Samling Global Limited
三林環球有限公司*

(a company incorporated in Bermuda with limited liability)
Stock code: 3938

Global Offering

Global Coordinator

CREDIT SUISSE

Joint Bookrunners

CREDIT SUISSE MACQUARIE HSBC

Joint Sponsors

CREDIT SUISSE MACQUARIE

*For identification purposes only


SPH

VERTICAL INTEGRATION OF UPSTREAM AND DOWNSTREAM OPERATIONS

Concessions

Plantations

RESOURCES

PROCESSING

PRODUCTS

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

SAMLING GLOBAL LIMITED
三林環球有限公司*

(a company incorporated in Bermuda with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**1,050,000,000 Shares (subject to the Over-allotment Option)**
Number of International Offering Shares	:	**945,000,000 Shares (subject to Over-allotment Option and adjustment)**
Number of Public Offer Shares	:	**105,000,000 Shares (subject to adjustment)**
Maximum Offer Price	:	**not more than HK$2.08 per Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%**
Nominal Value	:	**US$0.10 per Share**
Stock Code	:	**3938**

Global Coordinator

Credit Suisse (Hong Kong) Limited

Joint Bookrunners

Credit Suisse (Hong Kong) Limited | **Macquarie Securities Limited** | **The Hongkong and Shanghai Banking Corporation Limited**

Joint Sponsors

Credit Suisse (Hong Kong) Limited | **Macquarie Securities Limited**

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix IX — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Delivered to the Registrar of Companies" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of this prospectus, together with copies of the Application Forms, have also been filed with the Registrar of Companies in Bermuda as required under the Companies Act 1981 of Bermuda. The Securities and Futures Commission, the Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, March 1, 2007 and, in any event, not later than Monday, March 5, 2007. The Offer Price will be announced in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese) as soon as practicable after the Offer Price is fixed. The Offer Price will be not more than HK$2.08 per Offer Share and is currently expected to be not less than HK$1.60 per Offer Share. Applicants for Public Offer Shares are required to pay, on application, the maximum Offer Price of HK$2.08 for each Public Offer Share together with 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee subject to refund if the Offer Price as finally determined is less than HK$2.08 per Offer Share.

Prospective investors should read the entire document carefully and, in particular, should consider the matters discussed in the section headed "Risk Factors" in this prospectus.

The Joint Bookrunners (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which currently is HK$1.60 to HK$2.08 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for Public Offer Shares have been submitted prior to the day that is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Public Offer Shares" in this prospectus.

If, for any reason, we and the Joint Bookrunners (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to procure applicants for, or subscribe for, the Public Offer Shares are subject to termination by the Joint Sponsors (on behalf of the Hong Kong Underwriters) if certain grounds arise at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the Securities Act of 1933, as amended (the "US Securities Act"). The Offer Shares may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the US Securities Act ("Regulation S")) except to qualified institutional buyers (as defined in Rule 144A under the US Securities Act ("Rule 144A")) in reliance on Rule 144A or outside the United States to non-US persons in offshore transactions in reliance on Regulation S or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A.

* *for identification only*

February 23, 2007

Latest time to lodge **white** and **yellow** Application Forms	12:00 noon on Wednesday, February 28, 2007
Latest time to give **electronic application instructions** to HKSCC[2]	12:00 noon on Wednesday, February 28, 2007
Application lists open[3]	11:45 a.m. on Wednesday, February 28, 2007
Application lists close	12:00 noon on Wednesday, February 28, 2007
Expected Price Determination Date	Thursday, March 1, 2007
Announcement of the Offer Price, the level of indication of interest in the International Offering and the application results and basis of allocation of the Public Offer Shares (with successful applicants' identification document numbers, where appropriate) to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Tuesday, March 6, 2007
Despatch of Share certificates in respect of wholly or partially successful applications on or before[4]	Tuesday, March 6, 2007
Despatch of refund cheques in respect of wholly or partially unsuccessful applications on or before[4]	Tuesday, March 6, 2007
Dealings in Shares on the Stock Exchange expected to commence on	9:30 a.m. on Wednesday, March 7, 2007

Notes:

(1) All times refer to Hong Kong local time except where otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus. Note that each of these times may be subject to change.

(2) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Public Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC" in this prospectus.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, February 28, 2007, the application lists will not open on that day. Please refer to the section headed "How to Apply for the Public Offer Shares — Applying by Using a White or Yellow Application Form — When to Apply for Public Offer Shares — Effect of bad weather on the opening of the application lists" in this prospectus.

(4) Refund cheques will be issued in respect of wholly and partially unsuccessful applications, and also in respect of successful applications in the event that the Offer Price as finally determined is less than the offer price per Offer Share initially paid on application. Part of your Hong Kong Identity Card number/Passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/Passport number of the first-named applicant, provided by you may be printed on your refund cheque, where appropriate. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/Passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/Passport number may

lead to delay in encashment of or may invalidate your refund cheque. If you have applied for 1,000,000 Public Offer Shares or more and have indicated in your Application Form that you wish to collect your Share certificate(s) (where applicable) and refund cheque(s) (where applicable) in person, you may collect your Share certificate(s) (where applicable) and your refund cheque(s) (where applicable) from our Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Tuesday, March 6, 2007 or any other day notified by us in the newspapers as the date of despatch of Share certificates and/or refund cheques. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant who opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Uncollected Share certificates and refund cheques after the time specified for collection will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. If you have applied for less than 1,000,000 Public Offer Shares or have applied for 1,000,000 Public Offer Shares or more but have not indicated in the Application Form that you wish to collect Share certificate(s) (where applicable and if applying by using a white Application Form) and/or refund cheques(s), your Share certificate(s) (where applicable and if applying by using a white Application Form) and/or refund cheque(s) will be sent to the address on the Application Form on Tuesday, March 6, 2007, by ordinary post and at your own risk. For further information, please refer to the section headed "How to Apply for the Public Offer Shares" in this prospectus.

Share certificates will only become valid certificates of title if the Global Offering has become unconditional and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is expected to be at 8:00 a.m. (Hong Kong time) on Wednesday, March 7, 2007. No dealing should take place in the Offer Shares prior to commencement of dealing in the Shares on the Stock Exchange. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Global Coordinator, the Joint Sponsors, any of the Underwriters, any of their respective directors, or any other person or party involved in the Global Offering.

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Shares. There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in the section headed "Risk Factors". You should read this section carefully before you decide to invest in the Shares.

OVERVIEW

We are a well established, integrated forest resource and wood products company with approximately 4 million hectares of forest resources situated in different regions around the world. We also own one of the world's largest hardwood plywood manufacturing capacities. Based in Malaysia, we have established an international presence with strategically located operations in Malaysia, Guyana, New Zealand and China. We are committed to implementing sustainable forest management practices which are designed to ensure the long-term supply of our forest resources.

We divide our principal businesses into upstream and downstream timber operations. Our upstream timber operations comprise timber harvesting and the management of our natural forest concessions in Malaysia and Guyana and our tree plantations in New Zealand and Malaysia. Our downstream operations comprise the manufacturing, marketing and distribution of our wood products. Our wood products are mainly focused on logs, plywood and veneer, together with sawn timber and further value-added products, including fiberboard, door facings and housing products.

As at September 30, 2006, we had gross forest concession areas totaling approximately 1.4 million hectares in Malaysia and approximately 1.6 million hectares in Guyana and had harvesting rights for a further 445,000 hectares in Guyana. In addition, we own, lease or hold forestry licenses for land in New Zealand and Malaysia for existing and future tree plantations. The total gross area of our tree plantation land is approximately 438,000 hectares in Malaysia and 35,000 hectares in New Zealand of which approximately 11,000 and 26,000 hectares, respectively, have been planted as at December 31, 2006. With tropical hardwood reserves in many Asian countries being depleted or under increasing harvesting restrictions, we believe our sizeable resource base provides a sustainable woodflow required for both our upstream and downstream operations. The strategic locations of our forest resources within the Asia-Pacific region and South America enable us to market these products efficiently and access key markets across the globe, including Japan, China, India, Europe and North America.

We have a diversified customer base, from general traders to end-user customers, in our main export markets and have customers in more than 30 countries and territories, including Japan, Malaysia, Greater China (including Hong Kong and Taiwan), the U.S., India, South Korea, Thailand, the U.K. and other countries in Europe. We have established an international sales and marketing network covering key strategic markets such as Japan and the U.K. In addition, we have identified certain local operators in the U.S., the U.K. and other countries in Europe and Japan for strategic co-branding and marketing arrangements to market and sell our plywood and other wood products. Our broad spread of customers and markets enables us to understand and react to market conditions and identify new opportunities in those regions.

We have well developed infrastructure and logistics support systems to manage our vertically integrated operations. We aim to maximize the use and value of our wood resources by converting our logs into a wide range of other wood products. Our production facilities are located in Malaysia, Guyana and China. We currently have a total wood processing capacity of approximately 1.4 million m^3 per annum (excluding the processing capacities for housing products). We plan to increase our production capacity over the next five years in line with expected future increased woodflow and anticipated rising market demand. Our wide range of products and sizeable production capacity enable us to maximize market opportunities whilst optimizing utilization of our forest resources. Through our highly integrated operations, covering the full wood products supply chain from the management and harvesting of our forest resources to the processing, sales and distribution of our wood products, we are able to achieve significant cost efficiencies.

Demand for wood products in many markets, particularly in the Asia-Pacific region, is projected to grow over the next decade. Expanding construction, furniture and interior decoration industries are the major drivers that are expected to support demand for logs and wood products. In recent years, we have made significant investments in new logging equipment and infrastructure within our forest resources to increase our log extraction capacity as well as expanding our downstream processing capacity. As a result, we believe we are well positioned to take advantage of this growing demand for wood products as well as the expected favourable pricing environment in the medium to long term.

Forest certification is voluntary. We have received forest management certifications with respect to approximately 56,000 hectares of natural forest in Malaysia, which represents 3.9% of our forest areas in Malaysia and for approximately 35,000 hectares of tree plantations in New Zealand, which represents all of our tree plantations in New Zealand. Whilst our sustainable forest management practices and the legality of the source of our logs are not dependent upon our obtaining forest management certification for our forest concessions and plantations, we believe such certifications help us to build brand identity and to meet increasing market demand for certified wood products.

INDUSTRY OVERVIEW

According to the FAO, wood processing capacity in the Asia-Pacific region has increased significantly over the past 30 years, and has been matched by major increases in consumption of wood products in the region. Pöyry expects demand for forest products in the Asia-Pacific region to continue to increase, and to exceed that available from the region's forest resources, thus perpetuating the need to continue to import various types of forest products. The increase in regional demand is expected to be met by imports of finished products as well as stimulate the expansion of local wood processing industries in the region, which will rely on external sources.

With the recognition of the importance of sustainable forest management and recent efforts to control the rate of deforestation with the imposition of logging bans, production of tropical logs, plywood and veneer has remained relatively stable in the last few years.

Tropical hardwood logs: Within the Asia-Pacific region, Japan and China are the largest single markets. As a result of declining demand in Japan, balanced with increasing demand in China and India, overall demand for Asia-Pacific tropical hardwood log market has remained relatively stable between 2002 and 2004. China's imports of hardwood logs in particular have increased five-fold over the past decade, driven mainly by economic growth and partly by restrictions imposed during 1998 by the Chinese Government on harvesting from Chinese natural forests.

Prices for tropical hardwood logs reached historical peaks in the mid-1990s, but declined significantly during the Asian financial crisis in 1997 and 1998 as a result of a drop in demand due to the economic downturn. Since 2000, log prices have been moving upwards, with notable increases in prices over the last three years. This reflects a strong demand for raw materials from China and a tight supply environment for logs. Prices for Malaysian logs have benefited from the declining Indonesian log exports and the export ban initiated in 2001. According to Pöyry, nominal prices for selected log grades and species have increased by as much as 65%, or close to 10.5% per annum since 2002, as a result of these supply constraints.

Plywood and veneer: On a global basis, total plywood demand remained relatively flat between 1990 and 2004, amounting to close to 60 million m^3 in 2005. Plywood consumption in the Asia-Pacific region grew by a modest 1.8% per annum over the same period, representing around 40% of the global market, or 23 million m^3, in 2005. In 2005, China and Japan accounted for 42% and 34%, respectively, of total plywood demand in the Asia Pacific region. The United States also represents an important market for plywood.

According to Pöyry, future demand growth for plywood in Asia is expected to remain relatively flat, with less substitution by other products. In addition, strong economic growth, an expanding furniture industry and anticipated continuing housing construction activity in China are some of the factors that will support plywood demand. China's export oriented furniture industry has also been expanding and significant capacity investments have occurred in the industry.

Plywood prices increased significantly as a result of rapid increase in demand in the early 1990s, but fell sharply during the Asian financial crisis. Prices have stabilized from 2000 onwards and since 2003, there has been a clear upward trend as a result of some growth in demand within the Asia-Pacific region. Plywood prices in Asia have also been affected by increasing tropical log costs resulting from tightening tropical log supply. As a result, plywood prices in Asia have increased by over US$150 per m^3, representing an increase of 16% per annum since 2003, according to Pöyry.

COMPETITIVE STRENGTHS

We believe our business strengths to include the following, each of which is discussed in greater detail in the section headed "Business — Competitive Strengths" of this prospectus.

- We have a large sustainable forest resource base established in strategic locations.
- We are able to maximize the use and value of our wood resources.
- Our highly integrated operations and our well-developed infrastructure and logistics support systems enable us to optimize cost efficiencies.
- We have a diversified and established customer base and are well positioned in key markets.
- We have access to the increasing number of markets and customers that demand environmentally certified products.
- We have a strong team of professional managers.

OUR FUTURE PLANS

Our aim is to become the leading integrated forest resources and wood products company in the world. We intend to implement the following, each of which is discussed in greater detail in the section headed "Business — Our Future Plans" of this prospectus.

- Increase our log production from existing resources in Guyana and New Zealand.
- Expand our production facilities to complement our increased woodflow and increase our value-adding capability.
- Acquire suitable new concessions and plantations to increase scale and sustainable woodflow.
- Enhance our pricing and sales through global branding and strengthening our sales and distribution network.
- Continue investment in research and development to improve yields and wood quality from our plantations.

- Strengthen management processes and information systems.

RISK FACTORS

We believe that there are certain risks relating to our business, our industry, the Global Offering and our share performance. These factors are set out in the section headed "Risk Factors" of this prospectus and are summarized below:

Risks Relating to our Business

- Our concession and harvesting rights, tree plantations and production facilities in Malaysia, Guyana, New Zealand and the PRC are subject to significant regulation, and our business, financial condition and results of operations could be adversely affected by regulatory changes in these countries.

- Our concessions, harvesting rights, plantations and production facilities are subject to environmental regulations.

- Any inability to renew or secure new forest concessions, harvesting rights, plantation licenses and forestry rights upon their expiration or termination could reduce our future revenues.

- We operate in countries where changes in government royalties, fees, premiums and other taxes payable under forestry regulations could increase our operating costs.

- We market and sell our products to various countries and our international operations subject us to various business, economic, political, regulatory and legal risks.

- Political, economic and social developments in Malaysia, Guyana, New Zealand or the PRC may adversely affect us.

- Future movements in exchange rates may have a material adverse effect on our financial condition and results of operations.

- We may not be able to maintain or renew our existing forest management and chain of custody certifications or to obtain new certifications with regards to additional forest areas or wood products.

- Our results may fluctuate due to revaluation gains or losses on our plantation assets and those of our associate, Glenealy.

- Fuel shortages and increases in fuel prices may increase our operating costs.

- Limited transportation capacity and increases in the price of transportation services may affect our sales.

- A significant portion of our sales are for use in the housing and building construction sectors which exposes us to downturns in these sectors.

- Abnormally high or prolonged levels of rain at our forest locations may adversely impact our capacity to extract timber.

- Our woodflows from our concession areas in Sarawak are effectively constrained by royalties, annual quotas established by, and annual harvesting plans which are subject to regulatory approval by, the Sarawak Forestry Corporation.

- Our turnover and results are affected by seasonality.

- We are dependent on the availability of large numbers of personnel to perform labor tasks in our timber operations.

- We rely on a limited number of suppliers for our equipment and vehicles.

- We are heavily dependent on key personnel.

- We generally do not enter into long-term sales contracts with our customers.

- Our business may be adversely affected by activities, rights and claims of indigenous people living on or near our concessions and plantations and by activism of environmental groups.

- Our ability to acquire and expand tree plantations requires substantial initial capital expenditures that are not recoverable in the short term because of the lengthy 10 to 30 year plantation development cycle.

- We may not be able to meet our expectations for the yields of our tree plantations.

- Our operations are cash intensive and our business could be adversely affected if we fail to maintain sufficient levels of working capital.

- We had net current liabilities as at June 30, 2004, June 30, 2006 and September 30, 2006.

- Increases in interest rates may materially impact our results of operations.

- We may not realize our plans to expand our processing capacity, diversify our product portfolio and increase our ability to serve existing and new markets.

- We may have difficulty completing and integrating our planned investments, and our failure to complete and integrate these planned investments could adversely affect our operating results.

- Our Controlling Shareholders have and will maintain significant influence over our management and affairs and could exercise this influence against your best interests.

- Our insurance coverage may not adequately protect us against certain risks and this may have a material adverse effect on our business.

- There are defects affecting our use of or title to certain of our properties.

- If we fail to maintain effective internal controls, then our business, financial results and reputation could be materially and adversely affected.

- We are subject to Malaysian government policy requirements as regards minimum ownership levels by Samling Strategic, our Controlling Shareholder, which may limit our ability to raise equity capital.

- We are subject to Malaysian regulatory requirements that set a minimum level of Malaysian, including Bumiputera, ownership, which may limit our ability to raise equity capital.

Risks Relating to our Industry

- The forestry industry is susceptible to product price fluctuations.

- Illegal logging activities place downward pressure on prices.

- We face competition from other firms in the forestry industry.

- The forestry industry faces competition from non-wood product substitution.

- The forestry industry is affected by weather conditions and natural and man-made disasters outside of our control.

- Environmental groups and interested individuals may seek to delay or prevent us, or timber companies generally, from harvesting timber and may adversely affect demand for our products.

- The species of trees and quality of wood that can be harvested from forest concessions vary within each concession.

Risks Relating to the Global Offering and our Share Performance

- Investors should read this entire prospectus carefully and we strongly caution investors not to place any reliance on any information contained in press articles or other media relating to us and/or the Global Offering.

- The financial statements and financial information of Lingui included in this prospectus have not been prepared in accordance with IFRS and comparison of such financial statements and financial information with our financial statements and financial information may be difficult.

- The financial information of Glenealy and the Remaining Businesses presented in the section of this prospectus headed "Business — Relationship with our Controlling Shareholders — Remaining Businesses" has not been prepared in accordance with IFRS and comparison of such financial information with our financial statements and financial information may be difficult.

- Our net profit attributable to equity holders of our Company for the year ending June 30, 2007 will involve gains or losses that may arise on revaluation of our plantation assets, which are subject to certain estimates and assumptions.

- Future sales of securities by our existing shareholders or us may have an adverse impact on our Share price.

- There has been no prior public trading market for our Shares and the Global Offering may not result in an active or liquid market for the Shares, which could adversely affect their market price.

- The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile.

- Dividends declared in the past may not be indicative of our dividend policy in the future.

- As the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution.

- You may experience difficulties in enforcing your shareholder rights because we are incorporated in Bermuda, and Bermuda law may provide less protection to minority shareholders than the laws of Hong Kong, the United States and other jurisdictions.

SELECTED COMBINED FINANCIAL INFORMATION

The following tables set forth selected combined financial information for our Company for the three financial years ended June 30, 2006 and the three months ended September 30, 2005 and 2006, which have been derived from our combined financial statements included in Appendix I to this prospectus prepared in accordance with IFRS. Our historical combined income statement, balance sheet and cash flow information set forth below as at and for the three financial years ended June 30, 2006 and the three months ended September 30, 2006 have been audited by our independent reporting accountants, KPMG. Our historical combined income statement, balance sheet and cash flow information set forth below as at and for the three month period ended September 30, 2005 have not been audited. Historical results are not necessarily indicative of results for any future period. For further information regarding the basis of presentation of our selected combined financial information, see "Financial Information — Basis of Presentation" and Appendix I to this prospectus.

