

LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2008

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 To Date
	30/06/2008 RM'000	30/06/2007 RM'000	30/06/2008 RM'000	30/06/2007 RM'000
Revenue	422,884	377,590	1,489,363	1,629,591
Other operating income	1,972	3,842	7,922	17,202
Operating expenses	(417,550)	(347,153)	(1,425,059)	(1,352,001)
Profit from operations	<u>7,306</u>	<u>34,279</u>	<u>72,226</u>	<u>294,792</u>
Interest income	154	240	435	567
Financing costs *	(23,894)	(1,808)	(60,333)	(17,727)
Share of profit after tax of associates	8,465	7,212	41,089	20,853
(Loss)/profit before taxation	<u>(7,969)</u>	<u>39,923</u>	<u>53,417</u>	<u>298,485</u>
Taxation	11,041	5,310	29,878	(43,713)
Net profit for the period	<u>3,072</u>	<u>45,233</u>	<u>83,295</u>	<u>254,772</u>
	=====	=====	=====	=====
Attributable to:				
Equity holders of the Company	<u>3,072</u>	<u>45,233</u>	<u>83,295</u>	<u>254,772</u>
	=====	=====	=====	=====
(a) Basic earnings per share (sen)	0.47	6.86	12.63	38.62
Net profit for the period (RM'000)	3,072	45,233	83,295	254,772
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 loss of RM10,046,000 for the current year quarter (current year to date loss : RM1,647,000) and unrealised foreign exchange gain of RM12,392,000 for the preceding year corresponding quarter (preceding year to date gain : RM41,262,000).

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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2008**The figures have not been audited****CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2008**

	As at end of current financial year end 30/06/2008	As at preceding financial year end 30/06/2007 Restated
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	696,063	701,288
Forest assets	1,210,691	1,290,833
Timber concession	43,599	50,134
Prepaid lease payments	51,804	53,046
Investment properties	26,660	27,151
Investments in associates	254,653	216,550
Deferred tax assets	12,588	10,107
	-----	-----
Total non-current assets	2,296,058	2,349,109
	-----	-----
Current assets		
Inventories	224,437	187,051
Receivables, deposits and prepayments	500,308	540,432
Tax recoverable	32,610	22,834
Cash and cash equivalents	126,703	56,801
	-----	-----
Total current assets	884,058	807,118
	-----	-----
Total assets	3,180,116	3,156,227
	=====	=====
Equity		
Share capital	329,815	329,815
Reserves	1,356,302	1,345,002
	-----	-----
Total equity attributable to shareholders of the Company	1,686,117	1,674,817
	=====	=====

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	As at end of current financial year end 30/06/2008 RM'000	As at preceding financial year end 30/06/2007 Restated RM'000
Non-current liabilities		
Borrowings	630,853	481,592
Deferred tax liabilities	277,103	337,542
	-----	-----
Total non-current liabilities	907,956	819,134
	-----	-----
Current liabilities		
Payables and accruals	350,196	304,200
Borrowings	235,383	355,714
Current tax liabilities	464	2,362
	-----	-----
Total current liabilities	586,043	662,276
	=====	=====
Total liabilities	1,493,999	1,481,410
	=====	=====
Total equity and liabilities	3,180,116	3,156,227
	=====	=====
Net asset per share attributable to equity holders of the Company (RM)	2.56	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 YEAR ENDED 30 JUNE 2008

	Non-distributable				Distributable	
	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	-	-	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
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	-	-	(52,734)	-	-	(52,734)
Net profit for the year	-	-	-	-	83,295	83,295
Dividends paid during the year	-	-	-	-	(19,261)	(19,261)
At 30 June 2008	329,815	130,089	230,109	64,535	931,569	1,686,117

