

LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2009

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
	31/12/2009 RM'000	31/12/2008 RM'000	31/12/2009 RM'000	31/12/2008 RM'000
Revenue	313,115	314,221	645,254	714,265
Other operating income	2,641	1,711	5,247	6,126
Operating expenses	(312,480)	(321,125)	(637,496)	(693,307)
Profit/(loss) from operations	3,276	(5,193)	13,005	27,084
Interest income	23	46	206	176
Financing costs	(8,560)	(9,208)	(18,038)	(21,241)
Unrealised foreign exchange differences	68	(24,524)	15,624	(40,718)
Share of profit/(loss) after tax of associates	7,439	(3,508)	10,295	(2,361)
Profit/(loss) before tax	2,246	(42,387)	21,092	(37,060)
Tax expense	(734)	(7,922)	(2,074)	(9,597)
Net profit/(loss) for the period	1,512	(50,309)	19,018	(46,657)
Attributable to:				
Equity holders of the Company	1,512	(50,309)	19,018	(46,657)
(a) Basic earnings per share (sen)	0.23	(7.63)	2.88	(7.07)
Net profit/(loss) for the period (RM'000)	1,512	(50,309)	19,018	(46,657)
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 2009.

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	As at end of current quarter 31/12/2009 RM'000	As at preceding financial year end 30/06/2009 RM'000
Non-current assets		
Property, plant and equipment	638,035	667,440
Forest assets	1,150,746	1,086,152
Timber concession	33,796	37,064
Prepaid lease payments	47,721	48,332
Investment properties	19,469	19,616
Investments in associates	258,013	250,268
Deferred tax assets	200	200
	-----	-----
Total non-current assets	2,147,980	2,109,072
	-----	-----
Current assets		
Inventories	209,657	200,184
Receivables, deposits and prepayments	379,603	388,008
Tax recoverable	35,190	33,813
Cash and cash equivalents	69,985	130,996
	-----	-----
Total current assets	694,435	753,001
	-----	-----
Total assets	2,842,415	2,862,073
	=====	=====
Equity		
Share capital	329,815	329,815
Reserves	1,260,976	1,193,803
	-----	-----
Total equity attributable to equity holders of the Company	1,590,791	1,523,618
	=====	=====

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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2009 (CONT'D)

	As at end of current quarter 31/12/2009 RM'000	As at preceding financial year end 30/06/2009 RM'000
Non-current liabilities		
Borrowings	541,579	594,878
Deferred tax liabilities	258,759	243,715
	-----	-----
Total non-current liabilities	800,338	838,593
	-----	-----
Current liabilities		
Payables and accruals	284,807	286,984
Borrowings	162,321	209,855
Current tax liabilities	4,158	3,023
	-----	-----
Total current liabilities	451,286	499,862
	=====	=====
Total liabilities	1,251,624	1,338,455
	=====	=====
Total equity and liabilities	2,842,415	2,862,073
	=====	=====
Net asset per share attributable to equity holders of the Company (RM)	2.41	2.31

The condensed consolidated balance sheets should be read in conjunction with the annual financial statements for the financial year ended 30 June 2009.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2009

	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 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>
At 1 July 2009	329,815	130,089	161,756	64,535	837,423	1,523,618
Net profit recognised directly in equity						
- Currency translation differences	-	-	53,102	-	-	53,102
Net profit for the period	-	-	-	-	19,018	19,018
Dividends paid during the period	-	-	-	-	(4,947)	(4,947)
At 31 December 2009	<u>329,815</u>	<u>130,089</u>	<u>214,858</u>	<u>64,535</u>	<u>851,494</u>	<u>1,590,791</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 2009.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