Combined Income Statements

	Financial year ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005 (unaudited)	2006
	(US$ in millions, except per share data)				
Turnover	364.3	409.1	388.7	98.0	144.9
Cost of sales	(304.0)	(339.8)	(341.8)	(85.2)	(100.0)
Gross profit	60.3	69.3	46.9	12.8	44.9
Other operating income	6.6	14.7	2.8	0.5	1.7
Distribution costs	(3.9)	(4.5)	(4.5)	(1.1)	(2.0)
Administrative expenses	(15.4)	(16.9)	(17.2)	(4.2)	(5.4)
Other operating expenses	(0.2)	(0.5)	(1.5)	(0.1)	(0.0)
Gain/(Loss) from changes in fair value of plantation assets less estimated point-of-sale costs	10.4	(14.8)	(15.3)	1.8	1.2
Profit from operations	57.9	47.4	11.2	9.8	40.4
Financial income	7.3	9.1	6.9	1.7	3.9
Financial expenses	(16.7)	(16.6)	(22.4)	(3.8)	(5.8)
Net financing costs	(9.3)	(7.6)	(15.5)	(2.0)	(1.9)
Share of profits less losses of associates	5.5	2.3	1.3	(0.9)	1.0
Share of profits less losses of jointly controlled entities	—	2.4	2.8	0.5	0.7
Profit/(Loss) before taxation	54.1	44.6	(0.2)	7.4	40.1
Income tax	(8.8)	(1.3)	1.7	(3.2)	(7.7)
Profit for the year/period	45.2	43.3	1.5	4.2	32.4
Attributable to:					
Equity holders of the Company	23.5	23.1	5.1	1.4	22.3
Minority interests	21.7	20.1	(3.6)	2.8	10.1
Profit for the year/period	45.2	43.3	1.5	4.2	32.4
Dividend attributable to the year/period:					
Interim dividend declared during the year/period	1.3	—	2.4	2.4	—
Final dividend proposed after the balance sheet date	1.3	2.5	—	—	—
	2.5	2.5	2.4	2.4	—
Earnings per share (US cents)					
Basic	0.76	0.75	0.17	0.05	0.72

Combined Balance Sheet Information

	June 30,			September 30,
	2004	2005	2006	2006
	(US$ in millions)			
Non-current assets				
Property, plant and equipment, net				
– Investment properties	9.7	9.5	9.6	9.5
– Other property, plant and equipment	317.0	321.8	381.5	385.6
Construction in progress	2.5	4.8	2.0	1.4
Lease prepayments	23.4	22.9	26.5	26.3
Timber concessions	18.4	16.6	31.8	30.7
Goodwill	0.6	0.6	0.6	0.6
Plantation assets	178.1	193.8	165.3	182.0
Interest in associates	45.4	42.8	44.9	45.9
Interest in jointly controlled entities	–	18.1	15.3	14.5
Other investment	0.0	0.0	0.0	0.0
Deferred tax assets	4.5	3.4	3.6	3.9
Total non-current assets	599.6	634.4	681.2	700.4
Current assets				
Inventories	73.4	69.0	83.5	92.1
Trade and other receivables	206.7	218.8	97.3	79.9
Tax recoverable	8.6	8.5	9.4	6.1
Cash and cash equivalents	19.7	26.5	21.1	30.8
Total current assets	308.4	322.8	211.2	208.9
Total assets	907.9	957.1	892.5	909.4
Current liabilities				
Bank overdrafts, loans and borrowings	110.8	91.9	121.8	117.2
Loans from shareholders	2.2	–	–	—
Finance lease liabilities	11.4	15.1	22.8	25.5
Bonds[(1)]	–	39.5	–	—
Trade and other payables	194.8	137.6	186.3	154.3
Tax payable	9.9	2.5	1.8	2.8
Total current liabilities	329.2	286.6	332.7	299.9
Net current (liabilities)/assets	(20.8)	36.2	(121.4)	(90.9)

Combined Balance Sheet Information (cont'd)

	June 30,			September 30,
	2004	**2005**	**2006**	**2006**
	(US$ in millions)			
Total assets less current liabilities	578.8	670.5	559.8	609.5
Non-current liabilities				
Bank loans and borrowings	80.7	83.1	129.2	129.7
Loans from shareholders	39.7	–	–	–
Finance lease liabilities	26.8	39.8	55.5	61.9
Bonds[(1)]	78.5	39.3	40.8	40.8
Deferred tax liabilities	47.4	53.4	47.9	51.1
Total non-current liabilities	273.0	215.6	273.5	283.6
Total liabilities	602.2	502.2	606.1	583.4
Equity				
Share capital	49.0	50.4	1.0	1.0
Reserves	75.5	197.3	166.4	193.1
Total equity attributable to equity holders of the Company	124.5	247.8	167.4	194.1
Minority interests	181.3	207.2	118.9	131.9
Total equity	305.7	455.0	286.3	325.9
Total liabilities and equity	907.9	957.1	892.5	909.4

Note:

(1) On April 26, 2001, Lingui issued 5-year 8% per annum fixed rate bonds amounting to RM150 million (approximately US$40.8 million) and 7-year 8.5% per annum fixed rate bonds amounting RM150 million (approximately US$40.8 million). The proceeds from the bonds were used to refinance bank borrowings of the Lingui Group and for working capital purposes. The bonds are secured by debt service reserve accounts which are maintained for coupon payments and principal repayments. Lingui has also covenanted to maintain certain gearing ratios and interest coverage ratios under the terms of the bonds.

Combined Cash Flow Information

	Financial year ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005 (unaudited)	2006
			(US$ in millions)		
Operating activities					
Net cash generated from operations	93.7	100.3	91.7	15.5	31.7
Net income tax refunded/(paid)	2.0	(8.7)	(7.9)	(2.2)	(2.0)
Net cash generated from operating activities	95.7	91.6	83.8	13.3	29.8
Investing activities					
Payment for purchase of property, plant and equipment	(25.8)	(36.5)	(54.8)	(3.5)	(1.0)
Capital expenditure in construction in progress	(2.2)	(4.2)	(4.0)	(7.2)	(0.1)
Capital expenditure in lease prepayments	(3.8)	(0.1)	(1.9)	(1.0)	—
Capital expenditure in plantation assets	(3.4)	(4.2)	(5.0)	(1.6)	(1.3)
Proceeds from sale of property, plant and equipment	2.0	50.8	8.3	0.3	5.7
Proceeds from sale of plantation licence	3.0	—	—	—	—
Dividends received from associate	0.4	0.8	0.7	—	—
Deemed disposal of a subsidiary, net of cash disposed of	—	(0.5)	—	—	—
Acquisition of additional interests in a subsidiary	—	—	(35.9)	—	—
Acquisition of subsidiaries, net of cash acquired	—	—	0.1	—	—
Investment in associates	(0.1)	(3.8)	—	—	—
Investment in jointly controlled entities	—	(12.9)	—	—	—
(Advances and repayment to)/repayment from jointly controlled entity	—	(15.0)	6.2	2.5	1.6
Advances and repayments to related parties	(30.9)	(27.5)	(15.5)	(8.8)	(16.4)
Repayment from related parties	9.9	4.9	25.5	0.8	9.9
Proceeds from disposal of interest in associate	—	8.5	—	—	—
Deposits pledged	(0.5)	0.0	0.3	—	(0.2)
Interest received	3.2	4.1	4.4	1.0	0.2
Net cash used in investing activities	(48.1)	(35.6)	(71.5)	(17.5)	(1.7)
Financing activities					
Capital element of finance lease rentals paid	(10.2)	(13.5)	(20.3)	(4.0)	(6.9)
Proceeds from the issue of shares, net of issue expenses	2.8	—	72.3	—	—
Acquisition of subsidiary from our Controlling Shareholders	—	—	(72.3)	—	—
Dividends paid	(2.5)	(1.3)	(5.0)	(2.4)	—
Proceeds from bank loans and other borrowings	120.5	105.7	223.7	23.7	31.8
Repayment of bank loans and other borrowings	(132.8)	(125.3)	(203.6)	(23.2)	(32.7)
Interest paid on bank loans and financial lease rentals	(17.6)	(16.5)	(20.7)	(2.4)	(5.1)
Proceeds of loans from shareholders	—	4.8	—	—	—
Net cash (used in)/generated from financing activities	(39.9)	(46.1)	(25.9)	(8.3)	(12.9)
Net increase/(decrease) in cash and cash equivalents	7.6	9.9	(13.6)	(12.5)	15.1
Cash and cash equivalents at beginning of the year/period	(22.0)	(14.4)	(4.4)	(4.4)	(17.1)
Effect of foreign exchange rate changes	0.1	0.1	0.9	(0.1)	(0.5)
Cash and cash equivalents at end of the year/period	(14.4)	(4.4)	(17.1)	(17.0)	(2.5)

PROFIT FORECAST FOR THE YEAR ENDING JUNE 30, 2007

The profit forecast of our Group for the year ending June 30, 2007 is prepared on the bases and assumptions as set out in Appendix III to this prospectus.

Our Directors believe that on the basis and the assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the profit attributable to equity holders of our Company for the year ending June 30, 2007 will be not less than US$72.2 million, calculated after changes in fair value of our plantation assets less estimated point-of-sale costs (Note 3).

Forecast profit attributable to equity holders of the Company (Note 1)	Not less than US$72.2 million (approximately HK$562.4 million)
Unaudited forecast earnings per Share	
Pro forma fully diluted (Note 2)	US1.74 cents (approximately HK13.57 cents)

Notes:

(1) The bases on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.

(2) The calculation of the unaudited forecast earnings per Share on pro forma fully diluted basis is based on the forecast profit attributable to equity holders of our Company for the year ending June 30, 2007. This calculation assumes that we had been listed on the Stock Exchange since July 1, 2006 and that a total of 4,144,236,830 Shares, including our Shares issued pursuant to the Global Offering were in issue during the entire year ending June 30, 2007. This calculation also assumes that the Over-allotment Option will not be exercised, no options that may be granted under the Share Option Scheme will be exercised and no Shares will be allotted and issued or repurchased by our Company pursuant to the mandate set out in the paragraph headed "Resolutions of Shareholders of our Company" in Appendix VIII to this prospectus.

(3) Our forecast profit of US$72.2 million for the year ending June 30, 2007 reflects an estimated revaluation gain on our plantation assets less estimated point-of-sale costs of US$4.9 million for the year ending June 30, 2007. See "Risk Factors — Risks Relating to the Global Offering — Our net profit attributable to equity holders of our Company for the year ending June 30, 2007 will involve gains or losses that may arise on revaluation of our plantation assets, which are subject to certain estimates and assumptions", "Financial Information — Profit Forecast for the Year Ending June 30, 2007" and the section of Appendix III headed "Assumptions with respect to change in fair value of plantation assets" for further information, including a sensitivity analysis presented in Appendix III hereof illustrating the sensitivity of our profit forecast for the year ending June 30, 2007 to increases and decreases of 5.0%, 10.0% and 15.0% in our forecast change in fair value of plantation assets less estimated point-of-sale costs for the year ending June 30, 2007, and indicating the resulting forecast profit or loss for the year ending June 30, 2007 arising from such increases or decreases.

OFFERING STATISTICS

Except where otherwise indicated, the Global Offering statistics have been prepared on the assumption that the Over-allotment Option will not be exercised. The Offer Prices of HK$1.60 and HK$2.08 per Share do not include the 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy which are payable by applicants under the Global Offering.

	Based on an Offer Price of HK$1.60 per Share	Based on an Offer Price of HK$2.08 per Share
Our capitalization upon completion of the Global Offering (Note 1)	HK$6,631 million	HK$8,620 million
Prospective price/earnings multiple pro-forma fully diluted (Note 2)	11.8 times	15.3 times
Adjusted net tangible asset value per Share (Note 3)	HK$0.92	HK$1.04

Notes:

(1) The calculation of market capitalization is based on 4,144,236,830 Shares expected to be in issue following the Global Offering, assuming no exercise of the Over-allotment Option.

(2) The calculation of the prospective price/earnings multiple is based on the estimated earnings per Share at the respective Offer Price of HK$1.60 and HK$2.08, assuming that the Over-allotment Option is not exercised.

(3) The adjusted net tangible asset value per Share is based on 4,144,236,830 Shares expected to be in issue following the Global Offering. No account has been taken of any Shares which may be allotted and issued upon exercise of the Over-allotment Option, which may be allotted and issued upon exercise of options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the mandates set out in the section headed "Resolutions of Shareholders of our Company" in Appendix VIII to this prospectus.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering), assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.84 per Share, being the mid-point of the proposed Offer Price range of HK$1.60 to HK$2.08 per Share, will be approximately HK$1,772 million. We intend to apply these net proceeds for the following purposes:

Acquisition opportunities and expansion of operations

We intend to use approximately HK$1,406 million of the net proceeds of the Global Offering to finance acquisition opportunities and to expand our downstream operations including, without limitation:

– approximately HK$644 million to acquire concessions, harvesting rights and plantations to increase our woodflow;

– approximately HK$160 million to expand our distribution network for our downstream products — see "Business — Our Future Plans — Enhance our pricing and sales through global branding and strengthening our sales and distribution network";

– approximately HK$400 million to invest in ventures to enable us to expand our product range and gain greater market access for downstream products; and

– approximately HK$202 million to expand downstream operations in New Zealand, Guyana and Malaysia. Our expenditures for downstream expansion will include capital expenditures relating to construction costs of our mills and plant and machinery. In particular we plan to use:

  • approximately HK$136 million for the construction of a sawmill and/or veneer mill in New Zealand to process increased log volumes expected to be harvested from our New Zealand plantations;

  • approximately HK$40 million for the installation of new log peeling and drying lines in two of our plywood mills in Malaysia, one of which is capable of processing smaller diameter logs;

  • approximately HK$16 million for the expansion of one of our sawmills in Guyana for production of decking and kiln dried timber; and

  • approximately HK$10 million for the construction of a sawmill within our forest in Sarawak for processing logs from areas being cleared for our plantation development.

To date, save for the mills specified, specific targets for acquisition of concessions, harvesting rights, plantations or the other matters referred to above will depend on the outcome of negotiations between us and interested parties. Our Directors will take into account a number of criteria when considering acquisition opportunities in respect of concessions, harvesting rights and plantations, including whether the acquisition will (i) increase our sustainable woodflow, (ii) further secure our log supply to our downstream production facilities, (iii) enhance our profitability and return on invested capital and (iv) reduce our operating cost base through the increase in production scale. For investments in relation to expanding our product range and gaining greater market access for our downstream products, our Directors will consider whether the investment (i) allows us to distribute closer to the end-user customer, (ii) enhances sales and distribution to our key markets such as Japan, the U.S., China and India, and (iii) provides opportunities for building our brand identity and allows us to become the approved or preferred supplier in our key markets.

Plantation development

We intend to use approximately HK$128 million of the net proceeds from the Global Offering to develop our plantations in Malaysia to increase our future woodflow. Our plantation expenditures will include capital expenditure associated with the establishment, management and harvesting of our plantations including in relation to the planting of trees, weeding, tending and pruning of planted trees and the construction and maintenance of roads.

Research, development and information systems

We intend to use approximately HK$64 million of the net proceeds for the Global Offering to continue our investment in research and development to improve yields and wood quality from our plantations. In addition, we plan to invest in strengthening our management processes and information systems.

The timing and specific geographic focus of our expansion plans will depend on a number of factors, including the success of our acquisition and expansion strategies as outlined above. For a more detailed description of our strategies, see “Business — Our Future Plans”.

Repayment of debts

We intend to use approximately HK$100 million of the net proceeds of the Global Offering to repay financing in relation to the mandatory general offer for the shares in Lingui which closed on May 24, 2006. Please refer to the section headed “Our History and Corporate Structure — Reorganization of our Company” for details of the mandatory general offer which we were required to make. This includes:

(i) Approximately HK$23 million is expected to be used to fully repay a Ringgit denominated term loan with an outstanding amount equivalent to approximately HK$23 million arranged by CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) and lent by CIMB Bank Berhad (formerly known as Bumiputra-Commerce Bank Berhad) granted for the purpose of funding the mandatory general offer. The term loan is repayable in full upon the earlier of November 2008 or receipt by us of the net proceeds of the Global Offering, and has an interest rate of 0.85% per annum above the cost of funds to CIMB Bank Berhad.

(ii) Approximately HK$77 million is expected to be used to fully repay a further Ringgit denominated term loan with an outstanding amount equivalent to approximately HK$77 million arranged by CIMB Investment Bank Berhad and lent by CIMB Bank Berhad also granted for the purpose of funding the mandatory general offer. The term loan is repayable in full upon the earlier of November 2008 or receipt by us of the net proceeds of the Global Offering, and has an interest rate of 0.85% per annum above the cost of funds to CIMB Bank Berhad for the first HK$9 million outstanding amount and 1.00% per annum above the cost of funds to CIMB Bank Berhad for the balance of approximately HK$68 million of the outstanding amount.

One of the Hong Kong Underwriters in the Hong Kong Public Offering and the International Underwriters in the International Offering, CIMB-GK Securities (HK) Limited, is an affiliate of each of CIMB Investment Bank Berhad and CIMB Bank Berhad.

The remaining balance of the net proceeds of the Global Offering of approximately HK$74 million will be used for working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds from the offering of these additional Offer Shares of approximately HK$283 million, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the same mid-point offer price as stated above. We intend to use these additional net proceeds to acquire further concessions, harvesting rights and plantations.

In the event that the Offer Price is set at the high end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, our Company will receive net proceeds of approximately HK$2,018 million. The additional net proceeds of about HK$246 million will be used to acquire further concessions, harvesting rights and plantations. In the event that the Offer Price is set at the high end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK$2,337 million and the further additional net proceeds of about HK$319 million arising from the exercise of the Over-allotment Option will be used to acquire further concessions, harvesting rights and plantations.

In the event that the Offer Price is set at the low end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK$1,527 million. Under such circumstances, the net proceeds allocated to acquire further concessions, harvesting rights and plantations will be reduced accordingly. In the event that the Offer Price is set at the low end of the proposed offer price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK$1,772 million. The further additional net proceeds of approximately HK$246 million (when compared to the net proceeds for our Company with the Offer Price being determined at the low end of the stated range and without exercising Over-allotment Option) will be used to acquire further concessions, harvesting rights and plantations.

To the extent that the net proceeds are not sufficient to fund the uses set forth above, we intend to fund the balance through a variety of means including cash generated from our operations and other external financing. We currently believe that the net proceeds from the Global Offering, when combined with such alternate sources of financing, are sufficient for the uses set forth above. To the extent that the net proceeds of the Global Offering are not immediately applied for the above purposes, we will deposit the net proceeds into interest-bearing bank accounts or reduce our outstanding balance under our working capital facilities.

DIVIDEND POLICY

After completion of the Global Offering, our Company's Shareholders will be entitled to receive dividends declared by our Company. The declaration of, payment and amount of dividends will be subject to the discretion of our Directors and will be dependent upon our Company's future operations and earnings, financial condition, capital requirements and surplus, contractual restrictions, payments by subsidiaries of cash dividends to our Company and other factors that our Directors deem relevant. In addition, the controlling shareholder (as defined in the Listing Rules), subject to our Company's Bye-laws, will be able to influence our Company's dividend policy.

Subject to the factors described above, our Company's Directors expect that, in the future, interim and final dividends will be paid from time to time in an aggregate amount of approximately 30% of profits attributable to our Shareholders. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

TREATMENT OF GLENEALY FOR THE PURPOSE OF OUR COMPLIANCE WITH THE LISTING RULES

Our subsidiary, Lingui, holds a 36.42% shareholding interest in Glenealy, an associate of our Group listed on the Malaysia Stock Exchange, whose principal business is the operation of oil palm plantations. Glenealy has been accounted for as an associated company of our Group under IFRS. The Stock Exchange has requested that, as a condition to our listing on the Stock Exchange, Glenealy be treated in a manner consistent with the regulation of subsidiaries of a listed group for the purposes of application of the Listing Rules to our Company.

We will, accordingly, treat Glenealy, our associated company, as if it were our subsidiary for the purpose of our compliance with the Listing Rules. As a result, Glenealy will be subject to requirements that apply to our subsidiaries under the Listing Rules following our Listing including, but not limited to, the following requirements under the Listing Rules:

- continuing obligations (Chapter 13 of the Listing Rules);
- notifiable transactions (Chapter 14 of the Listing Rules);
- connected transactions (Chapter 14A of the Listing Rules);
- share option schemes (Chapter 17 of the Listing Rules); and
- spin-off applications (Practice Note 15 of the Listing Rules).

For the purpose of the "Business — Connected Transactions" section of this prospectus in relation to the application of relevant provisions of Chapter 14A of the Listing Rules, we have treated Glenealy as if it were our subsidiary for the purpose of our compliance with the Listing Rules and have sought waivers from the Stock Exchange on the relevant provisions of the Listing Rules. See transactions 15 and 22 in the "Business — Connected Transactions" section.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms".