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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2008**The figures have not been audited****CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	Current year ended 30/06/2008 RM'000	Corresponding year ended 30/06/2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	53,417	298,485
Adjustments for:-		
Depreciation and amortisation	101,859	105,313
Depletion of forest crop	11,073	5,577
Dividend income	(1,200)	(1,212)
Financing costs	58,686	58,989
Interest income	(435)	(567)
Unrealised foreign exchange differences	1,647	(41,262)
Share of profit after tax of associates	(41,089)	(20,853)
Other non-cash items	(234)	(8,816)
Operating cash flow before working capital changes	<u>183,724</u>	<u>395,654</u>
Change in inventories	(37,218)	(42,387)
Change in receivables, deposits and prepayments	41,461	(84,080)
Change in payables and accruals	65,905	(57,794)
Cash generated from operations	<u>253,872</u>	<u>211,393</u>
Taxes paid	(27,851)	(22,098)
Net cash generated from operating activities	<u>226,021</u>	<u>189,295</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and forest assets	(73,523)	(67,588)
Proceeds from disposal of property, plant and equipment	1,457	23,676
Interest received	435	567
Dividend received	7,307	2,406
Pledged deposits received/(paid)	7,839	(7)
Net investments in associates	(4,320)	(564)
Net cash used in investing activities	<u>(60,805)</u>	<u>(41,510)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders	(32,454)	(9,499)
Interest paid	(56,980)	(53,593)
Net borrowings	5,084	(44,658)
Net cash used in financing activities	<u>(84,350)</u>	<u>(107,750)</u>

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	Current year ended 30/06/2008 RM'000	Corresponding year ended 30/06/2007 RM'000
Net increase in cash and cash equivalents	80,866	40,035
Cash and cash equivalents at beginning of the year	(5,177)	(40,265)
Foreign exchange difference on opening balances	(1,635)	(4,947)
Cash and cash equivalents at end of the year	<u>74,054</u> =====	<u>(5,177)</u> =====
Cash and cash equivalents as at 30 June is represented by:		
Cash and bank balances	97,525	20,800
Deposits	29,178	36,001
Bank overdraft	(28,868)	(30,358)
	<u>97,835</u>	<u>26,443</u>
Less: Fixed deposits and bank balances held as security	(23,781)	(31,620)
	<u>74,054</u> =====	<u>(5,177)</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 4TH QUARTER ENDED 30 JUNE 2008

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 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

There were no dividends paid during the quarter under review.

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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	332,126	752,520	369,471	2,568	32,678	-	1,489,363
Inter-segment revenue	98,298	37,470	254,355	-	8,734	(398,857)	-
Total revenue	430,424	789,990	623,826	2,568	41,412	(398,857)	1,489,363
Segment results	47,461	25,650	553	(2,242)	804	-	72,226
Interest income							435
Financing costs							(60,333)
Share of profit after tax of associates							41,089
Profit before taxation							53,417
Taxation							29,878
Net profit for the year							83,295

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 Apr'08 – Jun'08 RM'000	Current financial year-to-date Jul'07 – Jun'08 RM'000
Current tax expense-current	2,670	17,552
Current tax expense-prior year	(1,381)	(1,381)
Deferred tax expense	(12,330)	(20,598)
Effect of changes in tax rates	-	(25,451)
	----- (11,041)	----- (29,878)
	=====	=====

The Group's taxation charge for the quarter under review is in credit due to the reversal of deferred tax as a consequence of lower profits made in the current quarter.

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 30 June 2008 were as follows:

	RM'000
(i) At carrying value / book value	155,040
(ii) At market value	228,517

16. Status of Corporate Proposals

The Company had on 18 April 2008 completed additional acquisition of 7.5% in Sepangar Chemical Industry Sdn Bhd ("Sepangar Chemical") for a cash consideration of RM4,320,000. It now holds 47.5% interest in Sepangar Chemical.

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Total Group borrowings as at 30 June 2008 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	178,934	54,776	-	-
– Foreign currency – NZD'000	86,699	34,798	1,901	762
– Local currency	62,749		37,145	
Unsecured	302,471		196,337	
Total	630,853		235,383	

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 5.83% to 7.31% per annum over the loan period.

The net unfavourable fair value adjustment not recognised as at 30 June 2008 of interest rate swap agreement which hedge interest rates amounted to RM8.3 million.

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 Defendants application to strike out the Plaintiff’s appeal against the Court Order of 28 July 2005 was mentioned in the Court of Appeal on 28 April 2008 and was adjourned to a later date to be fixed by the Court of Appeal. The Plaintiffs have since discontinued their appeal in the Court of Appeal on 28 July 2008.

