

LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE 3RD QUARTER ENDED 31 MARCH 2010

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
	31/03/2010 RM'000	31/03/2009 RM'000	31/03/2010 RM'000	31/03/2009 RM'000
Revenue	360,082	204,099	1,005,336	918,364
Other operating income	2,136	4,348	7,383	10,474
Operating expenses	(353,413)	(233,639)	(990,909)	(926,946)
Profit/(loss) from operations	8,805	(25,192)	21,810	1,892
Interest income	47	21	253	197
Financing costs	(9,627)	(12,659)	(27,665)	(33,900)
Unrealised foreign exchange differences	(2,632)	(2,114)	12,992	(42,832)
Share of profit/(loss) after tax of associates	5,510	(482)	15,805	(2,843)
Profit/(loss) before taxation	2,103	(40,426)	23,195	(77,486)
Taxation	(759)	5,281	(2,833)	(4,316)
Net profit/(loss) for the period	1,344	(35,145)	20,362	(81,802)
Attributable to:				
Equity holders of the Company	1,344	(35,145)	20,362	(81,802)
(a) Basic earnings per share (sen)	0.20	(5.33)	3.09	(12.40)
Net profit/(loss) for the period (RM'000)	1,344	(35,145)	20,362	(81,802)
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 31/03/2010 RM'000	As at preceding financial year end 30/06/2009 RM'000
Non-current assets		
Property, plant and equipment	617,399	667,440
Forest assets	1,085,584	1,086,152
Timber concession	32,162	37,064
Prepaid lease payments	47,722	48,332
Investment properties	19,469	19,616
Investments in associates	261,361	250,268
Deferred tax assets	200	200
	-----	-----
Total non-current assets	2,063,897	2,109,072
	-----	-----
Current assets		
Inventories	190,186	200,184
Receivables, deposits and prepayments	418,848	388,008
Tax recoverable	31,067	33,813
Cash and cash equivalents	94,881	130,996
	-----	-----
Total current assets	734,982	753,001
	-----	-----
Total assets	2,798,879	2,862,073
	=====	=====
Equity		
Share capital	329,815	329,815
Reserves	1,225,512	1,193,803
	-----	-----
Total equity attributable to equity holders of the Company	1,555,327	1,523,618
	=====	=====

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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2010 (CONT'D)

	As at end of current quarter 31/03/2010 RM'000	As at preceding financial year end 30/06/2009 RM'000
Non-current liabilities		
Borrowings	524,321	594,878
Deferred tax liabilities	244,905	243,715
	-----	-----
Total non-current liabilities	769,226	838,593
	-----	-----
Current liabilities		
Payables and accruals	306,857	286,984
Borrowings	165,211	209,855
Current tax liabilities	2,258	3,023
	-----	-----
Total current liabilities	474,326	499,862
	=====	=====
Total liabilities	1,243,552	1,338,455
	=====	=====
Total equity and liabilities	2,798,879	2,862,073
	=====	=====
Net asset per share attributable to equity holders of the Company (RM)	2.36	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 MARCH 2010

	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	-	-	(124,792)	-	-	(124,792)
Net loss for the period	-	-	-	-	(81,802)	(81,802)
Dividends paid during the period	-	-	-	-	(9,894)	(9,894)
At 31 March 2009	<u>329,815</u>	<u>130,089</u>	<u>105,317</u>	<u>64,535</u>	<u>839,873</u>	<u>1,469,629</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	-	-	16,294	-	-	16,294
Net profit for the period	-	-	-	-	20,362	20,362
Dividends paid during the period	-	-	-	-	(4,947)	(4,947)
At 31 March 2010	<u>329,815</u>	<u>130,089</u>	<u>178,050</u>	<u>64,535</u>	<u>852,838</u>	<u>1,555,327</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 MARCH 2010