"Anhui Hualin"	Anhui Hualin Woodbased Panel Co., Ltd. (安徽華林人造板有限公司), a company incorporated under the laws of the PRC, which is owned as to 53.5% by SIL and is one of the Remaining Businesses
"Anhui Tongling"	Anhui Tongling Anlin Wood Plantation Co., Ltd. (安徽銅陵安林木業有限公司), a company incorporated under the laws of the PRC, which is a wholly-owned subsidiary of SIL and is one of the Remaining Businesses
"Application Form(s)"	white application form(s) and yellow application form(s), or where the context so requires, any of them
"associate"	has the meaning ascribed thereto under the Listing Rules
"Board of Directors" or "Board"	the board of directors of our Company
"Business Day"	any day (other than Saturday and Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
"Bye-laws"	the Bye-laws of our Company, conditionally adopted on February 12, 2007 and as amended from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CFK"	Chandler Fraser Keating Limited
"Companies Act"	the Companies Act 1981 of Bermuda
"Company" or "our Company" or "SGL"	Samling Global Limited, an exempted company incorporated in Bermuda with limited liability on June 27, 2005 under the Companies Act, or where the context refers to any time prior to its incorporation, those businesses and operations which its predecessors were engaged in and which were subsequently assumed by it pursuant to the Reorganization in contemplation of the Global Offering

"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and in the context of our Company, means Datuk Yaw Teck Seng, Yaw Chee Ming, Yaw Holding Sdn. Bhd. and Samling Strategic (and where the context requires, includes companies controlled by them)
"Credit Suisse"	Credit Suisse (Hong Kong) Limited, deemed licensed for type 1 (dealing in securities) regulated activity, type 4 (advising on securities) regulated activity and type 6 (advising on corporate finance) regulated activity under the SFO
"Director(s)"	the director(s) of our Company
"FAO"	the Food and Agriculture Organization of the United Nations
"FIC"	the Foreign Investment Committee of the Economic Planning Unit of the Prime Minister's Department of Malaysia
"Foothill"	Foothill LVL & Plywood (Cangshan) Co., Ltd. (魯林木業(蒼山)有限公司), a company incorporated under the laws of the PRC on November 26, 2002, and a wholly-owned subsidiary of our Company
"FSC"	Forest Stewardship Council, a non-profit organization devoted to encouraging the responsible management of the world's forests. Through consultative processes, it sets international standards for responsible forest management and accredits independent third party organizations who can certify forest managers and forest product producers to FSC standards
"GDP"	gross domestic product
"Glenealy"	Glenealy Plantations (Malaya) Berhad, a company incorporated in Malaysia on May 14, 1959 and listed on the Malaysia Stock Exchange, in which Lingui held a 36.42% shareholding, and Samling Strategic, one of our Controlling Shareholders, held a 15.35% shareholding, as at the Latest Practicable Date
"Global Coordinator"	Credit Suisse
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group" or "we" or "us"	the Company and its subsidiaries and, in respect of the period before the Company became the holding company of such subsidiaries, the entities which carried on the business of the Group

"HFF"	Hikurangi Forest Farms Limited, a company incorporated in New Zealand on June 19, 1980 and a wholly-owned subsidiary of Lingui
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Hong Kong Public Offering"	the offer of Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Underwriters"	the several underwriters of the Hong Kong Public Offering listed in the section entitled "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated February 22, 2007 relating to the Hong Kong Public Offering entered into among us, the Hong Kong Underwriters and the Joint Bookrunners
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"Independent Third Party"	a party which is independent of and not connected with our Directors, substantial shareholders (within the meaning under the Listing Rules) or chief executive of our Company or any of their respective associates
"International Offering"	the conditional placing by the International Underwriters of the International Offering Shares with institutional and professional investors, as further described in the section headed "Structure of the Global Offering"

"International Offering Shares"	the 945,000,000 Shares initially being offered by us for subscription at the Offer Price under the International Offering, subject to adjustment as described in the section headed "Structure of the Global Offering"
"International Purchase Agreement"	the international purchase agreement relating to the International Offering and to be entered into among us and the Joint Bookrunners (in connection with which the Joint Sponsors are acting as representatives of the International Underwriters) on or around March 1, 2007
"International Underwriters"	the several underwriters of the International Offering named in the International Purchase Agreement, led by the Global Coordinator
"ITTO"	the International Tropical Timber Organization
"JAS"	Japanese Agricultural Standards
"JIS"	Japanese Industrial Standards
"Joint Bookrunners"	Credit Suisse, Macquarie and HSBC
"Joint Sponsors"	Credit Suisse and Macquarie
"Latest Practicable Date"	February 15, 2007, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information
"Lingui"	Lingui Developments Berhad, a company incorporated in Malaysia on December 27, 1967 and listed on the Malaysia Stock Exchange, in which our Company owned a 59.69% interest as at the Latest Practicable Date
"Lingui Group"	Lingui and its subsidiaries
"Lingui SPA"	a sale and purchase agreement dated July 13, 2005 (as supplemented by agreements dated February 15, 2006 and April 18, 2006, respectively) entered into between Samling Strategic, Megadasa Sendirian Berhad and Strategic Corporation Sdn. Bhd. as vendors, and our Company as purchaser, in relation to the sale and purchase of an aggregate of 262,985,001 ordinary shares of RM0.50 each in Lingui, representing 39.87% of the issued share capital of Lingui as at July 13, 2005
"Listing"	the listing of the Shares on the Stock Exchange

"Listing Date"	the date on which dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Macquarie"	Macquarie Securities Limited, a licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) of the regulated activities as defined in the SFO
"MAF"	Ministry of Agriculture and Forestry of New Zealand
"Malaysia Stock Exchange"	Bursa Malaysia Securities Berhad
"Malaysia Takeovers Code"	the Malaysian Code on Take-overs and Mergers 1998 (as amended from time to time)
"Masonite"	Masonite International Corporation, a global building products company incorporated under the laws of the Province of Ontario, Canada with its headquarters in Florida, U.S., an Independent Third Party
"Memorandum of Association"	the memorandum of association of our Company adopted on June 29, 2005 as amended from time to time
"MITI"	the Ministry of International Trade and Industry of Malaysia
"MTCC"	The Malaysian Timber Certification Council, an independent non-profit organization established to plan and operate a voluntary national forest certification scheme to provide assurance to buyers of Malaysian timber products that the products have been sourced from certified forests
"Offer Price"	the final Hong Kong dollar price per Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be sold pursuant to the Hong Kong Public Offering, to be determined as further described in "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Shares"	the Public Offer Shares and the International Offering Shares together, where relevant, with any additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option to be granted by us to the International Underwriters, exercisable by the Global Coordinator (on behalf of the International Underwriters) under the International Purchase Agreement pursuant to which we may be required by the Global Coordinator (on behalf of the International Underwriters) to allot and issue up to an aggregate of 157,500,000 additional Shares, representing in aggregate 15% of the initial Offer Shares, at the Offer Price, to, amongst other things, cover over-allocations in the International Offering, if any
"PDT"	Perkapalan Damai Timur Sdn. Bhd., a company incorporated under the laws of Malaysia, an existing shareholder of our Company and held as to 40% by Wan Morshidi Bin Tuanku Abdul Rahman, who is a director of certain of our subsidiaries
"Pöyry"	Pöyry Forest Industry Pte Ltd, an independent technical consultant engaged by our Company to review our forestry and processing operations
"PRC" or "China"	the People's Republic of China and, except where the context requires and only for the purpose of this prospectus, references in this prospectus to the PRC or China do not apply to Taiwan or the Hong Kong and Macau Special Administrative Regions
"Premier Woodworking"	Premier Woodworking (Anqing) Corporation (安徽中林木業有限公司), a company incorporated under the laws of the PRC, which is owned as to 75% by Anhui Hualin and is one of the Remaining Businesses
"Price Determination Date"	the date, expected to be on or around Thursday, March 1, 2007 but no later than Monday, March 5, 2007 on which the Offer Price is fixed for the purposes of the Global Offering
"Principal Share Registrar"	Butterfield Fund Services (Bermuda) Limited
"Public Offer Shares"	the 105,000,000 Shares initially being offered by us for subscription at the Offer Price under the Hong Kong Public Offering, subject to adjustment as described in the section headed "Structure of the Global Offering"
"Qianshan Hualin"	Qianshan Hualin Woodworking Corporation (潛山華林木業有限公司), a company incorporated under the laws of the PRC, which is owned as to 99% by Anhui Hualin and is one of the Remaining Businesses

"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"Remaining Businesses"	the timber and timber product-related businesses excluded from our Group and carried on by Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd., Hormat Saga Sdn. Bhd., Adat Mayang Sdn. Bhd., Anhui Hualin, Qianshan Hualin, Premier Woodworking, Anhui Tongling, Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited in which our Controlling Shareholders are interested
"Reorganization"	the reorganization of the businesses comprising our Group in preparation for the Listing, as described in the section headed "Our History and Corporate Structure — Reorganization of our Company" and the section headed "Reorganization" in Appendix VIII of this prospectus
"Ringgit" or "RM"	Malaysian Ringgit, the lawful currency of Malaysia
"Riverside"	Riverside Plywood Corporation (三林合板(南通)有限公司), a company incorporated under the laws of the PRC on August 13, 2002, and a wholly-owned subsidiary of our Company
"Rule 144A"	Rule 144A under the US Securities Act
"Samling Strategic"	Samling Strategic Corporation Sdn. Bhd., a company incorporated under the laws of Malaysia wholly-owned by Yaw Holding Sdn. Bhd., and one of our Controlling Shareholders
"Samling Strategic Licensed Group"	Samling Strategic and the companies which may come under its direct or indirect control, excluding ourselves and our subsidiaries and associated corporations
"Sarawak"	the State of Sarawak, Malaysia
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares issued by the Company, with a nominal value of US$0.10 each

"Shareholder(s)"	holder(s) of our Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company pursuant to the resolutions passed by our Shareholders on February 2, 2007 and our Directors on February 4, 2007, a summary of the principal terms of which is set out in the paragraph headed "Share Option Scheme" in Appendix VIII
"SIL"	Samling International Limited, a company incorporated under the laws of the States of Jersey on November 5, 1992 which is owned as to 99.9% by Datuk Yaw Teck Seng and as to 0.1% by Yaw Chee Ming
"SST"	Syarikat Samling Timber Sdn. Bhd., a company incorporated under the laws of Malaysia on October 26, 1976 and a wholly-owned subsidiary of our Company
"STIDC"	Sarawak Timber Industry Development Corporation, a government authority in Sarawak, Malaysia that controls and co-ordinates the manufacturing standards and trade practices of Sarawak timber industries and makes recommendations to the Sarawak state government as to the methods, measures and policies to be adopted to facilitate the improvement of the existing timber industry in Sarawak, Malaysia
"Stock Borrowing Agreement"	a stock borrowing agreement expected to be entered into between Credit Suisse and Samling Strategic, pursuant to which Samling Strategic will agree to lend up to 157,500,000 Shares to Credit Suisse on the terms set out therein, further details of which are set out in the section headed "Information about this Prospectus and the Global Offering — Stabilization" in this prospectus
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tapah"	Tapah Plantation Sdn. Bhd., a company incorporated under the laws of Malaysia, an existing shareholder of our Company and an Independent Third Party
"Track Record Period"	the period comprising the three years ended June 30, 2006 and the three months ended September 30, 2006
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement
"United Kingdom" or "U.K."	the United Kingdom of Great Britain and Northern Ireland
"United States" or "U.S."	the United States of America, including its territories and possessions
"US$" or "U.S. Dollars"	United States dollars, the lawful currency of the United States
"US person" or "US persons"	has that definition ascribed to it in Rule 902 of Regulation S
"US Securities Act"	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"WWF"	World Wild Fund for Nature, an independent conservation organization based in Switzerland and operating in more than 100 countries aiming to stop the degradation of the world's natural environment

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"acacia"	a hardwood tree specie that can be used for industrial, medicinal, ornamental and culinary purposes
"bindang"	a softwood tree specie used for interior finishing, decorative paneling, high-class joinery and cabinet work, fancy veneer and plywood, furniture, drawing board and pattern-making
"CE Marking"	a European product marking showing that a product complies with the Construction Products Directive 89/106/EC
"CIF"	"cost, insurance, freight", a trade term requiring the seller to arrange for the carriage of goods by sea to a port of destination, and provide the buyer with the documents necessary to obtain the goods from the carrier
"CNF"	"cost and freight", a trade term requiring the seller to arrange for the carriage of goods by sea to a port of destination and provide the buyer with the documents necessary to obtain the goods from the carrier. Under CNF, the seller does not have to procure marine insurance against the risk of loss or damage to the goods during transit
"concession"	an area of land licensed from a relevant government for the production and export of logs in accordance with guidelines and restrictions set by the respective government
"coupe"	a sub-division of a concession area for harvesting
"douglas-fir"	a softwood tree specie whose wood is dense, hard, stiff, durable and strong. It is a multi-use species which can be used for sawn timber, veneer, plywood and pulp and paper as well as further value added products
"fiberboard"	a type of board composed of wood fiber bonded together with resin and compressed into boards
"FOB"	"free on board", a trade term requiring the seller to deliver goods on board a vessel designated by the buyer. The seller fulfils his obligations to deliver when the goods have passed over the ship's rail.

"greenheart"	a high density hardwood tree specie from Guyana which is olive green or yellow in color and is used mainly for piers, piling, lock gates, docks and harbor and marine defense works. It is also used for decking
"hardwood"	timber produced from any broad-leaved trees and short fibered wood which can be temperate or tropical
"HDF"	"high density fiberboard", a fiberboard which has a higher density than MDF of 500–1,450 kg/m^3
"helicopter logging"	an aerial harvesting system whereby logs are lifted out vertically from the forest and flown to the roadside or drop zone. It is an alternative method of harvesting compared to the ground-based method of harvesting using tractors
"kabukalli"	a medium to large hardwood tree specie from Guyana. It is hard and heavy and can be used for furniture and cabinets
"kapur"	a hardwood tree specie which is usually very large. It is hard and durable and can be used for plywood, veneer, flooring and exterior joinery products
"keruing"	a hardwood tree specie whose wood is moderately durable and can be used for plywood and veneer products for marine construction, heavy construction, light construction and interior construction
"khaya"	a genus of seven species of trees in the mahogany family Meliaceae, that can be used for marine construction, heavy construction, light construction, panel products and furniture
"LVL"	"laminated veneer lumber", an engineered wood products manufactured from veneers laminated together so that the grains of the veneers run parallel or overlap
"MC&I"	Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification, issued by MTCC, the standard used in Malaysia for assessing forest management practices in the permanent forest estate at forest management unit level for the purpose of certification
"MDF"	"medium density fiberboard", a fiberboard which has medium density of 160–450 kg/m^3 which is mainly used as a substitute for plywood, particleboard and solid sawn timber

"meranti"	a hardwood tree specie which is large in size and durable, it is used for plywood, general construction, furniture fittings and other purposes
"mora"	a hardwood tree specie which is durable and can be used for making industrial flooring, railroad crossties, shipbuilding and heavy construction
"net operable area"	area of forest which can be commercially logged in accordance with the relevant government rules, excluding non-commercial forest or areas of rugged and steep terrain, areas of swamps, water catchment areas, protected river zones, areas of shifting agriculture, areas reserved for the indigenous population or other environmental reserves
"net plantable area"	area of plantation which can be commercially planted, excluding greenbelt areas for selective logging, areas of shifting agriculture, native customary reserve areas, reserves, buffer areas and areas for infrastructure such as roads, camps and fire breaks
"panel products"	a class of forest products sold in the form of sheets or panels of various dimensions and thickness, including softwood and hardwood plywood, particleboard, fiberboard and hardboard
"particle board"	a form of composition board made by binding wood particles, which range in size from flakes to sawdust, together with a suitable adhesive, such as a plastic resin, and pressing them to form sheets
"peeler grade logs"	peelable logs which can be used for veneer and plywood manufacture
"plywood"	a glued wood panel made up of thin layers of veneer with the grain of adjacent layers at right angles, or of veneer in combination with a core of lumber or of reconstituted wood
"primary forest"	a forest which is naturally standing and which has never been logged. Primary forests include those that are used inconsequentially by indigenous and local communities living traditional lifestyles relevant for the conservation and sustainable use of biological diversity
"pruning"	the practice of removing limbs/branches from the stem of the tree to enable the tree to produce larger quantities of clearwood upon manufacturing into end products

"pulp grade logs"	lower quality logs which are suitable for use in the manufacture of pulp and paper products
"purpleheart"	a hardwood tree specie which has a deep purple color. The wood is highly durable and can be used for fine inlay work, fine furniture and cabinetry, parquet flooring, decorative and figured veneer, and many specialty items such as handles, billiard cue butts and carving
"radiata pine"	a softwood tree specie which is suited to a considerable range of growing conditions and is easily raised and planted. It can be readily sawn, peeled, or converted to pulp, has good nail-holding power, works well, can be easily stained, and when treated with preservatives, is suitable for long-life applications in the ground
"rated production capacity"	the estimated production capacity for a machine based on the design capacity of the machine, determined based on an assumed number of days of operation over a prescribed period and for certain products, an assumed type of product mix
"reconstituted panel products"	wood panel products produced by processes involving pressure, adhesives and binders
"reduced impact logging"	the use of site-sensitive harvesting techniques to minimize environmental damage
"rotary lathe"	a piece of machinery which rotates to produce a continuous veneer ribbon of uniform thickness for shaping articles of wood, metal, or other material, by causing them to revolve while acted upon by a cutting tool
"rubber" or "rubberwood"	a hardwood tree specie which has good gluing properties, good dimensional stability and accepts stains and clear finishes evenly
"salvage logs"	merchantable timber harvested during the land clearing operation associated with the establishment of plantations
"sawmill grade logs"	logs which are suitable for conversion into a variety of lumber products through sawing in a sawmill
"sawn timber"	timber that has been cut into boards for construction or furniture making

"selangan batu"	a hardwood tree specie whose wood is durable and is suitable for heavy construction, bridges, wharves, railway sleepers, piling, keels, framework of boats, dock blocks, fenders, framework of carriages, door and window frames, heavy-duty flooring and heavy-duty furniture
"SFM" or "sustainable forest management"	the process of managing forest to achieve one or more clearly specified objectives of management with regard to the production of a continuous flow of desired forest products and services without undue reduction of its inherent values and future productivity and without undue undesirable effects on the physical and social environment
"veneer"	thin timber sheets of uniform thickness peeled by rotary lathe cutting a log, sliced or sawn from sawn timber and logs. It can be used for a number of purposes including production of plywood, paneling and LVL furniture
"woodflow"	a technical term to describe the amount of wood being harvested from a forest (plantation or natural forest). It may be expressed either as a total cumulative amount over numerous periods or as an annual figure. Woodflows are normally constrained by a combination of the capacity of the forest to produce, management intentions and in specific cases imposed quotas

You should carefully consider all of the information in this prospectus and the risks and uncertainties involved in an investment in the Shares, including but not limited to the risks and uncertainties described below. These risks could cause investors to lose all or part of their investment.

RISKS RELATING TO OUR BUSINESS

Our concession and harvesting rights, tree plantations and production facilities in Malaysia, Guyana, New Zealand and the PRC are subject to significant regulation, and our business, financial condition and results of operations could be adversely affected by regulatory changes in these countries.

We have concession rights in Malaysia and Guyana and we own, lease or license large areas of land in New Zealand and Malaysia for existing and future tree plantations. As at September 30, 2006, we had gross forest concession areas totaling approximately 1.4 million hectares in Malaysia and approximately 1.6 million hectares in Guyana and had harvesting rights for a further 445,000 hectares in Guyana. In addition, we own, lease or hold forestry licenses for land in New Zealand and Malaysia for existing and future tree plantations and have production facilities in Malaysia, Guyana and the PRC.

Our business activities in Malaysia, Guyana, New Zealand and the PRC are subject to significant regulation, particularly with respect to our concession and harvesting rights. National, state, provincial and local government policies and regulations in Malaysia, Guyana, New Zealand and the PRC differ and can significantly affect our concession and harvesting rights, plantations and operations. For details regarding the regulation of our business activities in Malaysia, Guyana, New Zealand and the PRC, respectively, see "Regulation of our Industry — Malaysia Regulatory Overview", "Regulation of our Industry — New Zealand Regulatory Overview", "Regulation of our Industry — Guyana Regulatory Overview" and "Regulation of our Industry — PRC Regulatory Overview". Significant regulatory changes in any of these jurisdictions, including but not limited to changes in our concession and harvesting rights and royalty obligations, applicable environmental legislation and regulations, taxation policy, or any conditions attached to any of our permits or licenses may have a material adverse effect on our business, financial condition and results of operations.

Our concessions, harvesting rights, plantations and production facilities are subject to environmental regulations.

Our operations are subject to a wide range of environmental laws and regulations. The various jurisdictions in which we operate have various laws and regulations applicable to the environment. Such laws and regulations have an impact on our business. Violations of such laws and regulations may result in civil penalties (such as fines and recovery of costs), remediation expenses, potential injunctions and prohibition orders and, in some jurisdictions, criminal penalties. The activities which are subject to regulation include, but are not limited to, forestry activities, including harvesting, land clearing for plantations, planting and road building in forest areas and the emission or discharge of pollutants or wastes into the soil, water or atmosphere.

Laws and regulations protecting the environment and wildlife have generally become more stringent in recent years and could become more stringent in the future. These laws and regulations require us to obtain certain licenses before we are permitted to occupy certain prescribed premises and/or carry out certain prescribed activities as described above. These laws also cover the protection of endangered or threatened species which may exist on our concessions or plantations. Some of these environmental laws and regulations could impose significant costs, expenses, penalties and liabilities on us for violations of existing conditions attached to our licenses whether or not we caused or knew about them. Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to the person's negligence or fault. Compliance with, or damages or penalties for violating, current and future environmental laws and regulations could result in reduced supply of timber for harvesting, may affect our downstream operations and may force us to incur significant expenses, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Any strengthening of these environmental laws and regulations in Malaysia, Guyana, New Zealand or the PRC, or changes in the manner of interpretation or enforcement of such existing laws or regulations, could adversely impact our operations by increasing our compliance costs and potential liabilities in connection with such laws and regulations, including additional capital or operating expenditures, which may place additional demands on our liquidity and adversely affect our results of operations.

Any inability to renew or secure new forest concessions, harvesting rights, plantation licenses and forestry rights upon their expiration or termination could reduce our future revenues.

We are dependent on the retention of forest concessions, harvesting rights, plantation licenses and forestry rights for the conduct of our business. As at September 30, 2006, we had gross forest concession areas totaling approximately 1.4 million hectares in Malaysia and approximately 1.6 million hectares in Guyana and had harvesting rights for a further 445,000 hectares in Guyana. We cannot assure investors, however, that we will be able to retain such rights and licenses or that applicable requirements for the retention of such rights and licenses will remain unchanged in the future.

As at September 30, 2006, we held 15 forest concessions in the Malaysian state of Sarawak and one forest concession in the Northwest District and Mazaruni-Potaro District in the Northwest region of Guyana. The governments in Malaysia and Guyana may unilaterally terminate or reduce the size of our concessions in certain circumstances specified in the concession licenses, for reasons such as public security, environmental preservation, social policy or pursuant to certain laws. Under our concession licenses, the relevant government authority in Malaysia and Guyana may also terminate the licenses due to a serious violation by us of our contractual obligations. In addition, upon the expiration or termination of our concession licenses, we will be required to surrender to the relevant government authority substantially all of the infrastructure assets constructed by us (such as roads, bridges and log ponds) on the land to which these concessions relate.

We also hold six plantation licenses for the development of approximately 438,000 hectares in the Bintulu, Baram and Lawas regions of Malaysia and hold various rights (consisting primarily of freehold rights, but also including leasehold, forestry and cutting rights) over a radiata pine plantation located on the East coast of the North Island of New Zealand near the city of Gisborne covering a gross area of approximately 35,000 hectares comprising 19 forests.