	Current period ended 31/12/2009 RM'000	Corresponding period ended 31/12/2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	21,092	(37,060)
Adjustments for:-		
Depreciation and amortisation	49,654	51,358
Depletion of forest crop	25,103	17,422
Financing costs	18,038	26,716
Interest income	(206)	(176)
Unrealised foreign exchange differences	(15,624)	40,718
Share of (profit)/loss after tax of associates	(10,295)	2,361
Other non-cash items	(1,266)	(730)
Operating cash flow before working capital changes	<u>86,496</u>	<u>100,609</u>
Change in inventories	(9,348)	5,016
Change in receivables, deposits and prepayments	12,736	16,168
Change in payables and accruals	(6,858)	(80,538)
Cash generated from operations	<u>83,026</u>	<u>41,255</u>
Taxes paid	(4,500)	(3,088)
Net cash generated from operating activities	<u>78,526</u>	<u>38,167</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and forest assets	(19,539)	(24,729)
Proceeds from disposal of property, plant and equipment	1,435	2,187
Interest received	206	176
Refund from purchase price adjustment	-	2,244
Dividend received	3,116	6,457
Pledged deposits received/(paid)	67,963	(15,724)
Net cash generated from/(used in) investing activities	<u>53,181</u>	<u>(29,389)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders	(4,947)	(9,894)
Interest paid	(21,369)	(24,068)
Net borrowings	(74,316)	(42,934)
Net cash used in financing activities	<u>(100,632)</u>	<u>(76,896)</u>

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED
31 DECEMBER 2009 (CONT'D)**

	Current period ended 31/12/2009 RM'000	Corresponding period ended 31/12/2008 RM'000
Net increase/(decrease) in cash and cash equivalents	31,075	(68,118)
Cash and cash equivalents at beginning of the year	(14,828)	74,054
Foreign exchange difference on opening balances	3,297	(7,781)
Cash and cash equivalents at end of the period	<u>19,544</u>	<u>(1,845)</u>
	=====	=====
Cash and cash equivalents as at 31 December is represented by:		
Cash and bank balances	33,147	31,131
Deposits	36,838	39,892
Bank overdraft	(14,006)	(33,363)
	<u>55,979</u>	<u>37,660</u>
Less: Fixed deposits and bank balances held as security	(36,435)	(39,505)
	<u>19,544</u>	<u>(1,845)</u>
	=====	=====

The condensed consolidated cash flow statements should be read in conjunction with the annual financial statements for the financial year ended 30 June 2009.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 2ND QUARTER ENDED 31 DECEMBER 2009

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 2009. 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 2009.

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 2009 except for the adoption of the following new FRS issued by the Malaysian Accounting Standards Board (“MASB”) that are effective for the Group’s financial statements commencing 1 July 2009:-

FRS 8, Operating Segments

FRS 8, which replaced FRS 114₂₀₀₄ Segment Reporting, is a disclosure standard that requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segments and to assess their performance. The predecessor standard, FRS 114₂₀₀₄, required the identification of business and geographical reporting segments. In the past, the Group’s primary reporting format was business segment. Adoption of this new standard did not have any material effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under FRS 114₂₀₀₄ Segment Reporting (see Note 8).

The Group has not applied the following accounting standards, amendments and interpretations that have been issued by the MASB but are not yet effective:

FRSs / Interpretations	Effective date
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosure	1 January 2010
FRS 123, Borrowing Costs	1 January 2010
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13, Customer Loyalty Programmes	1 January 2010
IC Interpretation 14, FRS 119 - The Limit of a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	1 January 2010

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2. Preceding annual financial statements

The audit report of the preceding annual financial statements for the year ended 30 June 2009 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

The Company paid a final ordinary dividend of 1.00 sen per ordinary share less tax of 25% totalling RM4,947,228 (0.75 sen net per ordinary share).

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8. Segment information

The Group has adopted FRS 8, Operating Segments with effect from 1 July 2009. FRS 8, which replaced FRS 114₂₀₀₄ Segment Reporting, requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the Managing Director of the Company, in order to allocate resources to the segments and to assess their performance. The predecessor standard, FRS 114₂₀₀₄, required the identification of business and geographical reporting segments. In the past, the Group's primary reporting format was business segment. Adoption of this new standard did not have any material effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under FRS 114₂₀₀₄ and hence, the Group's reportable segments under FRS 8 are as follows:-

Logs	The sale of timber logs from concession and forest plantation area.
Plywood and veneer	The manufacture and sale of plywood and veneer.
Upstream support	The provision of supporting services such as tree-felling and barging.
Other timber operations	The manufacture and sale of timber related products such as doorskin, housing products and sawn timber.
Plantation	Operation of oil plantations and oil mills derived from the Group's investment in an associate.
Other operations	Other operations include the manufacture and sale of granite aggregates, rubber compound and glue, logistic services, power generating facilities, property investments and investments companies.