	Current period ended 31/03/2010 RM'000	Corresponding period ended 31/03/2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	23,195	(77,486)
Adjustments for:-		
Depreciation and amortisation	73,794	76,639
Depletion of forest crop	35,927	23,561
Financing costs	27,665	38,466
Interest income	(253)	(197)
Unrealised foreign exchange differences	(12,992)	42,832
Share of (profit)/loss after tax of associates	(15,805)	2,843
Other non-cash items	(1,638)	(720)
Operating cash flow before working capital changes	<u>129,893</u>	<u>105,938</u>
Change in inventories	10,036	29,004
Change in receivables, deposits and prepayments	(28,764)	7,188
Change in payables and accruals	17,178	(84,393)
Cash generated from operations	<u>128,343</u>	<u>57,737</u>
Taxes paid	(4,868)	(4,924)
Net cash generated from operating activities	<u>123,475</u>	<u>52,813</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and forest assets	(26,129)	(38,288)
Proceeds from disposal of property, plant and equipment	1,877	1,715
Interest received	253	197
Refund from purchase price adjustment	-	2,244
Dividend received	3,116	6,457
Net investments in associates	-	(398)
Pledged deposits received/(paid)	71,584	(15,121)
Net cash generated from/(used in) investing activities	<u>50,701</u>	<u>(43,194)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders	(4,947)	(9,894)
Interest paid	(27,301)	(31,481)
Net borrowings	(81,368)	(45,869)
Net cash used in financing activities	<u>(113,616)</u>	<u>(87,244)</u>

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	Current period ended 31/03/2010 RM'000	Corresponding period ended 31/03/2009 RM'000
Net increase/(decrease) in cash and cash equivalents	60,560	(77,625)
Cash and cash equivalents at beginning of the year	(14,828)	74,054
Foreign exchange difference on opening balances	995	(6,772)
Cash and cash equivalents at end of the period	<u>46,727</u>	<u>(10,343)</u>
Cash and cash equivalents as at 31 March is represented by:		
Cash and bank balances	61,665	29,006
Deposits	33,216	39,289
Bank overdraft	(15,340)	(39,736)
	<u>79,541</u>	<u>28,559</u>
Less: Fixed deposits and bank balances held as security	(32,814)	(38,902)
	<u>46,727</u>	<u>(10,343)</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 3RD QUARTER ENDED 31 MARCH 2010

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 which have effective dates as follows:-

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

There were no dividends paid during the quarter under review.

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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 and housing products.
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 March 2010 are as follows:-

	Logs RM'000	Plywood and vener 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	282,316	430,650	263,425	6,612	-	22,333	-	1,005,336
Inter - segment revenue	46,351	34,951	160,484	-	-	6,124	(247,910)	-
Total revenue	328,667	465,601	423,909	6,612	-	28,457	(247,910)	1,005,336
Segment results	26,820	(15,539)	11,137	(2,763)	-	2,155	-	21,810
Interest income								253
Financing costs								(27,665)
Unrealised foreign exchange differences								12,992
Share of profit after tax of associates				3,657	10,095	2,053		15,805
Profit before taxation								23,195
Taxation								(2,833)
Net profit for the period								20,362
Total segment assets	1,302,230	723,588	393,760	75,989	167,873	135,439	-	2,798,879

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8. Segment information (continued)

The segment information in respect of the Group's operating segments for the quarter ended 31 March 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	236,302	459,878	196,871	2,280	-	23,033	-	918,364
Inter –segment revenue	65,271	25,256	145,731	-	-	6,038	(242,296)	-
Total revenue	301,573	485,134	342,602	2,280	-	29,071	(242,296)	918,364
Segment results	39,183	(15,056)	(18,376)	(3,221)	-	(638)	-	1,892
Interest income								197
Financing costs								(33,900)
Unrealised foreign exchange differences								(42,832)
Share of profit/(loss) after tax of associates				(6,181)	7,931	(4,593)		(2,843)
Loss before taxation								(77,486)
Taxation								(4,316)
Net loss for the period								(81,802)
Total segment assets	1,217,370	718,950	520,066	71,160	156,737	125,644	-	2,809,927

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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 Jan'10 – March'10 RM'000	Current financial year-to-date Jul'09 – March'10 RM'000
Current tax expense	2,591	6,848
Deferred tax expense	(1,832)	(4,015)
	-----	-----
	759	2,833
	=====	=====

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. The Group's effective tax rate for the year to date 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.