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

The average logs price of logs achieved in the quarter under review was RM566/m³ compared to RM494/m³ in the immediate preceding quarter. The average prices achieved for both plywood and veneer for the current quarter under review of RM1,421/m³ and RM975/m³ were 2.6% and 7.7% respectively higher than that of the immediate preceding quarter. The group sold 115,666 m³ of plywood and 34,639 m³ of veneer which were also higher than that of the immediate preceding quarter, which represented a 6.7% increase for plywood and 21.0% for veneer.

For the financial quarter under review, the Group's performance was affected by the escalation in fuel prices and the strengthening of the Ringgit Malaysia against the US Dollar. With timber prices in Ringgit Malaysia terms not moving sufficiently in tandem to compensate for the effects of these two negative factors, margins were squeezed and this resulted in the Group recorded an operating profit of RM7.3 million for the financial quarter review compared to RM7.2 million for the immediate preceding quarter. Share of profits after tax of associates at RM8.5 million was 62% higher than the immediate preceding quarter, principally due to better results from the oil palm associate, Glenealy Plantations (Malaya) Berhad ("Glenealy"). After accounting for financing costs of RM23.9 million which included the recognition of an unrealised foreign exchange loss of RM10.0 million, the Group recorded a loss before taxation of RM8.0 million for the financial quarter under review compared to a profit before taxation of RM1.6 million for the immediate preceding quarter.

21. Review of performance of the Group for the quarter and financial year-to-date

As noted from note 20 above, the Group recorded operating profit of RM7.3 million as well as loss before taxation of RM8.0 million for the financial quarter under review. This was after a write off of an amount equivalent to the interest capitalised to the New Zealand plantations assets of RM7.8 million and the recognition of an unrealised foreign exchange loss of RM10.0 million. Earnings before interest, taxation, depreciation and amortisation ("EBITDA") was RM42.5 million.

On a year to date basis, the Group achieved a profit before taxation of RM53.4 million and EBITDA of RM226.2 million. For the financial year to date, the Group sold 534,740 m³ of logs, 437,802 m³ of plywood and 124,973 m³ of veneer. Average prices achieved were RM523/m³ for logs, RM1,447/m³ for plywood and RM953/m³ for veneer. This was significantly lower than the prices achieved in the preceding financial year whereby average prices were RM570/m³ for logs, RM1,751/m³ for plywood and RM1,131/m³ for veneer. The Group's results for the financial year to date were affected by lower plywood selling prices due to the lower housing starts in Japan, higher operating costs, in particular the escalation in fuel prices and spare parts costs and the strengthening of the Ringgit Malaysia compared to the US Dollar. Share of profits after tax of associates amounted to RM41.1 million, principally from Glenealy which benefited from the high crude palm oil ("CPO") prices.

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22. Commentary on the outlook of the Group

With housing starts in Japan showing signs of recovery, timber prices have been trending upwards. The prospects of timber prices are expected to remain positive with continued firm demand from China and India. Competition from China suppliers is expected to be lower in tandem with its declining plywood exports after the Chinese government reduced export tax rebate to 5% in the preceding financial year. With the expected increase in Russian export tax levy to 80% or a minimum of Euro50 per m³ effective 1 January 2009, Russian log prices are expected to increase. This is expected to cause timber prices to improve. In anticipation of the higher Russian log prices, buyers are likely to shift to other markets, like New Zealand, Chile and South Africa as alternative sources.

On a conservative note, the uncertainty of the US economy and increase in fuel prices may cause further slowdown in economic growth and affect demand for timber products in general.

The Group's investment in Glenealy is expected to contribute positively to its results even with CPO prices at current levels.

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 proposes a final dividend of 4% per share less tax totalling RM9,894,457 (2007: tax exempt interim dividend at 4% per share totalling RM13,192,609, and final dividend at 8% per share less tax totalling RM19,261,209) for the financial year ended 30 June 2008 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)

Company Secretaries

Kuala Lumpur
15 August 2008