest income	132	133	220	255
Financing costs *	(6,144)	(2,033)	(25,540)	(4,012)
Share of profit after tax of associates	18,749	5,510	27,402	10,125
Profit before taxation	<u>35,077</u>	<u>96,802</u>	<u>59,770</u>	<u>196,866</u>
Taxation	(2,477)	(20,676)	17,528	(34,597)
Net profit for the period	<u>32,600</u>	<u>76,126</u>	<u>77,298</u>	<u>162,269</u>
Attributable to:				
Equity holders of the Company	<u>32,600</u>	<u>76,126</u>	<u>77,298</u>	<u>162,269</u>
(a) Basic earnings per share (sen)	4.94	11.54	11.72	24.60
Net profit for the period (RM'000)	32,600	76,126	77,298	162,269
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)	N/A	N/A	N/A	N/A

* Included in the financing costs is unrealised foreign exchange gain of RM8,361,000 for the current year quarter (current year to date gain : RM2,782,000) and unrealised foreign exchange gain of RM13,070,000 for the preceding year corresponding quarter (preceding year to date gain : RM26,876,000).

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the financial year ended 30 June 2007.

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	As at end of current quarter 31/12/2007 RM'000	As at preceding financial year end 30/06/2007 Restated RM'000
Non-current assets		
Property, plant and equipment	675,960	701,288
Forest assets	1,253,440	1,290,833
Timber concession	46,866	50,134
Prepaid lease payments	52,423	53,046
Investment properties	26,906	27,151
Investments in associates	239,720	216,550
Deferred tax assets	10,105	10,107
	-----	-----
Total non-current assets	2,305,420	2,349,109
	-----	-----
Current assets		
Inventories	230,166	187,051
Receivables, deposits and prepayments	485,808	540,432
Tax recoverable	33,937	22,834
Cash and cash equivalents	50,060	56,801
	-----	-----
Total current assets	799,971	807,118
	-----	-----
Total assets	3,105,391	3,156,227
	=====	=====
Equity		
Share capital	329,815	329,815
Reserves	1,377,503	1,345,002
	-----	-----
Total equity attributable to shareholders of the Company	1,707,318	1,674,817
	=====	=====

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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2007 (CONT'D)

	As at end of current quarter 31/12/2007 RM'000	As at preceding financial year end 30/06/2007 Restated RM'000
Non-current liabilities		
Borrowings	502,489	481,592
Deferred tax liabilities	301,843	337,542
Total non-current liabilities	804,332	819,134
Current liabilities		
Payables and accruals	248,621	304,200
Borrowings	342,946	355,714
Current tax liabilities	2,174	2,362
Total current liabilities	593,741	662,276
Total liabilities	1,398,073	1,481,410
Total equity and liabilities	3,105,391	3,156,227
Net asset per share attributable to equity holders of the Company (RM)	2.59	2.54

The condensed consolidated balance sheets should be read in conjunction with the annual financial statements for the financial year ended 30 June 2007.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2007

	<u>Non-distributable</u>				<u>Distributable</u>	
	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Fair valuation reserve RM'000	Retained profits RM'000	Total equity RM'000
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 recognised directly in equity						
- Currency translation differences	-	-	78,010	-	-	78,010
- Share of currency translation differences of an associate	-	-	(17)	-	-	(17)
Net profit for the period	-	-	-	-	162,269	162,269
Dividends paid during the period	-	-	-	-	(9,499)	(9,499)
At 31 December 2006	329,815	130,089	230,719	64,535	788,225	1,543,383
At 1 July 2007	329,815	130,089	282,843	64,535	867,535	1,674,817
Net loss recognised directly in equity						
- Currency translation differences	-	-	(25,536)	-	-	(25,536)
Net profit for the period	-	-	-	-	77,298	77,298
Dividends paid during the period	-	-	-	-	(19,261)	(19,261)
At 31 December 2007	329,815	130,089	257,307	64,535	925,572	1,707,318

The condensed consolidated statements of changes in equity should be read in conjunction with the annual financial statements for the financial year ended 30 June 2007

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	Current period ended 31/12/2007 RM'000	Corresponding period ended 31/12/2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	59,770	196,866
Adjustments for:-		
Depreciation and amortisation	53,090	51,612
Depletion of forest crop	3,653	2,766
Financing costs	28,322	30,888
Interest income	(220)	(255)
Unrealised foreign exchange differences	(2,782)	(26,876)
Share of profit after tax of associates	(27,402)	(10,125)
Other non-cash items	62	(7,825)
Operating profit before working capital changes	<u>114,493</u>	<u>237,051</u>
Change in inventories	(43,196)	(36,848)
Change in receivables, deposits and prepayments	54,559	(89,062)
Change in payables and accruals	(38,166)	(46,792)
Cash generated from operations	<u>87,690</u>	<u>64,349</u>
Taxes paid	(21,231)	(360)
Net cash generated from operating activities	<u>66,459</u>	<u>63,989</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and forest assets	(28,872)	(29,524)
Proceeds from disposal of property, plant and equipment	5,115	20,986
Interest received	220	255
Dividend received	4,233	2,393
Fixed deposits pledged	467	206
Net cash used in investing activities	<u>(18,837)</u>	<u>(5,684)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders	(32,454)	(9,499)
Interest paid	(24,516)	(19,408)
Net borrowings	(13,763)	(12,636)
Net cash used in financing activities	<u>(70,733)</u>	<u>(41,543)</u>

