

LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 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
	31/12/2008 RM'000	31/12/2007 RM'000	31/12/2008 RM'000	31/12/2007 RM'000
Revenue	314,221	363,493	714,265	720,020
Other operating income	1,711	1,752	6,126	4,253
Operating expenses	(321,125)	(342,905)	(693,307)	(666,585)
(Loss)/profit from operations	(5,193)	22,340	27,084	57,688
Interest income	46	132	176	220
Financing costs	(9,208)	(14,505)	(21,241)	(28,322)
Unrealised foreign exchange differences	(24,524)	8,361	(40,718)	2,782
Share of (loss)/profit after tax of associates	(3,508)	18,749	(2,361)	27,402
(Loss)/profit before taxation	(42,387)	35,077	(37,060)	59,770
Taxation	(7,922)	(2,477)	(9,597)	17,528
Net (loss)/profit for the period	(50,309)	32,600	(46,657)	77,298
Attributable to:				
Equity holders of the Company	(50,309)	32,600	(46,657)	77,298
(a) Basic earnings per share (sen)	(7.63)	4.94	(7.07)	11.72
Net (loss)/profit for the period (RM'000)	(50,309)	32,600	(46,657)	77,298
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

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the financial year ended 30 June 2008.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2008**The figures have not been audited****CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2008**

	As at end of current quarter	As at preceding financial year end
	31/12/2008	30/06/2008
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	664,025	696,063
Forest assets	977,348	1,210,691
Timber concession	40,330	43,599
Prepaid lease payments	48,932	51,804
Investment properties	26,414	26,660
Investments in associates	246,578	254,653
Deferred tax assets	7,560	12,588
	<hr/>	<hr/>
Total non-current assets	2,011,187	2,296,058
	<hr/>	<hr/>
Current assets		
Inventories	218,810	224,437
Receivables, deposits and prepayments	483,132	500,308
Tax recoverable	27,688	32,610
Cash and cash equivalents	71,023	126,703
	<hr/>	<hr/>
Total current assets	800,653	884,058
	<hr/>	<hr/>
Total assets	2,811,840	3,180,116
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Share capital	329,815	329,815
Reserves	1,158,239	1,356,302
	<hr/>	<hr/>
Total equity attributable to shareholders of the Company	1,488,054	1,686,117
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LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2008

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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2008 (CONT'D)

	As at end of current quarter	As at preceding financial year end
	31/12/2008	30/06/2008
	RM'000	RM'000
Non-current liabilities		
Borrowings	601,155	630,853
Deferred tax liabilities	227,050	277,103
	<hr/>	<hr/>
Total non-current liabilities	828,205	907,956
	<hr/>	<hr/>
Current liabilities		
Payables and accruals	266,666	350,196
Borrowings	227,135	235,383
Current tax liabilities	1,780	464
	<hr/>	<hr/>
Total current liabilities	495,581	586,043
	<hr/>	<hr/>
Total liabilities	1,323,786	1,493,999
	<hr/>	<hr/>
Total equity and liabilities	2,811,840	3,180,116
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Net asset per share attributable to equity holders of the Company (RM)	2.25	2.56

The condensed consolidated balance sheets should be read in conjunction with the annual financial statements for the financial year ended 30 June 2008.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2008

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2008

	<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 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	<u>329,815</u>	<u>130,089</u>	<u>257,307</u>	<u>64,535</u>	<u>925,572</u>	<u>1,707,318</u>
At 1 July 2008	329,815	130,089	230,109	64,535	931,569	1,686,117
Net loss recognised directly in equity						
- Currency translation differences	-	-	(141,512)	-	-	(141,512)
Net loss for the period	-	-	-	-	(46,657)	(46,657)
Dividends paid during the period	-	-	-	-	(9,894)	(9,894)
At 31 December 2008	<u>329,815</u>	<u>130,089</u>	<u>88,597</u>	<u>64,535</u>	<u>875,018</u>	<u>1,488,054</u>

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 2008.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2008**The figures have not been audited****CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008**

