

LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 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
	30/06/2010 RM'000	30/06/2009 RM'000	30/06/2010 RM'000	30/06/2009 RM'000
Revenue	436,641	374,428	1,441,977	1,292,792
Other operating income	1,883	480	9,266	10,954
Operating expenses	(433,891)	(384,227)	(1,424,800)	(1,311,173)
Profit/(loss) from operations	4,633	(9,319)	26,443	(7,427)
Interest income	79	25	332	222
Financing costs	(14,364)	(10,449)	(42,029)	(44,349)
Unrealised foreign exchange differences	(1,222)	17,785	11,770	(25,047)
Share of profit after tax of associates	2,737	3,719	18,542	876
(Loss)/Profit before taxation	(8,137)	1,761	15,058	(75,725)
Taxation	11,218	(4,211)	8,385	(8,527)
Net profit/(loss) for the period	3,081	(2,450)	23,443	(84,252)
Attributable to:				
Equity holders of the Company	3,081	(2,450)	23,443	(84,252)
(a) Basic earnings per share (sen)	0.47	(0.37)	3.55	(12.77)
Net profit/(loss) for the period (RM'000)	3,081	(2,450)	23,443	(84,252)
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.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010**The figures have not been audited****CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2010**

	As at end of current financial year end 30/06/2010 RM'000	As at preceding financial year end 30/06/2009 RM'000
Non-current assets		
Property, plant and equipment	641,894	667,440
Forest assets	1,037,670	1,086,152
Timber concession	30,529	37,064
Prepaid lease payments	47,051	48,332
Investment properties	19,327	19,616
Investments in associates	263,706	250,268
Deferred tax assets	195	200
	-----	-----
Total non-current assets	2,040,372	2,109,072
	-----	-----
Current assets		
Inventories	195,688	200,184
Receivables, deposits and prepayments	347,575	388,008
Tax recoverable	22,474	33,813
Cash and cash equivalents	69,017	130,996
	-----	-----
Total current assets	634,754	753,001
	-----	-----
Total assets	2,675,126	2,862,073
	=====	=====
Equity		
Share capital	329,815	329,815
Reserves	1,203,217	1,193,803
	-----	-----
Total equity attributable to equity holders of the Company	1,533,032	1,523,618
	=====	=====

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2010 (CONT'D)

	As at end of Current financial year end 30/06/2010 RM'000	As at preceding financial year end 30/06/2009 RM'000
Non-current liabilities		
Borrowings	479,674	594,878
Deferred tax liabilities	223,795	243,715
	-----	-----
Total non-current liabilities	703,469	838,593
	-----	-----
Current liabilities		
Payables and accruals	275,589	286,984
Borrowings	159,428	209,855
Current tax liabilities	3,608	3,023
	-----	-----
Total current liabilities	438,625	499,862
	=====	=====
Total liabilities	1,142,094	1,338,455
	=====	=====
Total equity and liabilities	2,675,126	2,862,073
	=====	=====
Net asset per share attributable to equity holders of the Company (RM)	2.32	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.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Non-distributable			Distributable		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Exchange reserve RM'000	Fair valuation reserve RM'000	Retained profits 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	-	-	(68,353)	-	-	(68,353)
Net loss for the year	-	-	-	-	(84,252)	(84,252)
Dividends paid during the year	-	-	-	-	(9,894)	(9,894)
At 30 June 2009	<u>329,815</u>	<u>130,089</u>	<u>161,756</u>	<u>64,535</u>	<u>837,423</u>	<u>1,523,618</u>
At 1 July 2009	329,815	130,089	161,756	64,535	837,423	1,523,618
Net loss recognised directly in equity						
- Currency translation differences	-	-	(9,082)	-	-	(9,082)
Net profit for the year	-	-	-	-	23,443	23,443
Dividends paid during the year	-	-	-	-	(4,947)	(4,947)
At 30 June 2010	<u>329,815</u>	<u>130,089</u>	<u>152,674</u>	<u>64,535</u>	<u>855,919</u>	<u>1,533,032</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.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010**The figures have not been audited****CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	Current year ended 30/06/2010 RM'000	Corresponding year ended 30/06/2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	15,058	(75,725)
Adjustments for:-		
Depreciation and amortisation	96,316	100,896
Depletion of forest crop	50,692	32,040
Financing costs	42,029	44,349
Interest income	(332)	(222)
Unrealised foreign exchange differences	(11,770)	25,047
Share of profit after tax of associates	(18,542)	(876)
Property, plant and equipment written off	157	100
Investment properties written off	-	5,172
Other non-cash items	(2,192)	(609)
Operating cash flow before working capital changes	171,416	130,172
Change in inventories	4,474	23,972
Change in receivables, deposits and prepayments	38,172	117,738
Change in payables and accruals	(14,054)	(60,693)
Cash generated from operations	200,008	211,189
Taxes refunded/(paid)	3,110	(7,378)
Net cash generated from operating activities	203,118	203,811
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and forest assets	(62,326)	(71,378)
Proceeds from disposal of property, plant and equipment	6,713	6,468
Interest received	332	222
Refund from purchase price adjustment	-	2,244
Dividends received	3,116	7,660
Net investments in joint venture/associates	(113)	(398)
Pledged deposits received/(paid)	80,523	(80,617)
Net cash generated from/(used in) investing activities	28,245	(135,799)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders	(4,947)	(9,894)
Financing costs paid	(40,734)	(48,912)
Net borrowings	(150,962)	(94,518)
Net cash used in financing activities	(196,643)	(153,324)