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8. Segment information (continued)

The segment information in respect of the Group's operating segments for the quarter ended 31 December 2009 are as follows:-

	Logs RM'000	Plywood and veneer RM'000	Upstream support RM'000	Other timber operations RM'000	Plantation RM'000	Other operations RM'000	Eliminations RM'000	Total RM'000
Revenue from external customers	188,378	282,615	155,211	3,167	-	15,883	-	645,254
Inter –segment revenue	31,949	23,181	108,446	-	-	4,184	(167,760)	-
Total revenue	220,327	305,796	263,657	3,167	-	20,067	(167,760)	645,254
Segment results	10,624	(3,025)	5,617	(2,182)	-	1,971	-	13,005
Interest income								206
Financing cost								(18,038)
Unrealised foreign exchange differences								15,624
Share of profits after tax of associates				1,846	6,396	2,053		10,295
Profit before tax								21,092
Tax expense								(2,074)
Net profit for the period								19,018
Total segment assets	1,301,559	780,799	389,106	73,816	164,175	132,960	-	2,842,415

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8. Segment information (continued)

The segment information in respect of the Group's operating segments for the quarter ended 31 December 2008 are as follows:-

	Logs RM'000	Plywood and veneer RM'000	Upstream support RM'000	Other timber operations RM'000	Plantation 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	236,690	371,311	268,118	1,429	-	20,703	(183,986)	714,265
Segment results	35,708	8,837	(16,206)	(2,115)	-	860	-	27,084
Interest income								176
Financing cost								(21,241)
Unrealised foreign exchange differences								(40,718)
Share of profits after tax of associates				(5,891)	7,254	(3,724)		(2,361)
Loss before tax								(37,060)
Tax expense								(9,597)
Net loss for the period								(46,657)
Total segment assets	1,180,901	756,579	517,480	71,023	156,063	129,794	-	2,811,840

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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.

12. Contingent liabilities or contingent assets

No contingent liabilities or contingent assets have arisen since the last annual balance sheet date.

13. Taxation

	Current quarter Oct'09 – Dec'09 RM'000	Current financial year-to-date Jul'09 – Dec'09 RM'000
Current tax expense	446	4,257
Deferred tax expense	288	(2,183)
	-----	-----
	734	2,074
	=====	=====

The Group's effective tax rate for the quarter under review is higher than the statutory tax rate due to profits of certain subsidiaries being not able to set off against losses of other subsidiaries for tax purposes.

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.

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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 2009 were as follows:

	RM'000
(i) At carrying value / book value	164,176
(ii) At market value	172,010

16. Status of Corporate Proposals

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

17. Group borrowings and debt securities

Total Group borrowings as at 31 December 2009 were as follows:

	Long term borrowings RM'000	Long term borrowings in foreign currency	Short term borrowings RM'000	Short term Borrowings in foreign Currency
Secured – Foreign currency – USD'000	184,097	53,780	3,417	997
– Foreign currency – NZD'000	84,822	34,534	1,380	562
– Local currency	27,519	-	26,158	-
Unsecured	245,141		131,366	
Total	541,579		162,321	

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 2009 of interest rate swap agreements and forward foreign currency exchange contracts amounted to RM21.0 million.

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19. Material litigation

One of the Company's wholly owned subsidiary, Samling Plywood (Lawas) Sdn Bhd ("**Samling Plywood**") has been served with the following two (2) writs of summons on 15 December 2009:-

- (a) Samling Plywood together with the Director of Forests, Sarawak and State of Government of Sarawak are jointly named as defendants by certain families of the village communities of Long Pakan and Long Lilim and all residents proprietors, occupiers, holders and claimants of native customary rights land at and around Long Pakan and Long Lilim, Baram, Sarawak as the plaintiffs (collectively, "**Plaintiff A**"). Plaintiff A are claiming for various orders, reliefs and damages including declarations that issuance of the forest timber licence by the Director of Forests, Sarawak to Samling Plywood which overlap Plaintiff A's claimed areas are unlawful, unconstitutional, null and void.