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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 March 2010 were as follows:

	RM'000
(i) At carrying value / book value	167,873
(ii) At market value	191,123

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 March 2010 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	178,105	53,781	4,108	1,239
– Foreign currency – NZD'000	80,846	34,591	2,127	910
– Local currency	22,162	-	23,322	-
Unsecured	243,208		135,654	
Total	524,321		165,211	

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 March 2010 of interest rate swap agreements and forward foreign currency exchange contracts amounted to RM21.9 million.

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19. Material litigation

One of the Company's wholly owned subsidiaries, 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

For the financial quarter under review, the Group achieved an operating profit of RM8.8 million as compared to RM3.3 million for the immediate preceding financial quarter. The improved results were mainly due to better prices obtained for hardwood and softwood logs which were 9.2% and 16.5% respectively higher compared to that of the immediate preceding financial quarter. Demand was mainly from China and India whose economies still remained strong.

The better operating profit achieved was, however, partially offset by the recognition of foreign exchange losses during the financial quarter under review of RM2.6 million due to the effect of NZ Dollar weakening against the US Dollar. As a consequence, after accounting for share of profit after tax of associates, financing cost and unrealised foreign exchange differences, the Group recorded a profit before taxation of RM2.1 million for the financial quarter under review, which is RM0.1 million marginally lower compared to immediate 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 RM2.1 million and earnings before interest, taxation, depreciation and amortisation (“EBITDA”) of RM49.2 million. This was after a write off of an amount equivalent to the interest capitalised to the New Zealand plantations assets of RM5.8 million and the recognition of an unrealised foreign exchange loss of RM2.6 million.

On a year-to-date basis, timber prices in US Dollar obtained by the Group were generally lower than that of the preceding financial year-to-date. This was exacerbated by the stronger Ringgit Malaysia against the US Dollar thus having a negative impact on prices in Ringgit Malaysia terms.

The Group sold 379,769 m³ of hardwood logs and 314,702 m³ of softwood logs which were 27.3% and 12.6% respectively higher than that of the preceding financial year-to-date. Although log prices achieved were lower, gross profit for log trading (inclusive of upstream support) improved due to lower operating costs principally due to lower fuel prices. This resulted in the Group improving upon its operating profits compared to the preceding financial year-to-date although plywood and veneer continued to incur losses, mainly due to soft demand from the Japanese market.

After accounting for a write off of RM17.9 million which was equivalent to the interest capitalised for the New Zealand plantation, the Group achieved a profit before taxation of RM23.2 million and EBITDA of RM147.3 million as against loss before taxation of RM77.5 million and EBITDA of RM99.2 million in the corresponding preceding financial year-to-date.

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22. Commentary on the outlook of the Group

Demand for logs from China and India is expected to remain firm with their increasing demand for logs to meet their needs for their expanding infrastructure and housing sectors, which are beneficiaries of economic stimulus packages. Although steps have been taken by the Chinese government to curb excessive speculation in the property sector, it remains uncertain if this will cause a slowdown in demand from China.

Although the plywood market continued to remain lacklustre with Japanese housing starts showing not much signs of immediate improvement, prices have generally improved due to lower stock levels. The Group, in view of lower demand from the Japanese market, continued to divert its products to other markets, ensuring that cash cost of production is covered.

The appreciation of the Ringgit Malaysia against the US Dollar will have a negative impact upon the Group's margins from export sales unless US Dollar prices of the Group's products increase in tandem which is currently not the case.

In view of this, the Group will continue to work towards improving its operational efficiency and cost containment to minimise the erosion of margins.

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 (MICPA 1371)

Company Secretaries

Kuala Lumpur
18 May 2010