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER
ENDED 30 JUNE 2010**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED
30 JUNE 2010 (CONT'D)**

	Current year ended 30/06/2010 RM'000	Corresponding year ended 30/06/2009 RM'000
Net increase/(decrease) in cash and cash equivalents	34,720	(85,312)
Cash and cash equivalents at beginning of the year	(14,828)	74,054
Foreign exchange difference on opening balances	(520)	(3,570)
Cash and cash equivalents at end of the period	<u>19,372</u> =====	<u>(14,828)</u> =====
Cash and cash equivalents as at 30 June is represented by:		
Cash and bank balances	44,766	26,229
Deposits	24,251	104,767
Bank overdraft	(25,770)	(41,426)
	<u>43,427</u>	<u>89,570</u>
Less: Fixed deposits and bank balances held as security	(23,875)	(104,398)
	<u>19,372</u> =====	<u>(14,828)</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.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 4TH QUARTER ENDED 30 JUNE 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

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

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.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

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 palm 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.

LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

8. Segment information (continued)

The segment information in respect of the Group's operating segments for the year ended 30 June 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	450,537	593,783	355,710	10,384	-	31,563	-	1,441,977
Inter - segment revenue	60,248	51,943	255,427	-	-	8,472	(376,090)	-
Total revenue	510,785	645,726	611,137	10,384	-	40,035	(376,090)	1,441,977
Segment results	44,649	(19,172)	939	(3,329)	-	3,356	-	26,443
Interest income								332
Financing costs								(42,029)
Unrealised foreign exchange differences								11,770
Share of profit after tax of associates				5,243	10,839	2,460		18,542
Profit before taxation								15,058
Taxation								8,385
Net profit for the year								23,443
Total segment assets	1,224,454	704,014	359,160	78,010	168,618	140,870	-	2,675,126

LINGUI DEVELOPMENTS BERHAD
Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

8. Segment information (continued)

The segment information in respect of the Group's operating segments for the year ended 30 June 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	331,189	588,369	339,463	3,106	-	30,665	-	1,292,792
Inter - segment revenue	81,711	38,753	194,644	-	-	8,319	(323,427)	-
Total revenue	412,900	627,122	534,107	3,106	-	38,984	(323,427)	1,292,792
Segment results	45,932	(31,101)	(13,588)	(4,442)	-	(4,228)	-	(7,427)
Interest income								222
Financing costs								(44,349)
Unrealised foreign exchange differences								(25,047)
Share of profit after tax of associates				(6,283)	12,088	(4,929)		876
Loss before taxation								(75,725)
Taxation								(8,527)
Net loss for the year								(84,252)
Total segment assets	1,298,185	720,171	418,276	70,507	160,895	194,039	-	2,862,073

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

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 April '10 – June'10 RM'000	Current financial year-to-date Jul'09 – June'10 RM'000
Current tax expense	1,963	8,811
Deferred tax expense	(1,681)	(5,696)
Effect of changes in tax rates	(11,500)	(11,500)
	-----	-----
	(11,218)	(8,385)
	=====	=====

The Group's taxation charge for the quarter under review is in credit due to the effect of the changes in tax rates for the subsidiaries in New Zealand. Consequently, deferred tax assets and liabilities are measured using this revised rate.