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ENDED 31 DECEMBER 2007**

The figures have not been audited

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED
31 DECEMBER 2007 (CONT'D)**

	Current period ended 31/12/2007 RM'000	Corresponding period ended 31/12/2006 RM'000
Net (decrease)/increase in cash and cash equivalents	(23,111)	16,762
Cash and cash equivalents at beginning of the year	(5,177)	(40,265)
Foreign exchange difference on opening balances	(797)	(3,025)
Cash and cash equivalents at end of the period	<u>(29,085)</u>	<u>(26,528)</u>
Cash and cash equivalents as at 31 December is represented by:		
Cash and bank balances	18,526	17,188
Deposits	31,534	31,699
Bank overdraft	(47,992)	(44,008)
	<u>2,068</u>	<u>4,879</u>
Less: Fixed deposits and bank balances held as security	(31,153)	(31,407)
	<u>(29,085)</u>	<u>(26,528)</u>

The condensed consolidated cash flow statements should be read in conjunction with the annual financial statements for the financial year ended 30 June 2007.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 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”) 134, Interim Financial Reporting and the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2007. 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 2007.

The significant accounting policies adopted in the unaudited interim financial statements are consistent with those adopted in the Group’s audited financial statements for the financial year ended 30 June 2007 except for the adoption of the following new/revised FRS issued by the Malaysian Accounting Standards Board (“MASB”) that are effective for the Group’s financial statements commencing 1 July 2007:-

a) FRS 117, Leases

Prior to the adoption of the FRS 117, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. Under the FRS 117, leasehold land is an operating lease unless title passes to the lessee at the end of the lease term. With the adoption of the FRS 117, the unamortised carrying amounts of leasehold land are now classified as prepaid lease payments and amortised over the period of its remaining lease term, as allowed by the transitional provisions of the FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and the comparatives in the balance sheet have been restated.

The effects on the comparatives to the Group on adoption of FRS 117 are as follows:

	As previously reported RM’000	Effects of reclassification RM’000	As restated RM’000
Property, plant and equipment	754,334	(53,046)	701,288
Prepaid lease payments	-	53,046	53,046

b) FRS 124, Related Party Disclosures

This standard affects the identification of related parties, and results in additional related party disclosures presented in the financial statements.

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2. Preceding annual financial statements

The audit report of the preceding annual financial statements for the year ended 30 June 2007 was unqualified.

3. Seasonality of 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.

4. 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.

5. 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.

6. 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.

7. Dividends paid

The Company paid a final dividend of 8% less tax totalling RM19,261,209 in respect of the financial year ended 30 June 2007 on 11 December 2007.

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

	Logs RM'000	Plywood and vener RM'000	Upstream support RM'000	Other timber operations RM'000	Other operations RM'000	Eliminations RM'000	Total RM'000
Revenue from external customers	148,450	375,033	179,619	867	16,051	-	720,020
Inter-segment revenue	47,342	18,110	119,611	-	4,575	(189,638)	-
Total revenue	195,792	393,143	299,230	867	20,626	(189,638)	720,020
Segment results	26,998	27,837	3,135	(1,126)	844	-	57,688
Interest income							220
Financing costs							(25,540)
Share of profit after tax of associates							27,402
Profit before taxation							59,770
Taxation							17,528
Net profit for the period							77,298

9. Valuations of property, plant and equipment

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

10. 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.

11. 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.

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12. Contingent liabilities or contingent assets

No contingent liabilities or contingent assets have arisen since the last annual balance sheet date except as disclosed in Note 19.

13. Taxation

	Current quarter Oct'07 – Dec'07 RM'000	Current financial year-to-date Jul'07 – Dec'07 RM'000
Current tax expense	5,690	9,937
Deferred tax expense	(3,213)	(2,014)
Effect of changes in tax rates	-	(25,451)
	-----	-----
	<u>2,477</u>	<u>(17,528)</u>
	=====	=====

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.

14. 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.

15. Quoted securities

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

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

	RM'000
(i) At carrying value / book value	144,697
(ii) At market value	195,301

16. Status of Corporate Proposals

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

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Total Group borrowings as at 31 December 2007 were as follows:

	Long term Borrowings	Long term borrowings in foreign currency	Short term borrowings	Short term borrowings in foreign currency
	RM'000		RM'000	
Secured – Foreign currency – USD'000	178,270	54,278	1,636	498
– Foreign currency – NZD'000	87,814	34,076	2,116	821
– Local currency	58,429		32,730	
– Bond – Local currency	-		150,000	
Unsecured	177,976		156,464	
Total	502,489		342,946	

18. 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 unfavourable fair value adjustment not recognised as at 31 December 2007 of interest rate swap agreement which hedge interest rates amounted to RM4.5 million.