There can be no assurance that in the event of any terminations or reduction of our rights, particularly our concession licenses, that we will receive any compensation to offset lost revenues we may have generated had we been allowed to maintain our operations on such lands, or to reimburse us for improvements made by us upon such land. If we are unable to renew our forest concessions, harvesting rights, plantation licenses and forestry rights upon their expiration or termination or secure new such rights, our revenues in the future may be reduced and our business, financial condition and results of operations may be materially and adversely affected.

We operate in countries where changes in government royalties, fees, premiums and other taxes payable under forestry regulations could increase our operating costs.

The forestry regulations of many countries impose government royalties, fees, premiums and other taxes on firms that harvest wood within their borders. In our case, we pay royalties to the Sarawak state government and the Government of Guyana based on the volume by species of log harvested. We also pay premium taxes to the Sarawak Forest Department for logs extracted from our Malaysian concessions. We paid government royalties, fees, premiums and other taxes under applicable forestry regulations totalling US$31.4 million, US$34.4 million, and US$30.0 million in the financial years ended June 30, 2004, 2005 and 2006, respectively. We paid government royalties, fees, premiums and other taxes under applicable forestry regulations totalling US$7.3 million and US$9.7 million during the three months ended September 30, 2005 and 2006, respectively. Unanticipated changes in government royalties, fees, premiums and other taxes payable under forestry regulations in any of the countries in which we operate, including increases in royalty payments or changes in the manner in which such royalties are calculated or collected, could increase our operating costs and have a material adverse effect on our financial condition and results of operations.

We market and sell our products to various countries and our international operations subject us to various business, economic, political, regulatory and legal risks.

We conduct our business operations predominantly in Malaysia, Guyana, New Zealand and the PRC and market and sell our products in more than 30 countries and territories, including Japan, Malaysia, Greater China (including Hong Kong and Taiwan), the U.S., India, South Korea, Thailand, the U.K. and various other countries in Europe. Our extensive, multinational operations are subject to inherent risks, including, but not limited to:

- potential foreign exchange and repatriation controls on foreign earnings, exchange rate fluctuations and currency conversion restrictions;
- the obligation to comply with applicable laws and regulations in each jurisdiction, including with regards to obtaining import and export licenses;
- unexpected changes in the relevant legal and regulatory environment, including changes to import and export regulations;
- actions which may be taken by foreign governments pursuant to any applicable anti-dumping or other trade restrictions;

- difficulties and costs of staffing and managing multinational operations;

- revocations of preferential tax treatment currently afforded to us or other changes in tax policies;

- conducting business in geographic areas with underdeveloped wood-processing and transportation infrastructure;

- difficulties in establishing international brand recognition with regards to our products.

Political, economic and social developments in Malaysia, Guyana, New Zealand or the PRC may adversely affect us.

As we conduct substantial business operations, and hold substantial assets, in Malaysia, Guyana, New Zealand and the PRC, our business, prospects, financial condition and results of operations may be adversely affected by political, economic and social developments in these jurisdictions, as well as by regional events affecting these nations. Such political, economic and social developments may include, but are not limited to changes in government policies, political instability, expropriation, nullification of existing contracts, labor activism (such as general strikes), war, terrorism, riots, and changes in interest rates, foreign exchange rates, taxation, environmental regulations and import and export duties and restrictions. Any such changes in Malaysia, Guyana, New Zealand or the PRC may have a material adverse effect on our business, financial condition and results of operation.

Future movements in exchange rates may have a material adverse effect on our financial condition and results of operations.

At present, most of our export sales are denominated in U.S. dollars and some in Japanese yen, while we incur a significant portion of our costs in Malaysian Ringgit at our Malaysian operations, U.S. dollars and Guyanese dollars at our Guyanese operations, New Zealand dollars at our New Zealand operations and Renminbi in our PRC operations. Our sales and operations in Malaysia, Guyana, New Zealand and the PRC expose us to fluctuations in exchange rates among such currencies.

Foreign exchange rate fluctuations among the currencies mentioned above may result in our experiencing foreign exchange losses and hence may have a material adverse effect on our business, financial condition and results of operations. We recognized unrealized foreign exchange gains of US$4.1 million and US$5.0 million in the financial years ended June 30, 2004 and 2005, respectively, and an unrealized foreign exchange loss of US$7.5 million for the financial year ended June 30, 2006. We recognized an unrealized foreign exchange loss of US$0.7 million for the three months ended September 30, 2005 and an unrealized foreign exchange gain of US$3.7 million for the three months ended September 30, 2006. Certain of our foreign exchange gains and losses are attributable to foreign exchange translations on a U.S. dollar loan of our New Zealand plantation forest subsidiary, HFF. As HFF's functional currency is the New Zealand dollar, exchange differences on the value of HFF's U.S. dollar loans are recognized as part of our financial income and expense.

We do not enter into foreign currency swap agreements to hedge our foreign currency risk.

The exchange rate between any of the currencies mentioned above may become volatile or may change significantly in the future. Between mid-1997 and mid-1998, the Ringgit depreciated substantially in relation to the U.S. dollar. On September 1, 1998, the Malaysian government introduced a fixed exchange rate of RM3.80 to US$1.00, which represented a significant depreciation from the Ringgit's value relative to the U.S. dollar at the end of June 1997. The Ringgit's fixed exchange rate relative to the U.S. dollar remained in effect until July 21, 2005, when Bank Negara Malaysia, Malaysia's central bank, announced that, with effect from such date, the exchange rate of the Ringgit would be allowed to operate in a managed float. If in the future the Ringgit is permitted to enter into a full float, this may result in a change in the value of the Ringgit against the U.S. dollar and other currencies, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to maintain or renew our existing forest management and chain of custody certifications or to obtain new certifications with regards to additional forest areas or wood products.

Certain of our large retail distribution customers prefer to purchase certified wood products. Such a trend is most apparent in developed markets in Europe and North America, and may become more pronounced in the future with respect to retailers operating in these markets. Any inability on our part to offer for sale sufficient volumes of certified wood products may result in the loss of business opportunities to competitors able to offer certified wood products for sale in greater volume in these markets. We can provide no assurance that we will be able to maintain or renew our existing certifications, including reinstating any such certifications which are suspended, or obtain new certifications with regards to additional concessions, plantations or wood products.

We currently have forest management certifications with respect to certain of our forest areas in Malaysia and for our plantation areas in New Zealand, which have been issued by the MTCC with regards to such forest areas in Malaysia and by the FSC with regards to our plantations in New Zealand. We have also obtained chain of custody certifications for certain of our wood products. Our forest management and chain of custody certifications enable us to build brand identity and to meet increasing market demand for certified wood products. Such certifications are voluntary and we believe our efforts towards obtaining such certifications give us a competitive advantage over our competitors which do not have such certifications. In order to maintain such certifications once issued, we must satisfy ongoing compliance requirements, including surveillance audits. During the course of such reviews, areas of non-compliance may be identified and corrective action requests (CARs) may be issued by the relevant reviewing body. Failure to timely implement corrective measures in response to such CARs may result in the suspension or withdrawal of such certification.

As at September 30, 2006, we had gross forest concession areas totaling approximately 1.4 million hectares in Malaysia and approximately 1.6 million hectares in Guyana and have harvesting rights for a further 445,000 hectares in Guyana. In addition, we own, lease or hold forestry licenses for land in New Zealand and Malaysia for existing and future tree plantations. The total gross area of our tree plantation land is approximately 438,000 hectares in Malaysia and 35,000 hectares in New Zealand of which approximately 11,000 hectares and 26,000 hectares, respectively, have been planted. However, only certain of our forest areas have received any forest management certifications. Specifically, as at the Latest Practicable Date, approximately 56,000 hectares (or 3.9%) of our gross forest concession area of approximately 1.4 million hectares in Malaysia and 35,000 hectares (or 100%) of our gross plantation area of approximately 35,000 hectares in New Zealand had received any forest management certifications.

From February 17, 2006 to January 9, 2007, 570,000 hectares (or 35.4%) of our gross forest concession area of approximately 1.6 million hectares in Guyana were certified for forest management by the FSC. This certification was suspended on January 9, 2007 following a compliance review audit which resulted in the issuance of five major CARs. At the conclusion of the surveillance audit in November 2006, CARs were issued and discussed with us which required improvements relating primarily to worker amenities, staff health and safety practices, monitoring of non-timber activities within operational areas, maintenance of buildings and vehicles, fire safety and signage, as well as minor issues relating to road building and maintenance of a website to publish a summary of the forest management plan and monitoring results. As at the Latest Practicable Date, we are still working with the independent assessor and the FSC to resolve the CARs and our FSC certification in Guyana remains suspended. During our suspension, we continue to produce and sell logs from our forest concession in Guyana, but such logs will not be sold as FSC-certified logs. In the event that we do not resolve the CARs, our suspended FSC certification in Guyana may be withdrawn.

As future surveillance audits conducted in connection with our existing forest management certifications may result in the identification of areas of non-compliance from time to time, we can provide no assurance that in the future CARs will not be issued in connection with our existing forest management certifications. Moreover, we can provide no assurance that additional CARs will not be issued in the future in connection with our suspended FSC certification in Guyana.

As at the Latest Practicable Date, we had not obtained any forest management certifications for our tree plantations in Malaysia of a gross area of approximately 438,000 hectares, or for the gross area of approximately 445,000 hectares in Guyana over which we hold harvesting rights which expire on varying dates between 2010 and 2015 and for which we will require the cooperation of third party concession holders for certification of those areas. In Malaysia, currently there is no recognized certification scheme for plantation management.

Our production of certified logs from Malaysia, Guyana and New Zealand for the financial year ended June 30, 2006 was approximately 1,500 m^3 of MTCC certified logs from Malaysia, 28,000 m^3 of FSC certified logs from Guyana and 96,000 m^3 of FSC certified logs from New Zealand, respectively. By comparison, our total log production from our concessions and plantations in Malaysia, Guyana and New Zealand for the financial year ended June 30, 2006 was approximately 1,858,000 m^3 of logs from Malaysia, 218,000 m^3 of logs from Guyana and 96,000 m^3 of logs from New Zealand, respectively. If we are unable to maintain, renew or reinstate our existing certifications or to successfully obtain additional forest management and chain of custody certifications, we may not be able to compete effectively in the sale of certified wood products against competitors able to sell certified wood products in greater amounts in markets with demand for such products, thereby adversely affecting our business, revenues and results of operations. Moreover, the suspension or withdrawal of certifications, such as our FSC certification presently suspended in Guyana, may result in adverse publicity with regards to our business, adversely affect market perceptions of us and our products, and adversely affect our business.

See "Regulation of Our Industry — Overview of Criteria Relating to our Certifications", "Business — Sustainable forest management and environmental protection measures" and "Business — Forest management certification and collaboration with third party research and development institutes" for further information regarding our certifications and certification generally.

Our results may fluctuate due to revaluation gains or losses on our plantation assets and those of our associate, Glenealy.

Under IAS 41, we are required to reassess the fair value of our plantation assets less estimated point-of-sale costs at each balance sheet date. As there is no active market for such tree plantations, we determine their fair value using a net present value approach based on the projected net cash flows derived from the asset in the future. The aggregate gain or loss arising from the initial recognition of tree plantation assets and from the change in the fair value of such assets, less estimated point-of-sale costs, is recognized in our profit and loss statement as profit or loss, as the case may be. Any such profit reflects only unrealized gain on our plantation assets as at the relevant balance sheet date and does not generate actual cash inflow to us unless such plantation assets are disposed of at such revalued amounts.

We engaged independent forestry asset valuers to determine the fair value of our tree plantations in Malaysia and New Zealand during the Track Record Period. In valuing our plantations using such net present value approach, a number of key assumptions are made by our independent valuers. These key assumptions include the relevant discount rate applied by our independent valuers, market prices for each grade of log produced, changes in production costs, natural tree growth, and the rate of harvesting and planting of trees at our plantations, among others, which we use to make such net present value calculation. See "Financial Information — Factors Affecting Results of Operations — Change in fair value of plantation assets less estimated point-of-sale costs" and "Financial Information — Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" for further information.

In the 2004, 2005 and 2006 financial years, respectively, we incurred a US$10.4 million unrealized gain, a US$14.8 million unrealized loss and a US$15.3 million unrealized loss due to changes in fair value of plantation assets less estimated point-of-sale costs. In the three months ended September 30, 2005 and 2006, respectively, we incurred a US$1.8 million unrealized gain and a US$1.2 million unrealized gain due to changes in fair value of plantation assets less estimated point-of-sale costs. Our results from period to period may vary due to revaluation gains or losses required to be calculated as at each balance sheet date under IAS 41, reflecting fluctuations in prevailing market conditions. As a result, we cannot assure you that the fair value of our plantation assets less estimated point-of-sale costs will not decrease in the future. Any such decrease in the fair value of our plantation assets less estimated point-of-sale costs may have an adverse effect on our results of operation.

As our plantations are located in New Zealand and Malaysia and our reporting currency is the U.S. dollar, fluctuations in foreign exchange rates between the U.S. dollar and the New Zealand dollar (our functional currency in New Zealand), and between the U.S. dollar and the Malaysian Ringgit (our functional currency in Malaysia) also may have an impact on the fair value of our plantation assets.

As with our Company, our associate, Glenealy, whose principal business is the operation of oil palm plantations, reassesses the fair value of its plantation assets less estimated point-of-sale costs at each balance sheet date. Changes in the fair value of Glenealy's oil palm plantation assets less estimated point-of-sale costs may affect its net profits and losses, and in turn our share of profit less losses of associates in Glenealy.

For the financial years ended June 30, 2004, 2005 and 2006, respectively, we recognized a US$5.0 million unrealized gain, a US$3.1 million unrealized gain and a US$2.4 million unrealized gain, respectively, as our share of changes in fair value of oil palm plantation assets less estimated point-of-sale costs in Glenealy as compared to our share of profit less losses in Glenealy, which comprised a gain of US$5.6 million, a gain of US$2.2 million and a gain of US$1.0 million during such periods. For the three months ended September 30, 2005 and 2006, respectively, we recognized a US$0.7 million unrealized loss and a US$0.4 million unrealized gain, respectively, as our share of changes in fair value of oil palm plantation assets less estimated point-of-sale costs in Glenealy as compared to our share of profit less losses in Glenealy, which comprised a loss of US$0.8 million and a gain of US$0.5 million during such periods.

Fuel shortages and increases in fuel prices may increase our operating costs.

Our extensive use of heavy equipment and machinery for log extraction from our forest areas and plantations, and for the transport of our logs and products, subjects us to the risk of increases in fuel prices. The primary petroleum-based products we utilize in our operations are diesel fuel and lubricants, which we use in connection with the operation of heavy equipment and machinery, transport vehicles and generators. Fuel prices globally have been characterized by volatility in recent years and fuel costs have represented in recent years an increasing portion of our cost of sales. Our fuel costs accounted for 7.5%, 10.6% and 14.6%, respectively, of our costs of sales for the financial years ended June 30, 2004, 2005 and 2006. Our fuel costs accounted for 13.7% and 15.4%, respectively, of our costs of sales for the three months ended September 30, 2005 and 2006. Fuel prices are affected by various economic and political factors beyond our control. In particular, factors such as the rising global demand for, or supply shortages of, crude oil may result in upward pressure on the price of the petroleum-based fuels we use. If our cost of fuel experiences further increases and we are not able to pass on such increases to our customers or if shortages occur, our business, financial condition and results of operations may be materially adversely affected.

Limited transportation capacity and increases in the price of transportation services may affect our sales.

Our wood products are transported to over 30 countries and territories around the globe from our operations in Malaysia, Guyana, New Zealand and the PRC. Our log exports are primarily carried out free on board, or FOB, to local ports. Our customers generally rely on third party transportation providers to ship our logs by ocean freight from such ports. We incur freight charges primarily in connection with plywood and veneer exports, also using third party transportation networks. We incurred ocean freight charges of US$22.4 million, US$27.5 million, US$25.2 million, US$7.9 million and US$7.5 million, respectively, for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006. There can be no assurance, however, that the capacity of these third party transportation networks will be sufficient to meet our and our customers' needs. Limitations in the capacity of such third party transportation networks have resulted in our and our customers experiencing increased transportation costs and periodic unavailability of transportation for our products, particularly for long-haul ocean freight. Transportation availability and prices for ocean freight services are affected by global demand and supply factors largely outside our and our customers' control. The availability and price of transportation services for our products may adversely affect sales of our products, thereby adversely affecting our results of operations.

A significant portion of our sales are for use in the housing and building construction sectors which exposes us to downturns in these sectors.

We rely on exports of logs, plywood and veneer for a significant portion of our revenues, comprising 65.2%, 69.9% and 71.2%, respectively, of our total revenues for the three financial years ended June 30, 2004, 2005 and 2006, or US$237.5 million, US$285.7 million and US$276.8 million in such years, respectively. Our export revenues for logs, plywood and veneer accounted for 66.7% and 77.4%, respectively, of our total revenues for the three months ended September 30, 2005 and 2006, or US$65.4 million and US$112.1 million in such three month periods, respectively.

A significant portion of the end users of our exported wood and wood products purchase our products for use in housing and building construction activities, particularly in Japan, Greater China (including Hong Kong and Taiwan), the U.S. and India, which we consider to be our primary markets for housing and building construction. Sales of logs, plywood and veneer to such export markets together comprised 76.3%, 77.2% and 75.8% of our export sales for the three financial years ended June 30, 2004, 2005 and 2006, or US$181.3 million, US$220.7 million and US$209.9 million in such years, respectively. Sales to such export markets together comprised 74.1% and 84.5%, respectively, of our export sales of logs, plywood and veneer for the three months ended September 30, 2005 and 2006, or US$48.5 million and US$94.7 million in such three month periods, respectively.

If the level of housing and building construction in these export markets declines, the demand for our products from customers in these export markets may decrease, thereby having material adverse effect on our revenues.

Abnormally high or prolonged levels of rain at our forest locations may adversely impact our capacity to extract timber

The amount of logs we are able to extract in any given year is dependent on the weather conditions at our forest locations during that year. In particular, the logging of timber at our concessions and the trucking of such logs to our riverbank log ponds for further transport require roads that are generally dry. Historically, our concessions and plantations in Malaysia have usually experienced rainy seasons from November to February and our concessions in Guyana have usually experienced rainy seasons from May to July and November to January. Such weather patterns may change in the future due to global environmental and weather conditions.

Abnormally prolonged periods of rainfall or unusually intense rainfall, may have an adverse impact on the volume of logs we are able to extract. During the financial year ended June 30, 2006, a prolonged rainy season in Sarawak, Malaysia adversely impacted the total volume of logs we were able to extract from our concession areas, which decreased to approximately 1.9 million m^3 during that period from approximately 2.0 million m^3 for the financial year ended June 30, 2005. Our revenue from logs extracted from Sarawak decreased by US$16.5 million, or approximately 13.9%, to US$102.2 million for the financial year ended June 30, 2006 from US$118.7 million for the financial year ended June 30, 2005. The decrease in logs extracted also impacted the supply of logs available to our downstream wood product operations, which impacted further the results of our downstream operations. If we experience abnormally high or prolonged levels of rain at our logging operations in Malaysia, New Zealand or Guyana in the future, it may reduce the volume of logs we are able to extract from our concessions and/or plantations, which may have a material adverse effect on our business, financial condition and results of operations, including our log export revenues and revenues from downstream operations.

Our woodflows from our concession areas in Sarawak are effectively constrained by royalties, annual quotas established by, and annual harvesting plans which are subject to regulatory approval by, the Sarawak Forestry Corporation.

Logs harvested by us in Sarawak are required to be assessed for royalties before they may be used by us or sold by us to third parties. With certain exceptions, the maximum volume of logs we may harvest from our concession areas in Sarawak on which royalties may be assessed are subject to annual quotas established by the Sarawak Forestry Corporation. In addition, we are required to submit an annual harvesting plan for each concession to the Sarawak Forestry Corporation for its approval, specifying, among other things, the coupes in which we may conduct harvesting operations and the expected sustainable yield volumes for our harvesting. Our log harvesting must be conducted in accordance with such harvesting plans, which are subject to regulatory approval by the Sarawak Forestry Corporation. Our annual quotas are determined with reference to our annual harvesting plans.

Our annual quotas establish the maximum volume of logs harvested using ground-based harvesting methods with tractors permitted to be assessed for royalties for any 12 month period beginning July 1 of each year from our concession areas in Sarawak. Our annual quota only applies to "quota logs" and not logs harvested by helicopter logging from high or inaccessible terrain areas, salvage logs harvested from clearing of areas for tree plantations, or logs harvested by us but held in stock pending royalty assessment in the following financial year. However, we derive only limited log production from our harvesting activities in Sarawak not subject to annual quotas. During the Track Record Period, our production of logs in Sarawak not subject to annual quotas has been significantly less than our production of logs subject to annual quotas. See "Business — Our Upstream Timber Operations Business — Natural forest concessions — Malaysia" for further information.

In addition, our production of logs not subject to annual quotas may vary significantly from year to year due to a variety of factors. For example, we usually derive salvage logs from any tree plantation area only once, when the plantation land is initially cleared. As a result, our production of salvage logs may vary significantly from year to year, in line with our tree plantation clearance activities. Also, our production volumes from helicopter logging are limited due to various factors such as constraints on the special type of helicopters suitable for such work, limited flying hours to perform such tasks and higher costs associated with helicopter logging when compared with ground-based harvesting. We as a result only engage in helicopter logging to extract high value species of timber from difficult or inaccessible terrain areas within our concessions. Our production of logs from helicopter logging may vary significantly from year to year as we may have difficulty in identifying sufficient volumes of logs suitable for helicopter logging. See "Business — Our Principal Businesses" for information as to our log production volumes during the Track Record Period from "quota logs", helicopter logging, salvage logs and logs harvested but held in stock pending royalty assessment in the following year. See also "Business — Our Upstream Timber Operations Business — Tree Plantations — Malaysia" and page VI-98 of the Independent Technical Report prepared by Pöyry for estimated future average salvage log production information for the five year period from 2006 to 2010 for our plantations in Malaysia.