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.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

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 2010 were as follows:

	RM'000
(i) At carrying value / book value	168,618
(ii) At market value	183,229

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 30 June 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	150,691	46,427	-	-
– Foreign currency – NZD'000	56,648	25,081	-	-
– Local currency	31,182	-	24,554	-
Unsecured	241,153		134,874	
Total	<u>479,674</u>		<u>159,428</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 30 June 2010 of interest rate swap agreements and forward foreign currency exchange contracts amounted to RM24.3 million.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

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 Kampung 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 have made applications to strike out the two (2) writs of summons and awaiting for hearing and decision from the court.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

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

In the financial quarter under review, prices of logs and plywood achieved by the Group in Ringgit terms were higher than that of the immediate preceding financial quarter as USD prices improved, although its effect were partially offset by the stronger Ringgit against the USD. However, the positive effect of this was negated by the results of the log contracting division which incurred losses. Faced with inclement weather conditions, the volume of conventional logs extracted for sale and processing fell by approximately 22%. And in spite of the lower volume extracted, certain fixed and semi-fixed costs based on the Group's existing operational set-up and equipment fleet had to be incurred and this had a bearing on the Group's results. In the financial quarter under review, the Group also took the opportunity to embark on various major repairs and reconditioning works on its equipment fleet which were not utilised due to severe weather. With this, when weather conditions improve, the serviced fleet will be ready for deployment.

As a result of the factors narrated above, the Group incurred a loss before taxation of RM8.1 million, compared to a profit before taxation of RM2.1 million in the 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 loss before taxation of RM8.1 million. However, on an earnings before interest, taxation, depreciation and amortisation ("EBITDA") basis, the Group managed to achieve RM44.7 million. The loss before taxation was after a write-off for an amount equivalent to the interest capitalised to the New Zealand plantation assets of RM6.0 million and the recognition of an unrealised foreign exchange loss of RM1.2 million.

In the preceding financial year as the global financial crisis worsened, sales of logs, plywood and veneer dipped sharply in the second half of the financial year which saw prices dropping concurrently. As the economic stimulus measures taken by governments worldwide took effect, recovery was seen in the later part of the first half of the financial year under review which continued to strengthen further in the second half. However, the sovereign debt crisis in Greece and other European countries and a possible slowdown in USA housing starts are some instances which cast doubts on the sustainability of a recovery. With the strengthening of the Ringgit against the USD, the Group's revenue in Ringgit terms was also affected.

The Group sold 671,414 m³ of hardwood logs and 447,078m³ of softwood logs which were respectively 58.9% and 11.8% higher than the preceding financial year. Although log prices achieved were lower, gross profit for log trading (inclusive of upstream support) improved due to lower operating costs, principally lower fuel prices. Plywood sales, in spite of having shown signs of recovery, were still affected by the lacklustre Japanese market, which recorded low housing starts. As a result, plywood sales were still 3.99% below that which was achieved in the preceding financial year. Veneer sales at 129,056 m³ has improved by 23,391 m³ compared to the preceding financial year, driven by higher local demand as well as from overseas.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER ENDED 30 JUNE 2010

The figures have not been audited

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

After accounting for a write-off of RM23.9 million which is equivalent to the interest capitalised for the New Zealand plantations and an unrealised foreign exchange gain of RM11.8 million on the translation of a USD denominated loan, the Group achieved a profit before taxation of RM15.1 million and an EBITDA of RM192.0 million as against a loss before taxation of RM75.7 million and an EBITDA of RM126.4 million in the corresponding preceding financial year to date.

22. Commentary on the outlook of the Group

Although indications show that the worst financial crisis in decades may have abated and major global economies are en route to recovery, uncertainty remains over the sustainability of the recovery when stimulus measures are gradually withdrawn. Indications of a slowdown in housing starts in the USA and the recent sovereign debt crisis in Greece and other European countries have put a dampening effect on any continued robust recovery.

In Japan, the government continues its efforts to give the depressed housing industry a boost after housing starts in 2009 hit record low. This includes an eco-point system for new energy-efficient homes, as well as for remodeled homes to improve the efficiency of existing ones. However, the intended effects of these measures are yet to be fully felt. China's property sector, with prices rising to unprecedented levels has fuelled speculative transactions creating fears of a property bubble. The impact of China's central government tightening lending policies to this sector may potentially cause a slowdown. India, with its growing economy, will continue to be a key buyer for the harder log species logs to meet the increasing demand for better housing as the population's standard of living improves.

The appreciation of the Ringgit against the USD will continue to have a negative impact on the Group's margins from export sales unless the USD prices of the Group's products also increase in tandem.

Faced with the intense competitive environment in which the Group operates in, and with constant pressure on margins, the Group continues to work on improving operational efficiency by enhancing the productivity of its workforce and its equipment fleet, emphasizing tight control over cash cost of production.

Unless housing starts in Japan and the USA improve, it is not expected that the performance of the Group in the current financial year will improve.

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.

LINGUI DEVELOPMENTS BERHAD

Company No: 7574-D

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 4TH QUARTER
ENDED 30 JUNE 2010**

The figures have not been audited

24. Dividends

The Board proposes a final dividend of 2% per share less tax totalling RM4,947,228 (2009: final dividend at 2% per share less tax totalling RM4,947,228 for the financial year ended 30 June 2010 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 (MICPA 1371)

Company Secretaries

Kuala Lumpur
24 August 2010