- (b) Samling Plywood together with the Director of Forests, Sarawak and State of Government of Sarawak are jointly named as defendants by certain families of the village communities of Ba Abang, Long Item and Long Kawi and all residents proprietors, occupiers, holders and claimants of native customary rights land at and around Kampoung Ba Abang, Long Item and Long Kawi, Baram, Sarawak as the plaintiffs (collectively, "**Plaintiff B**"). Plaintiff B are claiming for various orders, reliefs and damages including declarations that issuance of the forest timber licence by the Director of Forests, Sarawak to Samling Plywood which overlap Plaintiff B's claimed areas are unlawful, unconstitutional, null and void.

The timber licence held by Samling Plywood has been issued by the governmental authorities in Sarawak. The areas claimed by Plaintiff A and Plaintiff B which form part of the Forest Timber Licence area issued to Samling Plywood are currently not being operated on. As such, there will not be any financial impact on the Company. The Company's Board of Directors will contest the legal suits brought against Samling Plywood.

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

The Group's revenue for the financial quarter under review had decreased to RM313.1 million from RM332.1 million achieved in the immediate preceding quarter.

For the financial quarter under review, the Group sold 129,896 m³ of hardwood logs, 78,958 m³ of plywood and 29,953 m³ of veneer, which represented a decrease of 3.6% for logs and an increase of 4.1% for plywood and 21.1% for veneer as compared to the immediate preceding quarter.

The average price of hardwood logs recorded in the financial quarter under review was RM489/m³ compared to RM533/m³ in the immediate preceding quarter and the average prices recorded for both plywood and veneer for the current quarter under review of RM1,503/m³ and RM982/m³ were 2.5% and 4.7% respectively higher than that of the immediate preceding quarter. Principally due to the lower log sales volumes and prices, the Group recorded an operating profit of RM3.3 million as compared to operating profit of RM9.7 million in the immediate preceding quarter. The Group's share of profit after tax of associates was higher at RM7.4 million as compared to RM2.8 million in the immediate preceding quarter was mainly contributed by the better results from the oil palm associate, Glenealy Plantations (Malaya) Berhad.

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 tax of RM2.2 million and earnings before interest, taxation, depreciation and amortisation ("EBITDA") of RM48.1 million. This was after a write off of an amount equivalent to the interest capitalised to the New Zealand plantations assets of RM6.2 million.

On a year to date basis, the Group recorded a profit before tax of RM21.1 million and EBITDA of RM98.1 million. For the financial year to date, the Group sold 264,712 m³ of logs, 154,814 m³ of plywood and 54,683 m³ of veneer. Average prices achieved were RM511/m³ for logs, RM1,486/m³ for plywood and RM962/m³ for veneer.

Plywood demand has shown slight improvement as buyers replenished their low stockholdings and correspondingly, plywood export price has improved as compared to the immediate preceding quarter. As veneer use is in tandem with plywood production, its prices have a correlation with the movement in plywood prices. The logs segment continues to be a steady segment for the Group though the quarter under review recorded lower volumes due to the inclement weather conditions which affected log production. Export prices were lower due to the different mix and sizes of logs.

22. Commentary on the outlook of the Group

Although there are some signs of recovery in the global economy, the timber market remains uncertain as the forecast for new housing starts for 2010 does not appear optimistic. Although plywood prices improved in the current quarter under review, demand level remains slow especially in Japan.

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22. Commentary on the outlook of the Group (continued)

As for logs, the uncertainty over tariff hikes for Russian logs may see prices of logs linger around the existing levels. With the support from China and India with their positive GDP growth, continuous log consumption for development and construction activities and coupled with restocking of low inventory levels, demand is expected to remain firm.

Nevertheless, the Group's strategy in preserving resources, enhancing operational efficiency and monitoring cash cost of production will put the Group in a good position to benefit from economic recovery in its traditional markets as and when it occurs.

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

10 February 2010