These royalties, quotas and harvesting plans together constrain our business and the turnover we may generate from our operations in Sarawak as they constrain the volume of logs we can use or sell to third parties from our concession areas in Sarawak. Our results of operations as a result may be adversely affected by such regulatory restrictions.

Our turnover and results are affected by seasonality.

Our turnover and results are affected by seasonality, including seasonality in the turnover of Lingui, a principal subsidiary in which we hold a 59.69% interest, which owns substantial portions of our assets in Malaysia and New Zealand and has contributed a significant portion of our turnover annually. We believe that our own turnover and results are affected by seasonality in a manner similar to that experienced by Lingui.

After elimination of intercompany transactions, Lingui's turnover accounted for 66.2%, 66.5% and 64.9% of our turnover during the financial years ended June 30, 2004, 2005 and 2006, respectively, and 64.4% and 64.1% of our turnover during the three months ended September 30, 2005 and the three months ended September 30, 2006, respectively. In general, the turnover of Lingui during each financial year historically has been weakest during the second and third quarters of its financial year, corresponding to the three months ended December 31 and March 31 of each year, as a result of holiday periods celebrated during such quarters by customers in various countries (such as Christmas and the Chinese New Year holiday). In particular, we have noted that the turnover of Lingui in the second quarter of each financial year, corresponding to the three months ended December 31 of each year, have in each year during the Track Record Period been significantly weaker than the turnover of Lingui in the first quarter of each financial year, corresponding to the three months ended September 30 of each year. In addition, Lingui's turnover is also affected by seasonal rainfall (including annual monsoons in Malaysia) and the seasonal timing of commencement of new construction activity in various nations (including Japan). Such trends, however, may not be indicative of future seasonality in Lingui's or our results or turnover, as various factors, including seasonal weather patterns and market demand, may vary from period to period or may change over time.

We are dependent on the availability of large numbers of personnel to perform labor tasks in our timber operations.

Our upstream forestry operations and some of our downstream processing operations require significant numbers of personnel to perform our operations. We require large numbers of personnel in particular to operate heavy equipment and machinery in connection with our upstream forestry operations. As at September 30, 2006, we had 4,774 employees employed in our upstream forestry operations and 7,573 employees employed in our downstream manufacturing operations.

As some of our forestry and processing operations are located in remote areas far from population centers, there is a risk that such personnel will not be available on a continuous basis. In addition, employment of our staff is subject to government regulations. For example, in Sarawak, migrant workers from Indonesia require appropriate government permits in order to be employed by us. There can be no assurance that these permits will be granted. As some of our employees in Guyana and Malaysia are members of labor unions, there is also a risk that some of our operations may be subject to work stoppages organized by such unions. Any lack of personnel availability could increase our costs and reduce our production, which may have a material adverse effect on our business, financial condition and results of operations.

We rely on a limited number of suppliers for our equipment and vehicles.

We purchase our principal logging and other related heavy equipment and vehicles from a limited number of third-party suppliers, and generally each of these suppliers acts as the sole supplier for a particular piece of heavy equipment or vehicle. Heavy equipment and vehicles comprise the most significant material we procure from our suppliers. Our principal new heavy equipment and vehicle suppliers are Caterpillar and Mercedes Benz, our purchases from which worldwide together accounted for approximately 43.1%, 50.7% and 49.7%, respectively, of our total purchases of property, plant and equipment worldwide for the years ended June 30, 2004, 2005 and 2006 and 49.9% and 43.7%, respectively, for the three months ended September 30, 2005 and 2006. In the event that we cannot obtain such heavy equipment and vehicles from our existing suppliers for any reason, we cannot assure you that we would be able to source equipment and vehicles from alternative sources, at acceptable prices or at all. Furthermore, certain equipment critical to our upstream activities has occasionally been subject to shortages in supply. We cannot assure you that such shortages will not occur in the future. Any failure to obtain adequate equipment for our upstream activities could interfere with our upstream operations, thereby also disrupting supply to our downstream operations, and may have a material adverse effect on our business, financial condition and results of operations.

We are heavily dependent on key personnel.

We depend on the continued service of our executive officers, managerial, technical and sales personnel. In particular, our senior management comprises personnel with long-standing forestry industry experience, including in upstream and downstream operations. See "Directors, Senior Management and Employees — Senior Management" for a description of the relevant experience of our senior management. If we lose the services of any of these personnel and cannot adequately replace them, our business could be adversely affected. For example, in January 2007, our General Manager (Finance) tendered his resignation, effective in April 2007. We are currently seeking a replacement, and are unable to assure investors when a permanent replacement may be identified and hired. We do not have any key man insurance in respect of any of our personnel.

In the future, we will need to recruit, train and retain additional qualified employees. If we fail to attract and retain such qualified personnel, our business and prospects may be adversely affected.

We generally do not enter into long-term sales contracts with our customers.

Our five largest customers accounted for collectively 21.4%, 22.6% and 28.0%, respectively, of our total sales for the financial years ended June 30, 2004, 2005 and 2006, and 26.8% and 29.4%, respectively, of our total sales for the three month periods ended September 30, 2005 and 2006. Consistent with common practice in the markets in which we operate, and due to factors such as fluctuations in price, supply and demand in the forestry industry as well as our customers' need for flexibility in volume, species and price terms, we generally do not enter into long-term sales contracts with customers. As we do not enter into long-term contracts with our largest customers, there can be no assurance that we will maintain or increase our sales to these customers or other large customers at current levels or at all. Any loss to competitors of a significant portion of our current sales to these major customers could have a material adverse effect on our business, financial condition and results of operations.

Our business may be adversely affected by activities, rights and claims of indigenous people living on or near our concessions and plantations and by activism of environmental groups.

The governments in Malaysia and Guyana, in which we operate certain of our concessions and plantations, allow local indigenous communities to live on or near such concessions and plantations. In the regular course of our business we have been, and may continue to be, subject to proceedings and claims brought by or on behalf of members of local indigenous communities contesting our rights, obtained through the issuance of relevant government licenses and permits, to carry out our business activities on our concessions and plantations in accordance with applicable law. See "Business — Legal Proceedings and Protests" for a description of several such currently pending proceedings against us, brought by third parties claiming native customary and other rights over such lands, including a description of the relief requested by the relevant plaintiffs. As we are subject to such proceedings and claims in the regular course of our business, we can provide no assurance that such or similar proceedings or claims will not be initiated against us in the future. In defending our rights to conduct our business on our concessions and plantations in accordance with our governmental permits and applicable law, we incur litigation, public relations and other costs in responding to such proceedings and claims. In the event that judgments are entered against us in such proceedings and claims, we may lose possession and use of portions of certain of our concessions and plantations and may be ordered to terminate our operations on the relevant parcels claimed by the plaintiffs and remove our structures, machines and equipment from those areas, pay damages and costs incurred, and/or be made subject to such other relief as a court may consider just. Such proceedings and claims may, for example, if decided against us, result in a reduction in the area of our concession areas in Sarawak (including concession areas certified by the MTCC) and our plantations in Malaysia, portions of which are claimed to be subject to native customary rights by indigenous people.

In addition, in the regular course of our business we also have been, and may continue to be, the subject of activism by environmental and other groups seeking to restrict our ability to harvest timber in specific areas. Such activities by environmental and other groups have taken, and may take in the future, a variety of forms, including but not limited to boycotts of tropical wood products, efforts to deny us entry to our lands or to block road construction, efforts to procure the revocation or termination of government approvals, concessions and licenses essential to our business and of our forest management and chain of custody certifications, and efforts to influence public opinion and lobby relevant government officials through the use of the public media. For example, various aspects of forest certification processes have been the subject of criticism by environmental and indigenous activists and organizations. Any significant change in the criteria, standards and procedures applied by relevant forest certification bodies, or the non-recognition of such certifications in key export markets, could adversely affect our revenue from the sale of certified wood products.

We can provide no assurance that such activities and activism by indigenous communities and environmental groups will not adversely affect our business, revenues or operating results in the event that any of such activities are successful. We similarly can provide no assurance that adverse publicity will not be generated in connection with such activities locally and internationally, or in connection with our efforts to maintain, renew or reinstate our forest management and chain of custody certifications or obtain new such certifications. See also "Risk Factors — Risks Relating to our Industry — Environmental groups and interested individuals may seek to delay or prevent us, or timber companies generally, from harvesting timber and may adversely affect the demand for our products".

Our ability to acquire and expand tree plantations requires substantial initial capital expenditures that are not recoverable in the short term because of the lengthy 10 to 30 year plantation development cycle.

The expansion and acquisition of tree plantations requires substantial initial capital investment for various expenses, including the cost of land, the construction of roads and bridges, the acquisition of equipment and costs related to the planting and cultivating of plantation trees. Typically, the development cycle of such plantation trees can range from approximately 10 to 15 years in Malaysia to 25 to 30 years in New Zealand, depending upon the tree species cultivated. Such capital expenditures cannot be recovered until the end of the development cycle when trees are harvested for sale or processing. In the meantime, we may be required to make substantial investment and capital outlay on such plantation.

A portion of the proceeds of the Global Offering may be used to finance the expansion and/or acquisition of tree plantations. We can give no assurance, however, that the proceeds of the Global Offering and our cash flows will be sufficient to finance such plantation expansion and/or acquisition. See "Future Plans and Use of Proceeds". If the proceeds of the Global Offering and our cash flows are not sufficient for such purpose, and we are unable to obtain additional financing for our plantation expansion and/or acquisition plans, this may have an adverse effect on our business, financial condition and results of operations.

We may not be able to meet our expectations for the yields of our tree plantations.

The success of our business depends, in part, upon the productivity of our existing and planned tree plantations and our ability to realize volumetric, species and log grade mix yields at estimated levels. Tree plantation yields depend on a number of factors, many of which are beyond our control. These include, but are not limited to, damage by fire, diseases, pests and other natural disasters, as well as silviculture practices, weather, climate, genetic factors, fertilizers used and soil conditions. Our ability in the future to maintain our current yields will depend on these factors. We may not be able to achieve our objective that the yields of our plantations in New Zealand and Malaysia improve over time. Our ability to improve the yields of our plantations will depend on the factors described above as well as our ability to develop improvements in planting materials, our ability to identify and grow suitable species of trees and our ability to improve our forest management practices. As a result, there can be no assurance that we in the future will be able to realize our historical or planned volumetric, species and log grade mix yields. If we cannot achieve yields at such levels, our future business, financial condition and results of operations may be materially adversely affected.

Our operations are cash intensive and our business could be adversely affected if we fail to maintain sufficient levels of working capital.

We expend a significant amount of cash in our operations, principally on acquisition of fixed assets, repair and maintenance of timber-related facilities and equipment, fuel, glue, royalties and labor. We fund our operations principally through cash flow from operations, short term working capital facilities (including bank overdrafts, bank acceptances and revolving credits), long-term bank loans, capital leases, finance leases and, up until the end of the 2006 financial year, loans from shareholders. Our short term working capital facilities are callable by the lender thereof on demand.

At June 30, 2004, 2005 and 2006, cash and cash equivalents were US$(14.4) million, US$(4.4) million and US$(17.1) million, respectively. At September 30, 2005 and 2006, we had cash and cash equivalents of US$(17.0) million and US$(2.5) million, respectively. Given this operating history, we can provide no assurance that we will not experience negative cash and cash equivalents in the future. If we fail to generate sufficient revenues from our operations, or if we fail to maintain sufficient cash and banking facilities, we may not have sufficient cash flow to fund our operations and our business could be adversely affected. In addition, should our working capital facilities be called on demand by our lenders, thereby becoming immediately due and payable, our working capital position would be adversely affected, and we may not be able to procure alternative sources of liquidity to fund our working capital needs. See "Financial Information — Working Capital" for further information regarding our working capital position.

We had net current liabilities as at June 30, 2004, June 30, 2006 and September 30, 2006.

At June 30, 2004, 2005 and 2006, and September 30, 2006, respectively, we had a net current liabilities position of US$20.8 million, a net current assets position of US$36.2 million, a net current liabilities position of US$121.4 million and a net current liabilities position of US$90.9 million. See "Financial Information — Certain Balance Sheet Items — Net current liabilities position" for more detailed information regarding our net current liabilities positions as at June 30, 2004, June 30, 2006 and September 30, 2006.

Our net current liabilities positions as at June 30, 2006 and as at September 30, 2006 was primarily attributable to the recent restructuring of our Company. On June 29 and 30, 2006, our Controlling Shareholders transferred their equity interests in various timber companies in Malaysia and Guyana that they controlled to us, consideration for which was satisfied by the assignment of non-trade amounts due from related parties of SST to our Controlling Shareholders in the amount of US$150.2 million, as well as shares in our Company. Following the completion of the Reorganization, our net current assets were reduced by such amount, which contributed to the decrease of our total current assets from US$322.8 million as at June 30, 2005 to US$211.2 million as at June 30, 2006.

As stated in "Financial Information — Factors Affecting Results of Operations — Increases in Timber Extraction and Processing Capacity" and "Financial Information — Investing Activities", in the past three financial years, we have used funds generated from operations (1) to invest in new capital expenditures and (2) to invest in the expansion of our tree plantations, which are not reflected as inventory ready for sale until the end of the 10 to 15 year growth period. As a result, our working capital requirements have been partially funded with bank overdrafts and other short-term banking facilities. Thus, our net current liabilities position as at June 30, 2006 was also partly attributable to bank overdrafts, loans and borrowings of US$121.8 million and finance lease liabilities of US$22.8 million and our net current liabilities position as at September 30, 2006 was also partly attributable to bank overdrafts, loans and borrowings of US$117.2 million and finance lease liabilities of US$25.5 million.

We cannot assure you that we will not experience net current liabilities in the future. If we continue to have net current liabilities in the future, our working capital for the purposes of our operations may be constrained. If we are unable to find sufficient funding for our working capital requirements in the future, our business, financial condition and results of operation may be materially and adversely affected.

Increases in interest rates may materially impact our results of operations.

We have both fixed and floating interest rate loans outstanding. Several of our secured and unsecured debt facilities carry interest at floating rates. Exposure to floating interest rates subject us to risk of adverse interest rate movements. As several of our outstanding secured and unsecured debt facilities are floating rate facilities, we currently enter into swap or interest rate hedging transactions in connection with some, but not all, of these debt facilities. For example, we currently hedge against interest rate risk related to certain loans secured by our New Zealand plantation assets with outstanding principal amounts, including capitalized interest, as at September 30, 2006 of US$54.8 million and NZ$30.9 million, thereby effectively fixing the interest rates of such loans. Unless we fully hedge our interest rate exposure, we will be exposed to interest rate risk resulting from fluctuations in the relevant reference rates for our floating interest rate loans. Any such increase in interest expense may have a material adverse effect on our business, financial condition and results of operations. Furthermore, if we decide to enter into additional agreements to hedge our interest rate risk, there can be no assurance that we will be able to do so on commercially reasonable terms or that these agreements, if entered into, will protect us fully against our interest rate risk.

We may not realize our plans to expand our processing capacity, diversify our product portfolio and increase our ability to serve existing and new markets.

Our plans for expansion include a significant increase in overall processing capacity and the continued diversification of our product portfolio to include other growing wood products segments, as well as an increase in our ability to serve existing and new market areas. However, our ability to realize these expansion plans may be limited by a number of factors, some of which are outside our control. In particular, our ability to expand our downstream business is limited by the supply of wood available at any given time from our natural forest concessions and our plantations. In addition, although the development cycle in our concessions and plantations is such that we expect the supply of wood to be renewed when we are next able to harvest a particular coupe, we cannot guarantee that this will occur. Moreover, relevant government authorities in Malaysia, Guyana and New Zealand, the countries in which we harvest logs, may impose regulations the effect of which is to restrict the volume we are permitted to harvest or which may otherwise impact our growth plans. In addition, our ability to grow our business is subject to other factors such as our ability to maintain, expand or develop our customer relationships, hire, train and retain qualified personnel to manage and operate our business, acquire and maintain needed capital equipment and identify new markets for our products. Any failure to implement our expansion plans effectively could have a material adverse effect on our ability to implement our growth strategy.

We may have difficulty completing and integrating our planned investments, and our failure to complete and integrate these planned investments could adversely affect our operating results.

Our strategy for future growth includes investments in plantations, concessions, downstream manufacturing facilities or other strategic assets or businesses. A portion of the proceeds of the Global Offering may be used to finance these investments and acquisitions. We cannot assure you, however, that we will be able to identify and acquire new investment targets on satisfactory terms, if at all, or that the funds necessary to acquire these investments or acquisitions will be available to us.

The magnitude, timing and nature of future acquisitions of such plantations, concessions, downstream manufacturing facilities and businesses will depend upon various factors, including the availability of suitable investment targets, the negotiation of acceptable terms, our financial capabilities, the availability of skilled employees to manage the planned investments, the receipt of any required regulatory approvals as well as the general economic and business conditions. In addition, future investments by us will involve risks, including the risk that they will require increased capital and operating expenditures and the risk that the costs of integrating these new assets may have a material adverse effect on our operating results.

The integration of such planned investments and acquisitions into our existing operations, through for example the training of additional personnel, the implementation of new or expanded information and management systems, and the completion of any required transportation infrastructure improvements required for integration purposes, may also lead to diversion of management attention from our other ongoing business concerns. We expend significant time and management attention both before and after each acquisition on integration issues, providing know-how and business support. There can be no assurance, however, that such measures will be effective in successfully integrating the planned acquisitions and investments into our existing operations or creating profitable operations. Delays in integration or unresolved business issues may adversely affect our ability to manage our existing business by diverting the attention of management and our Company's resources from other uses or delaying or preventing revenue growth in our operating subsidiaries.

Our Controlling Shareholders have and will maintain significant influence over our management and affairs and could exercise this influence against your best interests.

Our Controlling Shareholders will together control approximately 62.55% of our issued share capital immediately following completion of the Global Offering (taking no account of any exercise of the Over-allotment Option). As a result, pursuant to our Bye-laws and applicable laws and regulations, our Controlling Shareholders will be able to exercise, following completion of the Global Offering, significant influence over our Company, including, but not limited to, any shareholder approvals for the election of our Directors and, indirectly, the selection of our senior management, the amount of dividend payments, our annual budget, increases or decreases in our share capital, new securities issuance, mergers and acquisitions and any amendments to our Bye-laws. In addition, as a condition of the approval of our Reorganization by the FIC (the "FIC Approval"), Samling Strategic is required to remain as the single largest shareholder of our Company. Furthermore, by operation of the Malaysian Code on Take-overs and Mergers, purchasers of significant interests in our Company over a prescribed percentage may be required to make mandatory general offers for shares in certain of our Malaysian subsidiaries, which requirement may impact the ability of third parties to effect changes of control of our Company.

The interests of our Controlling Shareholders may not always coincide with our or your best interests and our Controlling Shareholders will maintain, following completion of the Global Offering, the ability to exert significant influence over our actions and effect corporate transactions irrespective of the desires of the other shareholders or Directors.

In circumstances involving a conflict of interest between the interests of our Controlling Shareholders and our or your interests, our Controlling Shareholders may exercise their ability to control us in a manner that would benefit our Controlling Shareholders to our or your detriment. Furthermore, this concentration of ownership, including as a result of our compliance with the condition of the FIC Approval, may delay or prevent a change of control or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could materially adversely affect the market price of our Shares.

Our insurance coverage may not adequately protect us against certain risks and this may have a material adverse effect on our business.

We face the risk of loss in our operations arising from a variety of sources. Our income and cash flow may be adversely affected by any disruption to the operations of, or damage or other occurrence to, our existing concessions, plantations, forest areas and processing and other facilities that may not be fully covered by insurance. Such disruptions or damage may result from a number of risks, including but not limited to fire, pests, floods, earthquakes, typhoons, wind, hail, snow, drought, landslides or other natural disasters, theft of equipment and other property (including the theft of logs in transit from our concessions by river), loss of property or goods in transit, labor stoppages or disturbances, and acts of terrorism.

Our assets could be affected by these and other catastrophic events over which we have no control. Our facilities may not be able to withstand these occurrences, which may cause our concessions, plantations and processing and other facilities to suffer serious damage.

We insure against certain of these risks up to fixed amounts. See "Business — Insurance and Risk Management" for more detail on our insurance policies. Any damage suffered by us in excess of such limited coverage amounts, or in respect of uninsured events, would not be covered by such insurance policies and we would bear the impact of such losses. In addition, some of the above risks may cause personal injury, consequential loss of profits or environmental damage. These may result in disruption of operations and the imposition of civil or criminal penalties, which may not be covered by our insurance policies.

Given the nature of our operations and business, the value of our assets and turnover may exceed the amount of our insurance coverage. There can be no assurance that our insurance coverage is sufficient to cover all losses relating to such properties and assets. In particular, in the financial year ended June 30, 2006, we incurred losses of US$3.4 million as a result of a fire at one of our warehouses in Bintulu, Malaysia, with respect to which we recovered only US$2.4 million under our insurance policies, resulting in an inventory loss net of insurance compensation of US$1.0 million.

If our insurance is insufficient to cover such losses, our business, financial condition and results of operations may be adversely affected.

There are defects affecting our use of or title to certain of our properties.

As at the Latest Practicable Date, there were defects affecting our use of or title to 10 of our Malaysian properties and one of our properties in the PRC. In relation to such Malaysian properties, the defects affecting our use of such properties predominantly concern use of property, such as lack of occupation permits and use of properties other than in accordance with specified land use conditions. The defects affecting such PRC property relate to the absence of building ownership certificates which affect the vesting of legal title to certain ancillary buildings situated on the property. In Malaysia, the affected properties include our plywood factory in Sibu, Malaysia, and various other properties used as offices, staff quarters, quarry operation sites, log storage sites and other ancillary facilities. The affected PRC property consists of structures (being workshops and storage areas) ancillary to our plywood mill in Nantong, Jiangsu Province. The business operations located on these properties together contributed to approximately 2.2% of our revenue for the financial year ended June 30, 2006 and 4.8% of our revenue for the three months ended September 30, 2006, respectively.