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19. Material litigation

Suit I : Kelasau Naan, Jawa Nyipa, Pelutan Tiun, Bilong Oyai & 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 and 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 and 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 Matthew 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.

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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 Plaintiffs 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 Appeal 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. As the hearing for both the Plaintiff’s Court of Appeal and Native Court Appeal still pending as at 10 December 2007, the matter is adjourned for further mention on 1 February 2008.

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.

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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 Plaintiffs 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 and subsequently was rescheduled for trial on 3 to 7 December 2007. On 12 September 2007, three of the Plaintiffs namely Lasah Mering, Imut Anak Ding and Bilong Anak Pudang ("1st, 4th and 5th Plaintiffs") had discontinued their action against Tamex Timber, Superintendent of Lands & Surveys and the Government of the State of Sarawak. An application has been filed by Tamex Timber to strike out the claim by the remaining two Plaintiffs ("2nd and 3rd Plaintiffs") and was granted by the Court with the cost of application to be paid by the 2nd and 3rd Plaintiffs to Tamex Timber. With the striking out of the 2nd and 3rd Plaintiffs and the earlier discontinuance of action by the 1st, 4th and 5th Plaintiffs, the hearing which was originally fixed on 3 to 7 December 2007 has been vacated. Tamex had discontinued its counterclaim against the 1st, 4th and 5th Plaintiffs.

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20. Material changes in the quarterly results compared to the results of the immediate preceding quarter

For the financial quarter under review, the Group sold 143,962 m³ of logs at average price of RM518/m³ compared to 109,590 m³ sold in the preceding quarter at an average price of RM506/m³ which resulted in improvement to the operating profit from log trading in the current quarter under review as compared to the preceding financial quarter.

The average prices achieved for both plywood and veneer for the current quarter under review of RM1,444/m³ and RM950/m³ were 6.6% and 4.1% respectively lower than that of the immediate preceding financial quarter. The impact of this lower selling prices was however partially offset by higher volume sold. The group sold 111,052 m³ of plywood and 34,407 m³ of veneer which was 8.1% and 46.5% respectively higher than that of the preceding financial quarter.

Whilst the volume sold by the Group from logs, plywood and veneer were higher than that achieved for the preceding financial quarter, the operating profit recorded in the quarter under review were lower than the preceding financial quarter from RM35.3 million to RM22.3 million. This was mainly due to lower selling prices achieved for plywood and higher operational costs incurred during the current quarter under review.

As a result of NZ Dollar strengthening against US Dollar during the financial quarter under review as compared to preceding financial quarter, the Group recognised an unrealised foreign exchange gain of RM8.4 million arising from the translation of US Dollar loan by a foreign subsidiary in New Zealand as compared to a loss of RM5.6 million in the preceding financial quarter. With the sound performance achieved by the oil palm plantation associate which benefited from the high crude palm oil prices during the quarter under review, the share of profit of associates recognised was RM10.1 million higher than that of the preceding financial quarter.

As a consequence, the Group recorded a profit before taxation of RM35.1 million for the current quarter as compared to RM24.7 million in the preceding financial quarter.

21. 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 RM35.1 million and an earnings before interest, taxation, depreciation and amortisation (“EBITDA”) of RM69.3 million. This was after a write off of an amount equivalent to the interest capitalised to the New Zealand plantations assets of RM6.7 million and the recognition of an unrealised foreign exchange gain of RM8.4 million.

On a year to date basis, the Group achieved a profit before taxation of RM59.8 million and EBITDA of RM141.8 million. For the financial year to date, the Group sold 253,552 m³ of logs, 213,742 m³ of plywood and 57,896 m³ of veneer. Average prices achieved were RM513/m³ for logs, RM1,493/m³ for plywood and RM966/m³ for veneer. The Group’s results for the financial year to date were affected by lower plywood selling prices achieved due to the softening of housing starts in Japan. Operating costs also rose in line with the escalation of fuel prices and other related costs like glue and consumable.

LINGUI DEVELOPMENTS BERHAD

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The figures have not been audited

22. Commentary on the outlook of the Group

Plywood prices have remained relatively soft for the financial quarter under review principally due to the weaker demand from Japan with a slowdown in housing starts. At the date of this announcement, there are still no signs on any significant improvement in housing starts in Japan which will help boost demand. Although the Group is able to sell its plywood production to other markets, margins will generally be lower and as a consequence the outlook for the full financial year for plywood is that the results will be lower than that of the previous financial year. Although veneer sales volume for the financial year is expected to be in line with that of the previous financial year, the performance of the veneer operations will be affected by the lower veneer prices, which has a correlation with plywood prices. Demand for logs is expected to remain strong, with the continuing economic growth in China and India, the two major importing countries. The slowdown in the USA housing sector and the increase in crude oil prices will impact upon the timber market.

Recognising that margin will be under pressure with higher fuel prices, the Group will continue to take prudent measures and plans to improve productivity and efficiency of its business operations.

23. 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.

24. 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)

Company Secretaries

Kuala Lumpur
31 January 2008