	Current period ended 31/12/2008 RM'000	Corresponding period ended 31/12/2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(37,060)	59,770
Adjustments for:-		
Depreciation and amortisation	51,358	53,090
Depletion of forest crop	17,422	3,653
Financing costs	26,716	28,322
Interest income	(176)	(220)
Unrealised foreign exchange differences	40,718	(2,782)
Share of loss/(profit) after tax of associates	2,361	(27,402)
Other non-cash items	(730)	62
Operating cash flow before working capital changes	<u>100,609</u>	<u>114,493</u>
Change in inventories	5,016	(43,196)
Change in receivables, deposits and prepayments	16,168	54,559
Change in payables and accruals	(80,538)	(38,166)
Cash generated from operations	<u>41,255</u>	<u>87,690</u>
Taxes paid	(3,088)	(21,231)
Net cash generated from operating activities	<u>38,167</u>	<u>66,459</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and forest assets	(24,729)	(28,872)
Proceeds from disposal of property, plant and equipment	2,187	5,115
Interest received	176	220
Refund from purchase price adjustment	2,244	-
Dividend received	6,457	4,233
Pledged deposits (paid)/received	(15,724)	467
Net cash used in investing activities	<u>(29,389)</u>	<u>(18,837)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders	(9,894)	(32,454)
Interest paid	(24,068)	(24,516)
Net borrowings	(42,934)	(13,763)
Net cash used in financing activities	<u>(76,896)</u>	<u>(70,733)</u>

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2008

The figures have not been audited

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008 (CONT'D)

	Current period ended 31/12/2008 RM'000	Corresponding period ended 31/12/2007 RM'000
Net decrease in cash and cash equivalents	(68,118)	(23,111)
Cash and cash equivalents at beginning of the year	74,054	(5,177)
Foreign exchange difference on opening balances	(7,781)	(797)
Cash and cash equivalents at end of the period	<u>(1,845)</u>	<u>(29,085)</u>
Cash and cash equivalents as at 31 December is represented by:		
Cash and bank balances	31,131	18,526
Deposits	39,892	31,534
Bank overdraft	(33,363)	(47,992)
	<u>37,660</u>	<u>2,068</u>
Less: Fixed deposits and bank balances held as security	(39,505)	(31,153)
	<u>(1,845)</u>	<u>(29,085)</u>

The condensed consolidated cash flow statements should be read in conjunction with the annual financial statements for the financial year ended 30 June 2008.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2008

The figures have not been audited

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 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 2008. 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 2008.

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 2008.

2. Preceding annual financial statements

The audit report of the preceding annual financial statements for the year ended 30 June 2008 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.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2008

The figures have not been audited

7. Dividends paid

The Company paid a final ordinary dividend of 2.00 sen per ordinary share less tax at 25% totalling RM9,894,457 (1.50 sen net per ordinary share).

8. Segmental information

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

	Logs RM'000	Plywood and veneer 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	185,353	354,775	156,060	1,429	16,648	-	714,265
Inter-segment revenue	51,337	16,536	112,058	-	4,055	(183,986)	-
Total revenue	<u>236,690</u>	<u>371,311</u>	<u>268,118</u>	<u>1,429</u>	<u>20,703</u>	<u>(183,986)</u>	<u>714,265</u>
Segment results	35,708	8,837	(16,206)	(2,115)	860	-	27,084
Interest income							176
Financing costs							(21,241)
Unrealised foreign exchange differences							(40,718)
Share of loss after tax of associates							<u>(2,361)</u>
Loss before taxation							(37,060)
Taxation							<u>(9,597)</u>
Net loss for the period							<u><u>(46,657)</u></u>

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.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2008

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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'08 – Dec'08 RM'000	Current financial year-to-date Jul'08 – Dec'08 RM'000
Current tax expense	4,717	9,322
Deferred tax expense	3,205	275
	-----	-----
	7,922	9,597
	=====	=====

The Group's effective tax rate for the quarter under review is higher than the statutory tax rate due to profits of certain subsidiaries not being able to set off against losses of other subsidiaries for tax purposes. In addition to that, there is a reversal of deferred tax assets in the quarter under review.