The net book value of the affected properties together amounted to approximately US$7.7 million as at September 30, 2006. The above defects give the relevant government authorities the rights to forfeit the land concerned and demolish the buildings on the land concerned. If we are required by the relevant government authorities to vacate the land, buildings or structures impacted by such issues, we may suffer losses and incur additional costs and expenses for suspension and/or relocation of our affected operations and our business, financial condition and result of operation may be materially and adversely affected. Please refer to "Business — Real Properties" for further details.

If we fail to maintain effective internal controls, then our business, financial results and reputation could be materially and adversely affected.

Our internal control system is essential to the integrity of our business, financial results and reputation. In preparation for the Global Offering, we have recently implemented various measures to improve our internal controls, and we intend to continue to monitor and enhance our internal controls in the future. Upon completion of the Global Offering, due to our limited experience with the internal control measures that we have recently implemented, we cannot assure you that all such measures taken to improve our internal controls will be effective or that material deficiencies in our internal controls will not be discovered in the future. Our efforts to improve our internal controls have required, and in the future may require, increased costs and significant management time and commitment. If we fail to maintain effective internal controls in the future, then our business, financial results and reputation may be materially and adversely affected.

We are subject to Malaysian government policy requirements as regards minimum ownership levels by Samling Strategic, our Controlling Shareholder, which may limit our ability to raise equity capital

As a condition of the approval by the FIC (the "FIC Approval Condition") of our Reorganization, Samling Strategic is required to always remain the single largest shareholder of our Company. See "Our History and Corporate Structure — Reorganization of our Company". The FIC Approval Condition does not stipulate a specific minimum level of ownership of our Company required to be maintained by Samling Strategic, and our Company's compliance with such requirement will depend on the distribution of the holdings of shares in our Company from time to time. Immediately following completion of the Global Offering (assuming the Over-allotment is not exercised), Samling Strategic will hold 55.99% of all of our Shares in issue and we will therefore be in compliance with the FIC Approval Condition. The requirement under the FIC Approval Condition is of a non-statutory nature and does not have the force of law. However, in the event that we fail to meet such requirement in the future, the FIC will have the discretion to withhold approvals which we may need to obtain from the FIC in respect of certain prescribed acquisitions of shares or assets in Malaysia. See "Regulation of our Industry — Malaysia Regulatory Overview — Requirements under FIC Guidelines". In addition, we may be subject to unfavorable exercise of discretion by other Malaysian authorities in respect of our future applications for licenses or permits which may be required for our business and operations in Malaysia. Our ongoing compliance with the FIC Approval Condition, which will require Samling Strategic maintaining a sufficient level of shareholding in our Company to meet the FIC Approval Condition from time to time, may limit our ability to issue shares if such share issuance would result in the dilution of Samling Strategic's holding of our Shares below the required level. As a result our ability to raise capital by equity issuance may be constrained, which may increase our financing costs if alternative forms of financing are sought. In addition, our ability to issue shares as consideration for the purchase of assets may be limited.

We are subject to Malaysian regulatory requirements that set a minimum level of Malaysian, including Bumiputera, ownership, which may limit our ability to raise equity capital

Certain of our subsidiaries in Malaysia engaged in downstream manufacturing activities, including with regard to plywood and veneer production and other downstream activities, hold licenses issued by MITI which impose requirements relating to ownership by Malaysian citizens and Bumiputera interests. See "Regulation of Our Industry — Malaysia Regulatory Overview — Downstream operations and regulations" and "Our History and Corporate Structure — Reorganization of our Company". These licenses require that the share capital of such subsidiaries be effectively owned in certain proportions by Malaysian citizens and by Bumiputera interests. Such required levels of ownership vary from license to license, with the level of effective ownership ranging from 50% to 70% for Malaysian citizens and up to 30% for Bumiputera interests. If we fail to comply with these ownership requirements, we may lose some or all of the licenses held by those subsidiaries.

In the event that we decide to issue new shares for subscription, or options or other securities convertible into shares, or issue shares or such other securities as consideration for purchase of assets, we must pay due regard to the requirement to meet the relevant applicable minimum equity holding levels for such subsidiaries at the time of such proposed share issuance. As a consequence, we may be required to extend offers of shares or such other securities to Malaysian citizens or Bumiputera interests in order to maintain such minimum equity holding levels. If we do not meet the required equity holding levels at the time of the proposed equity issuance, and an exemption or time extension for compliance cannot be obtained by us from MITI, our ability to raise additional capital and finance acquisitions may be limited, and our financing costs may increase if we seek to obtain alternative forms of finance. The risk of such limitation is greater in cases where the level of minimum ownership imposed under the equity condition is higher. In particular, the equity condition under a manufacturing license held by Samling Flooring Products Sdn. Bhd. requires that at least 70% of its effective shareholding must be held by Malaysian citizens. In addition, the equity conditions under some of the manufacturing licenses held by our subsidiaries require at least 60% of their respective effective shareholding must be held by Malaysian citizens, including at least 10% to be reserved for Bumiputera interests. However, upon completion of the Global Offering and assuming that none of the Offer Shares is taken up by Malaysian citizens or Bumiputera interests, approximately 73.1% and 10.44% of our issued share capital will be effectively held by Malaysian citizens (including Bumiputera interests) and Bumiputera interests respectively (assuming no exercise of the Over-allotment Option), and approximately 70.4% and 10.06% of our issued share capital will be effectively held by Malaysian citizens (including Bumiputera interests) and Bumiputera interests respectively (assuming full exercise of the Over-allotment Option) based on the information available as at the Latest Practicable Date.

The compliance with the equity conditions applicable to any licensed subsidiary is assessed on each occasion on which any corporate restructuring involving such subsidiary, or any issuance of shares by any company affecting the effective shareholding in such subsidiary, is undertaken. We generally ensure compliance with such conditions in relation to our licensed subsidiaries by assessing the level of effective ownership by Malaysian citizens and Bumiputera interests prior to undertaking any relevant corporate restructing or share issuance. If the levels of such ownership interests shall be below those imposed under the equity conditions at the time of proposed restructuring or share issuance, we may seek to procure the requisite minimum holdings by Malaysian and Bumiputera shareholders by transferring or issuing shares to them, or seek an exemption or alterative of our equity conditions from MITI prior to proceeding with the transaction. However, there is no assurance that we will successfully procure such holdings or obtain any such exemption.

RISKS RELATING TO OUR INDUSTRY

The forestry industry is susceptible to product price fluctuations.

Historically, prices for logs and manufactured wood products have been volatile, and we, like other participants in the wood products industry, have limited direct influence over the timing and extent of overall price changes for logs and wood products. The prices of tropical logs and wood products are affected by numerous factors including the impact on demand for wood and wood products of new housing starts and the impact on supply of illegal logging, in addition to local and global economic factors such as changes in currency exchange rates, economic growth rates, foreign and domestic interest rates and trade policies, and prevailing fuel and transportation costs, among other factors affecting the pricing of logs, wood and wood products. Decreased demand for logs, wood and wood products generally reduces the revenue, profits and cash flows derived from these products.

In addition, industry-wide increases in the supply of logs, wood and wood products during a favorable price period can also lead to downward pressure on prices through oversupply. Increased production by us and our competitors could lead to oversupply and lower prices. Oversupply and lower prices may also result from illegal logging activity or decreased government enforcement of logging restrictions. If market prices for logs or manufactured wood products were to decline, it could have a material adverse effect on our business, financial condition and results of operation.

Illegal logging activities place downward pressure on prices.

Illegal logging activities, particularly in Indonesia, continue to impact the forestry industry. The presence of illegal harvested logs in the market places downward pressure on prices as a result of increased supply in general. In addition, illegal loggers do not make royalty payments and therefore may potentially sell the logs they harvest at a low price. Although governments, including Indonesia, have announced their intention to prevent or curb illegal logging, these activities may still continue in the future.

We face competition from other firms in the forestry industry.

We compete in local and overseas export markets with a large number of companies. While the principal basis for competition is price, we also compete on the basis of customer service, quality and product type. Our principal competition is from manufacturers within the forestry industry located primarily within the Asia-Pacific region. In particular, we face competition from a host of small logging firms, some of which may not adhere to environmental and other industry standards to the same extent as we do, resulting in their potentially operating at lower costs. We also face competition from manufacturers of wood products that can substitute for tropical hardwood forest products. These include products made from temperate hardwood, softwoods or plantation species.

Competition in our industry is influenced by factors including energy and labor costs, government royalty payments, plant efficiencies and productivity and foreign currency fluctuations and other factors. Some of our competitors may have lower energy and labor costs, or government royalty payments than we do, or may be subject to less stringent environmental and other governmental regulations than we are. In addition, variations in the exchange rates between the currencies in the countries in which we carry out our operations and local currencies in each of our export markets also affect the relative competitive position of our products when compared to our competitors in other countries. Our ability to compete in the markets to which we export our products is also dependent upon prevailing tariffs for access to such markets as well as the cost of transportation of our products to such markets. If we are unable to compete effectively, or if competition increases in the future, our revenues could decline, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The forestry industry faces competition from non-wood product substitution.

In addition to competition from within the forestry industry, the forest industry faces competition from non-wood product substitution. We, like other participants in the forestry industry, face competition from firms that manufacture wood substitutes, such as metals, plastics, ceramics, imitation wood and other materials that are used as alternative materials mainly in construction and in the manufacture of furniture. The demand for wood products as compared to other materials is also affected by changes in consumer trends and tastes with respect to end products. There can be no assurance that non-wood product substitution will not increase, which could decrease demand for our products and have a material adverse effect on our revenues and financial condition and results of operations.

The forestry industry is affected by weather conditions and natural and man-made disasters outside of our control.

Our revenues are dependent on our ability to harvest wood at adequate levels. Our ability to harvest wood in our concessions, and the growth rate of trees on our plantations may be adversely affected by unfavorable local and global weather conditions, including but not limited to drought, floods, prolonged periods of rainfall, hailstorms, windstorms, typhoons and hurricanes, and natural disasters, including but not limited to fire, disease, landslides, insect infestation, pests, volcanic eruptions or earthquakes. In particular, bad weather may adversely affect the condition, accessibility or availability of transportation infrastructure and services, which are critical for the supply of timber from concessions to manufacturing plants and markets. For example, during the financial year ended June 30, 2006, we experienced a log shortage in Malaysia due to a prolonged rainy season in Sarawak which hampered our logging operations. As a result, we diverted logs from external sales to satisfy the requirements of our mills. Our operations may also be adversely affected by man-made disasters, such as fire by arson or accident or acts of terrorism. The occurrence of these or other severe weather conditions or natural or man-made disasters may diminish the supply of logs available for harvesting in our concessions, or otherwise impede our logging operations or the growth of trees on our plantations, thereby also affecting our downstream processing and other facilities, which together may have a material adverse effect on our ability to produce our products in sufficient quantities and in a timely manner.

Environmental groups and interested individuals may seek to delay or prevent us, or timber companies generally, from harvesting timber and may adversely affect demand for our products.

Environmental groups and interested individuals may seek from time to time to challenge or impair the ability of forestry companies generally to harvest timber in specific geographic areas. For example, groups and individuals may stage protests that disrupt the harvesting plans of timber companies and may file or threaten to file lawsuits that seek to prevent timber companies generally from harvesting timber in specific geographic areas. Such activities may generate negative press about timber companies generally. Any delay in or restriction on harvesting imposed due to the intervention of environmental groups or such interested individuals, or any boycott of tropical wood products or other action that may generate negative perceptions about timber companies generally, may adversely affect the operations and sales of timber companies generally, including our company.

In addition, global environmental organizations have affected certain markets, primarily in developed countries, by exerting pressure on large retailers to purchase wood products that meet acceptable environmental standards, such as certified wood products. In these markets, there is a risk that any inability by us to meet these standards could adversely affect sales of and demand for our wood products, for example if we are unable to maintain, renew or reinstate our forest management and chain of custody certifications or to obtain new such certifications. See "Risk Factors — Risks Relating to our Business — We may not be able to maintain or renew our existing forest management and chain of custody certifications or to obtain new certifications with regards to additional forest areas or wood products" for further information.

See also generally "Risk Factors — Risks Relating to our Business — Our business may be adversely affected by activities, rights and claims of indigenous people living on or near our concessions and plantations and by activism by environmental groups".

The species of trees and quality of wood that can be harvested from forest concessions vary within each concession.

The species of trees and quality of wood that can be harvested from forest concessions vary within each concession and there is no consistency in the density or supply of wood or particular tree species within natural forests. As such, we can provide no assurance that the type, quantity and quality of wood harvested from our concessions will be in line with historical patterns or our future business needs, or superior to that harvested by our competitors on their respective concessions. If the wood harvested from our concessions in the future is of a type or quality that is less marketable than the wood we have harvested in the past, or our wood yields drops as a result of, for instance, trees harvested from our concessions being of less marketable species than those harvested in the past, our operating results may be adversely impacted.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARE PERFORMANCE

Investors should read this entire prospectus carefully and we strongly caution investors not to place any reliance on any information contained in press articles or other media relating to us and/or the Global Offering.

There has been press coverage regarding the Global Offering in certain news publications disseminated in Hong Kong, including in The Standard on January 31, 2007, the South China Morning Post on January 26, 2007 and the Hong Kong Economic Journal on January 29, 2007, which in certain cases included financial information, profit forecasts, operational projections, valuations, and other information about us or other information relating to the timing, pricing, intended use of proceeds and other terms of the Global Offering (the "Information"). We wish to emphasize to potential investors that neither we, the Global Coordinator, the Joint Sponsors, nor any of the Underwriters, our and their respective directors nor any other person or party involved in the Global Offering accepts any responsibility for or has verified the accuracy or completeness of the Information and that the Information was not sourced from or authorized by us or any such persons. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the Information and any related underlying assumptions. To the extent that any of the Information is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information, including the Information.

The financial statements and financial information of Lingui included in this prospectus have not been prepared in accordance with IFRS and comparison of such financial statements and financial information with our financial statements and financial information may be difficult.

As Lingui released certain unaudited financial statements for the three months and six months ended December 31, 2006 (including unaudited financial statements for the same periods in 2005) prior to the date of this prospectus, we have incorporated those financial statements in this prospectus. Those financial statements have been reviewed by KPMG, our Company's Reporting Accountants, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certificate Public Accountants. Such interim unaudited financial statements of Lingui have been prepared in accordance with generally accepted accounting principles in Malaysia and were filed with the Malaysia Stock Exchange on January 29, 2007. Such interim financial statements, together with a reconciliation of the net profit of Lingui and its owners' equity to IFRS, have been included in Appendix IV to this prospectus. Except to such extent and as otherwise stated therein, no reconciliation to IFRS has been undertaken of such financial information.

Material differences exist between the presentation of our financial statements prepared in accordance with IFRS and Lingui's financial statements prepared in accordance with generally accepted accounting principles in Malaysia, as a result of, among other things, differences in generally accepted accounting principles and accounting policies. For example, due to classification differences between generally accepted accounting principles in Malaysia and IFRS, line items that have the same name may have a different composition. Please refer to Appendix IV to this prospectus for a discussion of material differences between Lingui's interim financial statements prepared in accordance with generally accepted accounting principles in Malaysia and IFRS. As a consequence, comparison of Lingui's accounts prepared in accordance with generally accepted accounting principles in Malaysia to our accounts prepared in accordance with IFRS presented in Appendix I hereof may not be meaningful. In addition, due to seasonality in Lingui's results, Lingui's results of operations for the three months and six months ended December 31, 2006 may not be indicative of Lingui's results of operations for the financial year ending June 30, 2007.

The financial information of Glenealy and the Remaining Businesses presented in the section of this prospectus headed "Business — Relationship with our Controlling Shareholders — Remaining Businesses" has not been prepared in accordance with IFRS and comparison of such financial information with our financial statements and financial information may be difficult.

The financial information of Glenealy and the Remaining Businesses presented in the section of this prospectus headed "Business — Relationship with our Controlling Shareholders — Remaining Businesses" has not been prepared in accordance with IFRS. Such financial information consists of the respective unaudited turnover, unaudited profit or loss attributable to shareholders and unaudited total assets of each Remaining Business during the Track Record Period and of Glenealy as at and for the three months ended September 30, 2005 and 2006, and the audited turnover, audited profit or loss attributable to shareholders and audited total assets of Glenealy as at and for the three financial years ended June 30, 2006.

Glenealy is an associate of our Company. The financial information of Glenealy presented at the end of the section of this prospectus headed "Business — Relationship with our Controlling Shareholders —

Remaining Businesses" has been prepared in accordance with generally accepted accounting principles in Malaysia.

The Remaining Businesses have been excluded from the Group following the Reorganization and remain involved in timber and timber-product related businesses. See "Business — Relationship with our Controlling Shareholders — Remaining Businesses" for further information regarding the Remaining Businesses. Of the financial information of the Remaining Businesses presented in the section of this prospectus headed "Business — Relationship with our Controlling Shareholders — Remaining Businesses", the financial information of Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd., Hormat Saga Sdn. Bhd. and Adat Mayang Sdn. Bhd. has been prepared in accordance with generally accepted accounting principles in Malaysia, the financial information of Anhui Hualin, Qianshan Hualin and Premier Woodworking and Anhui Tongling has been prepared in accordance with generally accepted accounting principles in China, and the financial information of Interwil Holdings (Proprietary) Limited has been prepared in accordance with generally accepted accounting principles in South Africa.

Material differences exist between the presentation of our financial statements prepared in accordance with IFRS and such financial information of Glenealy and the Remaining Businesses presented in accordance with such other reporting standards, as a result of, among other things, differences in generally accepted accounting principles and policies. As a consequence, comparison of such financial information to our accounts prepared in accordance with IFRS presented in Appendix I hereof may not be meaningful.

Our net profit attributable to equity holders of our Company for the year ending June 30, 2007 will involve gains or losses that may arise on revaluation of our plantation assets, which are subject to certain estimates and assumptions.

Our Directors forecast that, on the bases and assumptions set out in Appendix III — "Profit Forecast", and in the absence of unforeseen circumstances, our combined profit attributable to the equity holders of our Company in accordance with IFRS for the year ending June 30, 2007 is unlikely to be less than US$72.2 million, calculated after changes in fair value of our plantation assets less estimated point-of-sale costs. In preparing the forecast, we have made a number of assumptions and estimates as described in Appendix III.

The forecast profit of US$72.2 million for the year ending June 30, 2007 reflects an estimated revaluation gain on our plantation assets less estimated point-of-sale costs of US$4.9 million. The extent of any revaluation gain or loss for the year ending June 30, 2007 is dependent on market conditions and other factors that are beyond our control. As a result, we can provide no assurance that the amount of any revaluation gain or loss on our plantation assets less estimated point-of-sale costs as at June 30, 2007 will not be materially different from our estimate. We expect the fair value of our plantation assets less estimated point-of-sale costs as at June 30, 2007 to continue to be based on calculations performed by independent professional valuers, involving the use of estimates and assumptions that are, by their nature, subjective and uncertain, including those described in "Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs", any or all of which could prove to be inaccurate. If any such assumptions, or our estimate of revaluation gain or loss on our plantation assets less estimated point-of-sale costs, proves to be inaccurate, our profit forecast based on those assumptions and such estimate could also be incorrect.

The profit forecast in Appendix III includes a sensitivity analysis illustrating the sensitivity of our profit forecast for the year ending June 30, 2007 to increases and decreases of 5.0%, 10.0% and 15.0% in our forecast change in fair value of plantation assets less estimated point-of-sale costs for the year ending June 30, 2007, and indicating the resulting forecast profit or loss arising from such increases or decreases for the year ending June 30, 2007. See the section of Appendix III headed "Assumptions with respect to change in fair value of plantation assets" for such sensitivity analysis. Such sensitivity analysis is intended for illustrative purposes only, and any variation could exceed such amounts. As is illustrated by such sensitivity analysis, our forecast results for the year ending June 30, 2007 may be significantly affected by our actual change in fair value of plantation assets less estimated point-of-sale costs for the year ending June 30, 2007, over which we have no control.

Future sales of securities by our existing shareholders or us may have an adverse impact on our Share price.

Future sales by our existing shareholders or issuance by us of substantial amounts of our Shares after the Global Offering could adversely affect market prices for the Offer Shares prevailing from time to time. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if these restrictions are waived or breached, future sales of substantial amounts of our Shares, or the possibility of such sales, could adversely impact the market price of our Shares and our ability to raise equity capital in the future.

There has been no prior public trading market for our Shares and the Global Offering may not result in an active or liquid market for the Shares, which could adversely affect their market price.

Before the Global Offering, there has not been a public trading market for our Shares. The Offer Price for our Shares is expected to be fixed by agreement among the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date, and may differ significantly from the market price for the Shares following the Global Offering. Application has been made to list the Offer Shares on the Stock Exchange. However, an active public market in our Shares may not develop or be sustained after the Global Offering. If an active market for our Shares does not develop after the Global Offering, the market price and liquidity of the Offer Shares may be materially adversely affected.

The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile.

The Offer Price for the Offer Shares will be determined on the Price Determination Date by negotiations between us and the Joint Bookrunners (on behalf of the Underwriters). Our Shares are not expected to commence trading on the Stock Exchange until on or about the fourth business day after the Price Determination Date. The Offer Price for the Offer Shares may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell Offer Shares at or above the Offer Price. Volatility in the price of our Shares may be caused by factors outside our control in the international capital markets, and may be unrelated or disproportionate to our operating results.

Dividends declared in the past may not be indicative of our dividend policy in the future.

We did not declare or pay any dividend to our shareholders during the financial year ended June 30, 2006. Details of our dividend policy are set out in the section headed "Financial Information — Dividend Policy and Distributable Reserves" of this prospectus. We cannot guarantee when and if dividends will be paid in the future. The declaration, payment and amount of any future dividends of our Company will be subject to the discretion of our Directors and will depend on, among other things, our earnings, financial condition, cash requirements, and availability of profits, the provisions of our Bye-laws and the Companies Act, distributions to our Company from our subsidiaries and other relevant factors. Specifically, the Companies Act prohibits a company incorporated in Bermuda from paying dividends if there are reasonable grounds for believing that (i) our company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of our Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In addition, dividends that we receive from our subsidiaries may vary substantially from period to period. The ability of our subsidiaries, including our subsidiaries in Malaysia, Guyana, New Zealand and the PRC, to pay dividends may be limited by the applicable laws of their respective jurisdiction of incorporation, which may differ from applicable law in Bermuda.

As the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution.

The Offer Price of the Offer Shares is higher than the net tangible book value per share immediately prior to the Global Offering. Therefore, purchasers of Offer Shares in the Global Offering will experience an immediate dilution in combined net tangible book value of US$0.11 (HK$0.86) per Offer Share assuming an Offer Price of HK$1.84 per Share (being the mid-point of the stated offer price range of HK$1.60 to HK$2.08 per Share). If the Global Coordinator (on behalf of the International Underwriters) exercises the Over-allotment Option or if we issue additional Shares in the future, purchasers of the Offer Shares may experience further dilution.

You may experience difficulties in enforcing your shareholder rights because we are incorporated in Bermuda, and Bermuda law may provide less protection to minority shareholders than the laws of Hong Kong, the United States and other jurisdictions.

We are incorporated in Bermuda and our affairs are governed by our Bye-laws, the Companies Act and common law applicable in Bermuda. The laws of Bermuda differ from those of Hong Kong, the United States and other jurisdictions where investors may be located. As a result, minority shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong, the United States or such other jurisdictions.

We have included in this prospectus forward-looking statements that state our intentions, beliefs, expectations or predictions for the future, in particular under "Industry Overview", "Business", "Connected Transactions", "Financial Information" and the Independent Technical Report in Appendix VI of this prospectus.

The forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our capital expenditure plans, particularly plans relating to the acquisition of additional concessions and plantations and expansion of our downstream operations;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment for the forestry and wood products industry;
- the regulatory environment as well as the general industry outlook for the global forestry and wood products industry;
- future developments in the forestry and wood products industries; and
- general economic trends in the principal jurisdictions in which we have operations, including Malaysia, Guyana, New Zealand and China.

In some cases, we use words such as "believe", "seek", "intend", "anticipate", "estimate", "project", "plan", "potential", "will", "may", "should" and "expect" and similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this prospectus, including statements regarding strategy, plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Important factors that could cause actual events to differ materially from our expectations are disclosed under "Risk Factors" and elsewhere in this prospectus, including in conjunction with the forward-looking statements included in this prospectus (other than the profit forecast included in Appendix III to this prospectus). We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by law and the Listing Rules. All forward-looking statements contained in this prospectus (other than the profit forecast included in Appendix III to this prospectus) are qualified by reference to this cautionary statement.

Financial Information

Financial information of our Company set forth in this prospectus as at and for the three financial years ended June 30, 2006 and the three months ended September 30, 2005 and 2006 have been derived from our combined financial statements included in Appendix I to this prospectus prepared in accordance with IFRS. Our historical combined income statement, balance sheet and cash flow information set forth in this prospectus as at and for the three financial years ended June 30, 2006 and the three months ended September 30, 2006 have been audited by our independent reporting accountants, KPMG. Our historical combined income statement, balance sheet and cash flow information set forth in this prospectus as at and for the three month period ended September 30, 2005 has not been audited. Historical results are not necessarily indicative of results for any future period. For further information regarding the basis of presentation of our selected combined financial information, see “Financial Information — Basis of Presentation” and Appendix I to this prospectus.

References in this prospectus to the “2004 financial year”, the “2005 financial year” and the “2006 financial year”, unless otherwise noted, are references to the financial years ended June 30, 2004, 2005 and 2006, respectively.

Industry Information

Facts, forecasts and other statistics in this prospectus relating to the forestry and wood products industries are derived in part from various publicly available official sources. They have not been independently verified by us and, therefore, our Company, the Global Coordinator, the Joint Sponsors, the Underwriters, their respective directors and advisers and any other party involved in the Global Offering make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled by other official or unofficial sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the official statistics herein, including in the section headed “Industry Overview” in this prospectus, may be inaccurate or may not be comparable to statistics produced by other sources. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach or place on such official facts, forecasts or statistics.

Rounding

Rounding adjustments have been made to figures included in this prospectus. Unless otherwise stated or the context otherwise requires, all financial information in this prospectus is rounded to the nearest one-tenth of one million U.S. dollars, and percentage figures included in this prospectus are rounded to the nearest one-tenth of one per cent. Due to such rounding, numerical figures shown as totals in some tables in this prospectus may not be an arithmetic aggregation of the figures that preceded them.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

No person has been authorized to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorized by us, the Global Coordinator, the Joint Sponsors, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

CONSENT OF THE BERMUDA MONETARY AUTHORITY

The Bermuda Monetary Authority has given its consent to the issue of the Offer Shares pursuant to the Global Offering, the issue of Shares upon the exercise of the Over-allotment Option, the issue of options, warrants, depositary receipts, rights, loan notes, bonds and our other securities and the issue of further Shares up to the amount of our authorized share capital from time to time to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on the Stock Exchange. A copy of this prospectus, together with copies of the Application Forms, have also been filed with the Registrar of Companies in Bermuda. In giving such consent and in accepting this prospectus and the Application Forms for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of our Group or for the correctness of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. One of the conditions is that the Offer Price must be agreed among us and the Joint Bookrunners on behalf of the Underwriters.

For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. For information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting".

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Stock Exchange, including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme. Dealings in the Shares on the Stock Exchange are expected to commence at 9:30 a.m. (Hong Kong time) on March 7, 2007.

No part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

RESTRICTION ON OFFER AND SALE OF SHARES

Each person acquiring the Offer Shares under the Global Offering will be required to confirm, and is deemed by his acquisition of Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The following information is provided for guidance only. Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Australia

No prospectus, disclosure document, offering material or advertisement in relation to the Offer Shares has been lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange Limited. Accordingly, a person may not (a) make, offer or invite applications for the issue, sale or purchase of the Offer Shares within, to or from Australia (including an offer or invitation which is received by a person in Australia) or (b) distribute or publish this offering circular or any other prospectus, disclosure document, offering material or advertisement relating to the Offer Shares in Australia, unless (i) the minimum aggregate consideration payable by each offeree is the U.S. dollar equivalent of at least A$500,000 (disregarding moneys lent by the offeror or its associates) or the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 (CWLTH) of Australia; and (ii) such action complies with all applicable laws and regulations.

Bermuda

No offer of the Offer Shares may be made to any person regarded as a resident of Bermuda for exchange control purposes.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date), an offer of Offer Shares has not been made or will not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer of Offer Shares may, with effect from and including the Relevant Implementation Date, be made to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by our Company of a prospectus pursuant to Article 3 of the Prospectus Directive as implemented in each Relevant Member State.

For the purposes of this provision, the expression an "offer of Offer Shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe the Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Japan

The Offer Shares have not been and will not be subject to filing under the Securities and Exchange Law of Japan, as amended, and the International Underwriters have agreed not to offer or sell, directly or indirectly, any Offer Shares in Japan or to, or for the benefit of, any resident thereof, except pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and otherwise in compliance with applicable provisions of Japanese law.

Kuwait

The Offer Shares have not been authorized or licensed for offering, marketing or sale in the State of Kuwait. The distribution of this prospectus and the offering and sale of the Offer Shares in the State of Kuwait is restricted by law unless a license is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law 31 of 1990. Persons into whose possession this prospectus comes are required by us and the International Underwriters to inform themselves about and to observe such restrictions. Investors in Kuwait who approach us or any of the International Underwriters to obtain copies of this prospectus are required by us and the International Underwriters to keep such prospectus confidential and not to make copies thereof or distribute the same to any other person and are also required to observe the restrictions provided for in all jurisdictions with respect to offering, marketing and the sale of the Offer Shares.

Malaysia

No prospectus or other offering material or document, including this prospectus, has been or will be registered as a prospectus with the Securities Commission of Malaysia pursuant to the Securities Commission Act, 1993 of Malaysia ("SCA") as the offer for purchase of, or invitation to purchase, the Offer Shares is meant to qualify as an "excluded offer or excluded invitation" or "excluded issue" within the meaning of sections 38 and 39 of the SCA. Accordingly, this prospectus shall not be circulated or distributed and no invitation or offer, whether directly or indirectly, of the Offer Shares will be made, to any persons other than to persons specified in Schedules 2 and 3 of the SCA ("Sophisticated Investors"). In addition, the Offer Shares shall not be offered for subscription or sold, directly or indirectly, nor may an invitation or offer to subscribe for or sell, any Offer Shares, be made in Malaysia to Sophisticated Investors unless such offer or invitation has been approved by the Securities Commission of Malaysia. Each International Underwriter has acknowledged that this prospectus has not been and will not be registered as a prospectus with the Securities Commission of Malaysia under the SCA but will be deposited as an information memorandum with the Securities Commission of Malaysia in accordance with the SCA.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Offer Shares may not be circulated or distributed, nor may Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Offer Shares are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Offer Shares under Section 275 except:

(1) to an institutional investor or to a relevant person, or to any person pursuant to an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;

(2) where no consideration is given for the transfer; or

(3) by operation of law.

United Arab Emirates

The Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the United Arab Emirates, except (i) in compliance with all applicable laws and regulations of the United Arab Emirates, and (ii) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the United Arab Emirates. The information contained in this prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and is addressed only to persons who are sophisticated investors.

United Kingdom

This prospectus and any other material in relation to the Offer Shares is only being distributed to and is only directed at persons (i) who are outside the United Kingdom and (ii) to investment professional falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (the "Order") or (iii) high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such new shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Each of the International Underwriters has severally represented, warranted and agreed as follows: (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issue or sale of the securities in circumstances in which Section 21(1) of FSMA does not apply; and (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

United States

The Offer Shares have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the US Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state laws. Accordingly, the Offer Shares are being offered and sold only (i) inside the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act and (ii) outside the United States to non-US persons in reliance on Regulation S.

Except as set forth in the preceding paragraph, the Offer Shares will not be offered or sold (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Global Offering, the closing date and the closing date with respect to additional Offer Shares, if any, issued to cover over-allotments, in the United States or to, or for the account or benefit of, U.S. persons, and each distributor will send to each dealer to which it sells Offer Shares during the 40-day period referred to above a confirmation or other notice setting forth the restrictions on offers and sales of Offer Shares in the United States or to, or for the account or benefit of, US persons.

The International Underwriters propose to place Offer Shares outside of the United States in offshore transactions in reliance on Regulation S under the US Securities Act and in accordance with applicable law. Certain of the International Underwriters propose to place Offer Shares through their respective US selling agents, only to qualified institutional buyers (as such term is defined in Rule 144A under the US Securities Act) in the United States. Any offer or sale of Offer Shares in the United States will be made by broker-dealers who are registered as such under the US Exchange Act.

Until the expiration of 40 days after the later of the commencement of the Global Offering and the date of the closing of the Global Offering, an offer or sale of Offer Shares within the United States by a dealer (whether or not participating in the Global Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an exemption from, or in a transaction not subject to, such requirements or in accordance with Rule 144A or pursuant to another exemption from the registration requirement of the US Securities Act.

The Offer Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscription for, purchasing, holding or disposing of, and dealing in, the Shares (or exercising rights attaching to them) under the laws of the place of your operations, domicile, residence, citizenship or incorporation. We emphasize that none of the Global Coordinator, the Joint Sponsors, the Underwriters or us, any of our or their respective Directors, officers or any other person or party involved in the Global Offering accepts responsibility for your tax effects or liability resulting from your subscription for, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

SHARE REGISTER AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's Principal Share Registrar in Bermuda.

Dealings in the Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF SHARES

Unless we determine otherwise, dividends will be paid in HK dollars to holders of our Shares as recorded on our register of members, by ordinary post at the Shareholders' risk to the registered address of each Shareholder.

STABILIZATION

In connection with the Global Offering, Credit Suisse, its affiliates or any person acting for it (the "Stabilizing Manager"), on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period of time after the Listing Date or otherwise subject to compliance with applicable legal and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to do this. Such stabilizing action, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Any stabilizing actions taken will be in accordance with applicable laws, rules and regulations on stabilization. Any stabilizing actions will be at the absolute discretion of the Stabilizing Manager.

The number of Shares being offered under the Global Offering may be increased by up to an aggregate of 157,500,000 additional Shares, representing approximately 15% of the Shares initially available under the Global Offering through the exercise of the Over-allotment Option. The stabilization price will not exceed the initial Offer Price or other pricing limits stipulated by the Securities and Futures (Price Stabilizing) Rules of Hong Kong.

The possible stabilizing action which may be taken by the Stabilizing Manager in connection with the Global Offering may involve (among other things) (i) over-allocation of Shares, (ii) purchase of Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) offering or attempting to do any of the foregoing.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager will maintain such a position;

- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, following announcement of the Offer Price, and is expected to expire on March 30, 2007, being the 30th day after the date expected to be the latest date for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of any security (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

In particular, for the purpose of covering such over-allocations, the Stabilizing Manager may borrow up to 157,500,000 Shares from Samling Strategic, equivalent to the maximum number of Shares to be offered on the full exercise of the Over-allotment Option, under the Stock Borrowing Agreement expected to be entered into between Credit Suisse (or any person acting on its behalf) and Samling Strategic. We have applied for and the Stock Exchange has agreed to grant a waiver to our Company and Samling Strategic from strict compliance with Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by Samling Strategic subsequent to the date of this prospectus, in order to allow Samling Strategic to enter into and perform its obligations under the Stock Borrowing Agreement on the condition that:

- the Stock Borrowing Agreement will only be effected by Credit Suisse for settlement of over-allocations in the International Offering;

- the maximum number of Shares borrowed from Samling Strategic will be limited to the maximum number of Shares which may be issued and allotted upon exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to Samling Strategic on or before the fifth business day following the earlier of (i) the last day on which the Shares may be issued and allotted pursuant to the Over-allotment Option, and (ii) the day on which the Over-allotment Option is exercised in full and the relevant over-allotment Shares have been sold;

- borrowing of stock pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and

- no payment will be made to Samling Strategic in relation to the Stock Borrowing Agreement.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The application procedure for the Public Offer Shares is set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

In this prospectus, unless otherwise specified or unless the context otherwise requires, all references to "US$" are to US dollars, all references to "HK$" are to Hong Kong dollars, all references to "NZ$" are to New Zealand dollars, all references to "G$" are to Guyanan dollars, all references to "RM" or "Ringgit" are to Malaysian Ringgit, the official currency of Malaysia, and all references to "RMB" or "Renminbi" are to the Renminbi Yuan, the official currency of the PRC. All amounts expressed in the financial statements forming part of this prospectus are, unless otherwise specified, expressed in US dollars.

For your convenience and unless otherwise specified, in this prospectus certain Hong Kong dollar amounts have been translated into US dollars at the rate of HK$7.7913 to US$1.00, certain NZ$ amounts have been translated into US dollars at the rate of NZ$0.6530 to US$1.00, certain RM amounts have been translated into US dollars at the rate of RM3.6845 to US$1.00, and certain RMB amounts have been translated into US dollars at the rate of RMB7.904 to US$1.00, which with regards to HK$, NZ$ and RMB, respectively, were the noon buying rates for US dollars in New York City for cable transfers as certified by the Federal Reserve Bank of New York for such currencies as of September 30, 2006 and with regards to RM was the reported rate of exchange against the US dollar published by Bank Negara Malaysia as of September 30, 2006. No representation is made that the US$, HK$, NZ$, RM or RMB amounts referred to herein could have been or could be converted into US$, HK$, NZ$, RM or RMB as the case may be, at any particular rate or at all.

DIRECTORS

Executive Directors

Name	Address	Nationality
Yaw Chee Ming	Lot 746, Tanjung Lobang, 98000 Miri Sarawak, Malaysia	Malaysian
Cheam Dow Toon	63A Jalan Cengal Pasir, Sierramas, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Malaysian

Non-Executive Director

Name	Address	Nationality
Chan Hua Eng	2, Changkat Kia Peng 50450 Kuala Lumpur, Malaysia	Malaysian

Independent Non-Executive Directors

Name	Address	Nationality
David William Oskin	56 Four Winds Lane, New Canaan, Connecticut, United States, 06840	American
Tan Li Pin, Richard	29A Regent Tower, 28 Xianxia Road, Shanghai, PRC	American
Fung Ka Pun	12A Birchwood Place, 96 MacDonnell Road, Hong Kong	British

Global Coordinator	Credit Suisse (Hong Kong) Limited 45th Floor, Two Exchange Square Central Hong Kong
Joint Bookrunners	Credit Suisse (Hong Kong) Limited 45th Floor, Two Exchange Square Central Hong Kong
	Macquarie Securities Limited 17th Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited Level 15 1 Queen's Road Central Hong Kong
Joint Sponsors	Credit Suisse (Hong Kong) Limited 45th Floor, Two Exchange Square Central Hong Kong
	Macquarie Securities Limited 17th Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Legal advisers to the Company	*as to Hong Kong and US law:* Allen and Overy 9th Floor Three Exchange Square Central Hong Kong

as to Malaysian law:
Kadir Andri & Partners
8th Floor, Menara Safuan
80 Jalan Ampang
50450 Kuala Lumpur
Malaysia

as to Bermuda law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

as to PRC law:
Global Law Office
37/F, Jing Guang Centre
Hu Jia Lou
Chaoyang District
Beijing 100020
PRC

Legal advisers to the Underwriters

as to Hong Kong and US law:
Herbert Smith
23rd Floor, Gloucester Tower
15 Queen's Road Central
Hong Kong

Auditors and reporting accountants

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Property valuer

Greater China Appraisal Limited
Room 2703, Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

Independent forestry consultant	Pöyry Forest Industry Pte Ltd 2 Battery Road #21-01 Maybank Tower Singapore 049907
Receiving banker	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office	Wisma Samling Lot 296, Jalan Temenggong Datuk Oyong Lawai Jau 98000 Miri Sarawak Malaysia
Place of business in Hong Kong	Room 2205, 22nd Floor Harbour Centre 25 Harbour Road Wanchai Hong Kong
Joint company secretaries	Yau Chung Fat *(ACIS, ACS)* Veronica Lin Siu Mui *(ACS, ACIS, FCIS(ICSA), FCS(HKICS))* Ira Stuart Outerbridge*
Qualified accountant	Tan Foong Ching, Katherine *(CPA, CA)*
Authorised representatives	Yaw Chee Ming Lot 746, Tanjung Lobang 98000 Miri Sarawak Malaysia Cheam Dow Toon 63A Jalan Cengal Pasir Sierramas 47000 Sungai Buloh Selangor Darul Ehsan Malaysia

* Mr. Ira Stuart Outerbridge will resign as secretary and be appointed as assistant secretary of our Company immediately upon the listing of our Shares on the Stock Exchange.

Alternate Authorised Representatives	Fung Ka Pun 12A Birchwood Place 96 MacDonnell Road Hong Kong
	Yau Chung Fat Flat C, 37th Floor, Block 3 Sun Tuen Mun Centre Tuen Mun New Territories Hong Kong
Compliance adviser	CIMB-GK Securities (HK) Limited 25/F., Central Tower 28 Queen's Road Central Hong Kong
Audit committee	Fung Ka Pun (Chairman) Chan Hua Eng David William Oskin Tan Li Pin, Richard
Remuneration committee	David William Oskin (Chairman) Yaw Chee Ming Fung Ka Pun
Nomination committee	Tan Li Pin, Richard (Chairman) Chan Hua Eng Fung Ka Pun
Principal share registrar and transfer office	Butterfield Fund Services (Bermuda) Limited 65 Front Street Hamilton HM 12 Bermuda
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	AmBank Berhad ANZ Investment Bank Bank Muamalat Malaysia Berhad CIMB Bank Berhad Malayan Banking Berhad OCBC Bank (Malaysia) Berhad RHB Bank Berhad The Hongkong and Shanghai Banking Corporation Limited United Overseas Bank (Malaysia) Berhad

The information and statistics set out in this section have in part been extracted from various publicly available official sources, namely, FAO, ITTO, the International Monetary Fund, the United Nation Economic Commission for Europe and government authorities in various countries. No independent verification has been carried out on such information and statistics. Reasonable care has been exercised by our Directors in extracting and reproducing such information. Our Company, the Global Coordinator, the Joint Sponsors, the Underwriters, their respective directors and advisers and any other party involved in the Global Offering make no representation as to the accuracy of such information and statistics, which may not be consistent with each other or other information compiled by other official or unofficial sources and may not be complete or up-to-date.

Investors should also note that we commissioned Pöyry, our independent technical consultant, to prepare an independent technical report on our forest and processing operations, which is reproduced in Appendix VI to this Prospectus. Information and statistics from the independent technical report prepared by Pöyry on the timber industry have been included in this Prospectus, including this section and the "Business" section. Pöyry is a global consulting and engineering firm focusing on the energy, forest industry and infrastructure and environment sectors. The amount of fees payable to Pöyry is not contingent on our Company's approval for its work. Investors should note the scope of work, assumptions and qualifications of Pöyry's independent technical report which are set out in the introductory section of the report at pages VI-1 to VI-5 and VI-9 to VI-11.