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 2008 were as follows:

	RM'000
(i) At carrying value / book value	156,063
(ii) At market value	120,505

16. Status of Corporate Proposals

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

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2008**The figures have not been audited****17. Group borrowings and debt securities**

Total Group borrowings as at 31 December 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	189,739	54,776	-	
– Foreign currency – NZD'000	71,283	34,891	2,582	1,264
– Local currency	50,260		33,571	
Unsecured	289,873		190,982	
Total	<u>601,155</u>		<u>227,135</u>	

18. Off balance sheet financial instruments

The Group has entered into interest rate swap agreements for loans denominated in RM, 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 4.65% to 7.31% per annum over the loan period.

The Group has also entered into forward foreign currency exchange contracts for certain sale and purchase transactions to hedge against fluctuation in RM and NZD against USD. The net unfavorable fair value adjustment not recognised as at 31 December 2008 of interest rate swap agreements and forward foreign currency exchange contracts amounted to RM32.0 million.

19. 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 and Syarikat Samling Timber Sdn Bhd (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 which the mention had been fixed on 24 October 2008. On 24 October 2008, the Court of Appeal adjourned the matter to 15 January 2009 for further mention in which was later adjourned to 10 February 2009. At the mention on 10 February 2009, the Miri High Court Judge struck off the case with costs to the Defendants with liberty for the Plaintiffs to file afresh.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

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

The average price of logs achieved in the quarter under review was RM586/m³ compared to RM598/m³ in the immediate preceding quarter. The average prices achieved for both plywood and veneer for the quarter under review of RM1,577/m³ and RM936/m³ were 0.8% and 14.9% respectively lower than that of the immediate preceding quarter. The group sold 109,512 m³ of logs, 80,026 m³ of plywood and 26,947 m³ of veneer, which represented a decrease of 10.6% for logs, 27.4% for plywood and an increase of 5.4% for veneer.

With sales volume and selling prices recorded at lower level in the quarter under review, the Group recognised an operating loss of RM5.2 million as compared to operating profit of RM32.2 million in the immediate preceding quarter. The Group share of loss after tax of associates is RM3.5 million as compared to share of profit after tax of associates of RM1.1 million in the immediate preceding quarter. After accounting for financing costs of RM33.7 million which included the recognition of an unrealised foreign exchange loss of RM24.5 million, the Group recorded a loss before taxation of RM42.4 million for the quarter under review as compared to a profit before taxation of RM5.3 million in the immediate preceding 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 loss before taxation of RM42.4 million and an earnings before interest, taxation, depreciation and amortisation (“EBITDA”) of RM30.2 million. This was after a write off of an amount equivalent to the interest capitalised to the New Zealand plantations assets of RM7.5 million and the recognition of an unrealised foreign exchange loss of RM24.5 million.

On a year to date basis, the Group recorded a loss before taxation of RM37.1 million and EBITDA of RM98.9 million. For the financial year to date, the Group sold 231,942 m³ of logs, 190,261 m³ of plywood and 52,504 m³ of veneer. Average prices achieved were RM593/m³ for logs, RM1,584/m³ for plywood and RM1,016/m³ for veneer. The Group’s results for the financial year to date were affected by the lower sales volume as a result of the global economic slowdown which had a negative impact on demand and prices.

22. Commentary on the outlook of the Group

The prospects of the timber sector remains uncertain after the announcement made by Japan in November 2008 that it had slipped into a recession due to the global economic slowdown. Buyers’ sentiments which are linked to the Japan’s housing market will likely take some time to recover. With this, along with the recent announcement by Russia that it would delay the tax hike on logs to curtail job losses as well as the depressed US housing starts, could stifle any immediate upward price movements.

With various developed countries implementing stimulus packages to address the economic meltdown, and amongst them, the Group’s traditional markets of Japan and China, of which most of the allocation will be directed towards construction spending, coupled with expected tight timber supply due to mill closures will have an impact on prices.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 2ND QUARTER
ENDED 31 DECEMBER 2008**

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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

19 February 2009