OVERVIEW OF THE FORESTRY INDUSTRY

Introduction

The global forestry industry provides timber resources and processed wood products for various industries. The industry is generally divided into upstream and downstream activities. Upstream activities focus on forest resource management including forest planning, planting, stand tending and/or management of the forest as well as the harvesting and transportation of logs. The wood-based downstream activities consist of processing of logs into products such as sawn timber, plywood, veneer, reconstituted panel products, pulp and paper, as well as further value-added processing activities such as production of moldings and other housing and building materials including flooring and furniture. Logs are generally sold to plywood and veneer manufacturers, sawn timber and other solid wood products manufacturers, or as roundwood fiber to pulp and paper or reconstituted panel product manufacturers. Logs that are supplied to other solid wood products manufacturers are commonly processed into plywood, veneer or sawn timber with residual fiber from these processes used for the production of reconstituted panel products or pulp and paper. In general, the forest product markets in developing countries are focused on raw materials and primary processed products such as logs and commodity grade plywood, while the developed countries are increasingly looking for higher value-added products.

Global forest resources

Forests include natural forests, forest plantations, rubberwood plantations, forest stands on agricultural lands and special purpose forests such as those maintained for conservation. According to the FAO, total world forest area as at 2005 is estimated at 3,952 million hectares, or approximately 30% of total land area, which corresponds to an average of 0.62 ha per capita. Natural forests represent over 95% of the world forest resources, while man-made industrial plantation forests make up only approximately 3.5%, although they are expanding rapidly. The table below shows FAO's estimation of the distribution of forests in the world in 2005 by sub-regions:

Distribution of forests by sub-region 2005

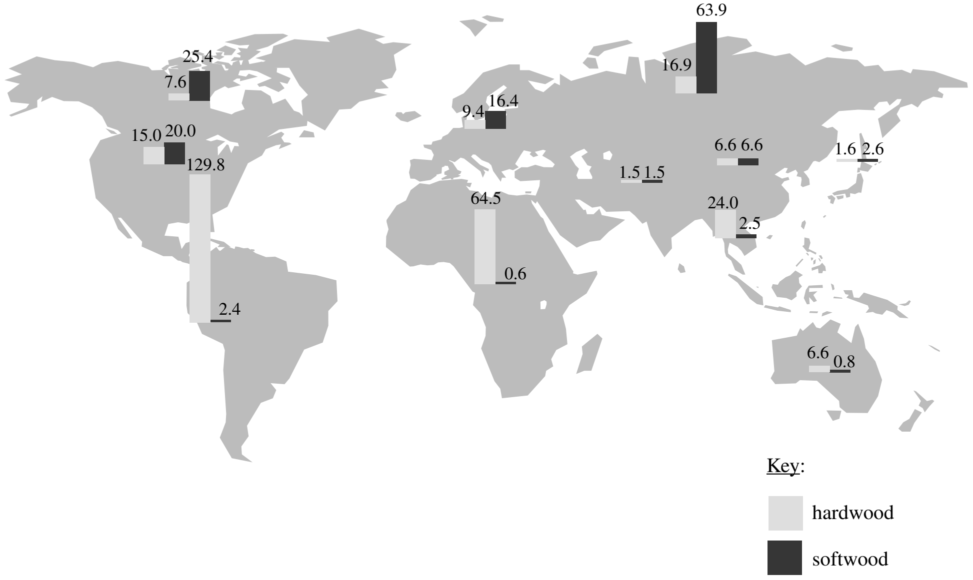
Region/sub-region	Forest area	% of global forest area
	('000 ha)	
Eastern and Southern Africa	226,534	5.7
Northern Africa	131,048	3.3
Western and Central Africa	277,829	7.0
Total Africa	**635,412**	**16.1**
East Asia	244,862	6.2
South and Southeast Asia	283,127	7.2
Western and Central Asia	43,588	1.1
Total Asia	**571,577**	**14.5**
Total Europe	**1,001,394**	**25.3**
Caribbean	5,974	0.2
Central America	22,411	0.6
North America	677,464	17.1
Total North and Central America	**705,849**	**17.9**
Total Australasia	**206,254**	**5.2**
Total South America	**831,540**	**21.0**
World	**3,952,025**	**100.0**

Source: FAO (2005)

Total forest area in the Asia and Australasia regions in 2005 is estimated to be over 750 million hectares. Natural forests account for around 85% of this resource base and industrial plantation forests account for approximately 15%, which is much higher than the global average, mainly as a result of the plantation resource bases in China, Indonesia, Australia and New Zealand.

According to Pöyry, it is estimated that the global growing stock of timber resource amounted to approximately 426 million m³ in 2005, of which approximately 67% is hardwood and the remainder softwood. The following illustrates the estimated spread of growing stock of forest resources globally in 2005:

Growing Stock of Global Forest Resources as at 2005 — million m³



Source: Pöyry

Tropical and subtropical hardwood resources

Tropical and subtropical forests, from which tropical hardwood species are derived, are mainly located in South America, Asia and Africa. There are many different hardwood species (with over 100 species of traded hardwood from Asia alone) with many having specific appearances and uses. In general, popular hardwood species are desirable for their durability, appearance (color and wood grain) and woodworking properties such as machining, screw holding and finishing.

Deforestation and plantation initiatives

As demonstrated in the above diagram on growing stock of global forest resource, forest area throughout the world is unevenly distributed. While forest area in developed countries has stabilized and is generally increasing at a modest rate each year, deforestation has continued to be a major issue in developing countries, particularly for tropical and sub-tropical forests. In many countries in the Asia-Pacific region, notably Indonesia and China, there have been increasing restrictions on the level of harvest designed to conserve the remaining forest areas. One consequence of this is a significant and growing shortage of large-diameter logs, both softwood and hardwood, which are particularly favored by plywood and sawn timber producers.

According to the FAO, forests and trees are being planted for many purposes and at increasing rates. FAO estimates that in 2005 forest plantations comprised a total of approximately 140 million hectares which make up an estimated 3.5% of total forest area approximately. The area of forest plantations has increased by about 2.8 million hectares per year in the period 2000-2005, 87% of which are productive forest plantations.

Impact of illegal logging

In recent years, there has been growing concern about illegal logging or illegal forestry activity in many parts of the world. Recent studies indicate that illegal logging has been a major factor in depressing wood prices. For example, the studies point to illegal logging of tropical timber having been a pervasive problem in Indonesia, where the proportion of total wood supply attributable to illegal logging activity has been estimated at 40% to 80%. As Indonesia was the world's second largest tropical log producer in 2005, illegal logging in Indonesia has had a significant impact on global trade in tropical hardwood.

The Indonesian government has acknowledged that illegal logging is a significant problem and has recently adopted measures to tackle illegal logging. Measures include re-introducing a log export ban in 2001, which banned all exports of ramin (a common specie of tree in Indonesia), except for a limited quantity of certified wood exported by one company. Malaysia also introduced legislation banning the import of logs and squared timber from Indonesia in response to the Indonesian log export ban. The Indonesian Government also signed bilateral agreements with several importing countries including China, Japan and the UK to help curb illegal logging. Since the reintroduction of the log export ban and the introduction of tighter controls to regulate illegal trade, Indonesia's tropical log exports declined by 85% between 2002 and 2003, from 646,000 m^3 in 2002 to 100,000 m^3 in 2003, according to ITTO. ITTO statistics also showed that Indonesia's tropical log exports remained at 100,000 m^3 in 2004, with no tropical log exports in 2005. Despite these initiatives and whilst reduction of illegal logging has become the stated top priority for improving the forest situation in Indonesia, unreported trade of raw logs remains a problem. We believe that, in the long term, continued efforts to curb illegal logging should help further support wood prices.

The Malaysian government has introduced legal measures and controls against illegal logging in Malaysia. The Forest Ordinance of Malaysia provides for penalties for the illegal collection of forest produce which include imprisonment and fines of up to ten times the value of the forest produce. Enforcement is carried out by the officers from the Sarawak Forest Department who work together with the police and the army to curb illegal logging, forest encroachment and timber theft. In Sarawak, all log sales must be approved by STIDC and Sarawak Forestry Corporation to ensure that royalties have been paid and that the annual quota and the percentages of logs allocated for export, where applicable, are complied with. All logs for export must be declared through customs and a certificate of country of origin is issued to ensure that the logs have come from legal sources. All timber concession holders must appoint only logging operators registered with the Sarawak Forest Department.

In Guyana, under the Forest Act, the Guyana Forestry Commission has implemented a system to deal with illegal logging either through court proceedings or adjudication outside the court, with a range of penalties including fines based on the equipment involved and the market value of the forest produce seized. The Guyana Forestry Commission has also implemented a log tracking system since 2000 which gives them more control over the harvesting and removal of timber. The tracking system regulates the volumes allowed to be logged, provides unique tag numbers to concession holders for logging, authenticates timber for removal and provides a tracking system back to the stump of origin for each piece of log arriving at market. The export of wood products from Guyana is also regulated by the Guyana Forestry Commission in collaboration with the customs department which approves all wood products for export.

According to the New Zealand Ministry of Agriculture and Forestry, illegal logging is not common in New Zealand. New Zealand timber is harvested and processed according to the local environmental laws. The New Zealand Ministry of Agriculture and Forestry's Indigenous Forestry Unit monitors and enforces compliance with the Forests Act, which was amended in 1993 to end clear felling of indigenous forest and logging on the conservation estate, and to require that all indigenous forestry occurs according to a sustainable management plan or permit. Occasionally, illegal logging of indigenous forests does occur, and is usually prosecuted.

China has implemented penalties to curb illegal logging and, in some cases, criminal liability may arise. The penalties include the payment of compensation for the losses, an order by the competent department of forestry to plant ten times the number of trees logged, the confiscation of trees logged or the gains from their sale, and fines based on the value of the trees logged depending on the circumstances.

THE TROPICAL LOG AND WOOD PRODUCTS MARKET

Production of tropical logs, plywood and veneer

With the recognition of the importance of sustainable forest management and recent efforts to control the rate of deforestation with the imposition of logging bans, production of tropical logs, plywood and veneer has remained relatively stable in the last few years.

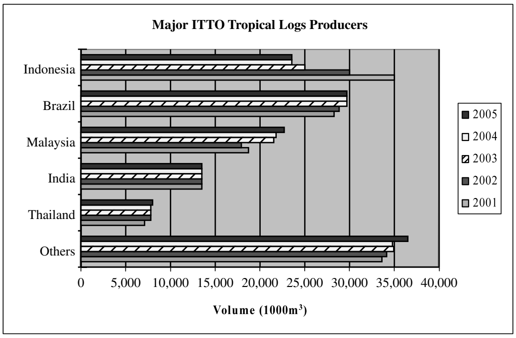
The following diagram illustrates the level of production of tropical logs, plywood and veneer by ITTO member countries between 2001 and 2005:

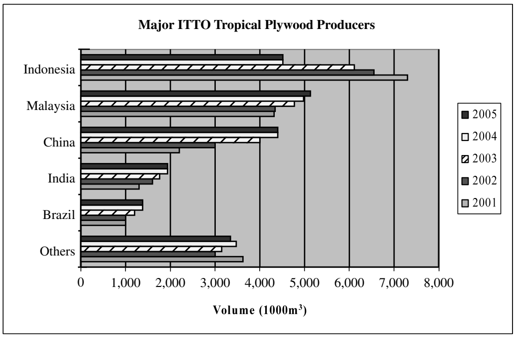
	Production by ITTO member countries (1,000 m^3)				
	2001	**2002**	**2003**	**2004**	**2005**
Logs	136,192	132,189	132,463	131,134	133,954
Plywood	19,740	19,492	20,989	20,679	20,703
Veneer	2,955	3,122	4,225	3,751	3,891

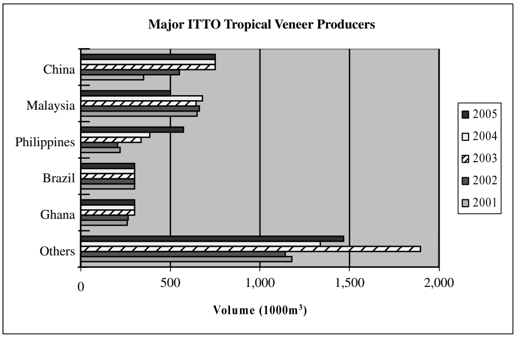
Source: ITTO

Note: Figures reflect the official reported volumes and do not reflect the impact of illegal logging.

The following charts show the production of tropical logs, plywood and veneer amongst certain ITTO member countries between 2001 and 2005:







Source: ITTO

Note: Figures reflect the official reported volumes and do not reflect the impact of illegal logging.

According to the FAO, wood processing capacity in the Asia-Pacific region has increased significantly over the past 30 years, matching major increases in consumption of wood products in the region. Pöyry expects demand for forest products in the Asia-Pacific region to continue to increase, and to exceed that available from the region's forest resources, thus perpetuating the need to continue to import forest products. The increase in regional demand is expected to be met by imports of finished products as well as stimulate the expansion of local wood processing industries in the region, which will rely on external sources.

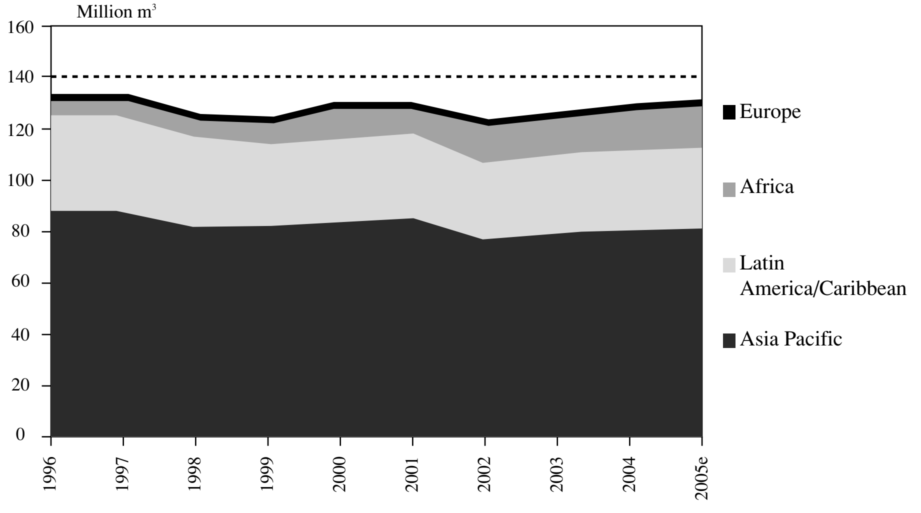
According to ITTO, housing starts are a major determinant of wood demand in most markets, and statistics on housing starts serve as a good indicator of demand for wood products for construction, joinery and furniture and fittings. In North America and the European Union, the United Nation Economic Commission for Europe (UNECE) reported that forest products markets climbed slowly to record levels in 2005 as demand from United States housing and European construction stimulated production and trade. However, UNECE expected rising mortgage rates in the United States to dampen housing construction in 2006. In the Asia Pacific region, according to ITTO, China's housing policy is changing to encourage private ownership over state-sponsored accommodations, with potential implications for housing starts and wood demand, although timber-framed houses currently represent a small fraction of Chinese housing starts. It has also been reported that plywood prices in Japan to have been depressed due to a weak housing market in Japan and Pöyry anticipates that the long-term outlook in Japan is for declining housing starts which is likely to constrain demand growth. However, data available indicates housing starts in Japan have risen since 2003 and we expect this level to be sustained in the near term along with an economic recovery in Japan.

Tropical hardwood logs

Between 1996 and 2005, demand for tropical hardwood logs was relatively stable. The Asia-Pacific region is by far the largest consumer of logs, consuming around 59% of the total global market. Other regions such as South America and Africa are also important consumption regions, with demand met mainly by local supply. Europe is also an important market, especially in terms of high quality logs.

The following table illustrates global tropical hardwood log consumption by region between 1996 and 2005.

Global Tropical Hardwood Log Consumption



Source: Pöyry

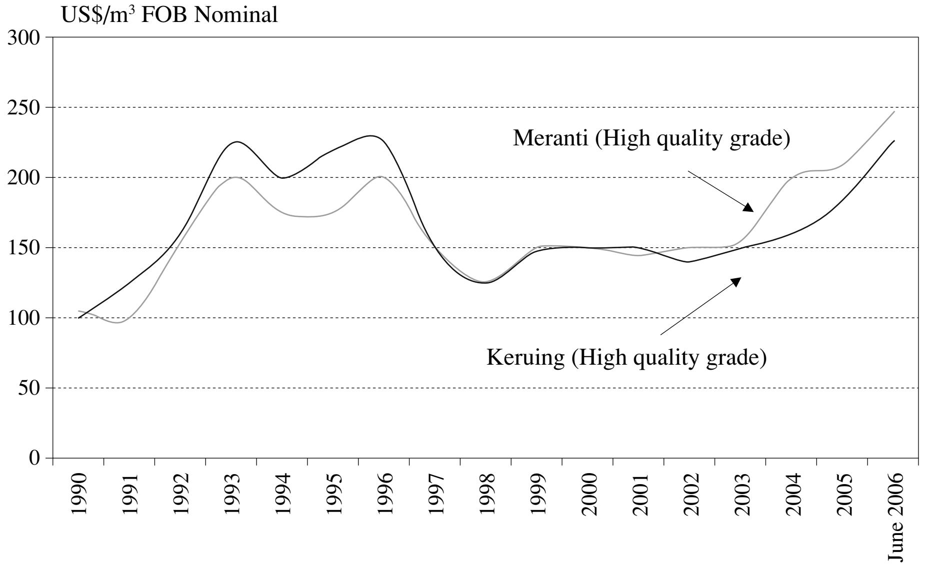
Note: e denotes estimated figures

Within the Asia-Pacific region, Japan and China are the largest single markets. However, these countries are experiencing very different trends: China, with rapid growth in demand, is driven by increased wood processing capacity, in contrast to Japan's decline in demand as uncompetitive processing capacity is shut down. In addition, domestic plywood manufacturers in Japan have switched to using more softwood logs to reduce costs in response to higher tropical log prices. There has also been a recent trend of outsourcing plywood manufacturing operations to manufacturers outside of Japan. However, according to Pöyry, Japan still represents an important market, accounting for approximately 11% of traded tropical hardwood logs within the region. Closure of local wood processing capacity in Japan, while negative for log exports, is positive for the importation of finished products, such as plywood, veneer and sawn timber into Japan. Taiwan is also an important market for logs, due to its large wood processing capacity, and very limited forest resources.

As a result of declining demand in Japan, balanced with increasing demand in China and India, overall demand for Asia-Pacific tropical hardwood logs remained relatively stable between 2002 and 2004. China's imports of hardwood logs in particular have increased five-fold over the past decade, driven mainly by economic growth and partly by restrictions imposed during 1998 by the Chinese Government on harvesting from Chinese natural forests.

Prices for tropical hardwood logs reached historical peaks in the mid-1990s, but declined significantly during the Asian financial crisis in 1997 and 1998 as a result of a drop in demand due to the economic downturn. Since 2000, log prices have been moving upwards, with notable increases in prices over the last three years. This reflects a strong demand for raw materials from China and a tight supply environment for logs. Prices for Malaysian logs have benefited from the declining Indonesian log exports and the export ban initiated in 2001. According to Pöyry, nominal prices for selected log grades and species have increased by as much as 65%, or close to 10.5% per annum since 2002, as a result of these supply constraints. The chart below illustrates the historical export log prices for selected Malaysia Keruing and Meranti logs.

Malaysia Keruing and Meranti Historical Export Log Prices



Source: Pöyry

According to International Monetary Fund (IMF) forecasts issued in September 2006, real GDP for developing countries in Asia is expected to grow by an average of 8.7% and 8.6% in 2006 and 2007, respectively, although real GDP for Japan is only forecast to grow by 2.7% in 2006 and 2.1% in 2007, respectively. It is expected that such projected positive economic growth in Asia would continue to support the demand for logs and wood products.

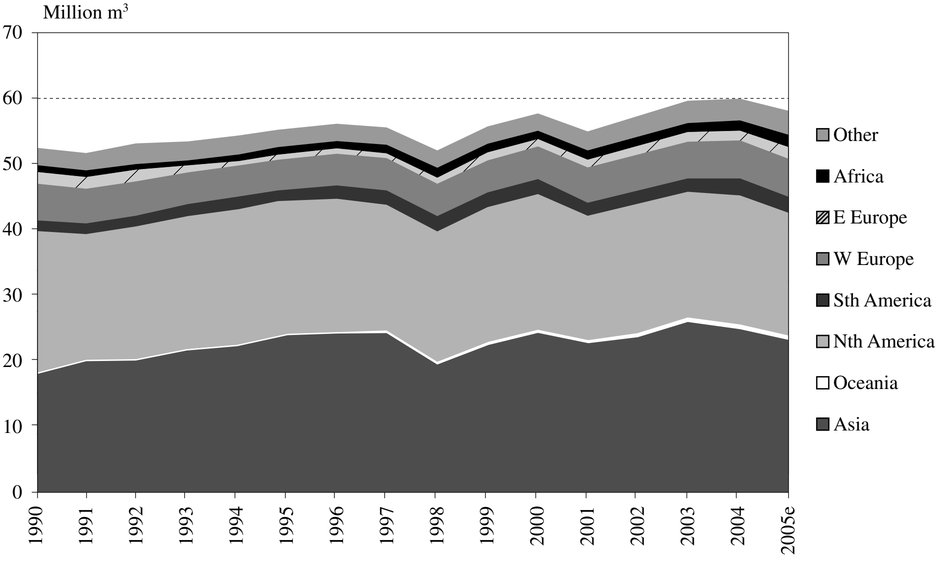
Plywood and veneer

On a global basis, total plywood demand remained relatively flat between 1990 and 2005, amounting to close to 60 million m^3 in 2005. Plywood consumption in the Asia-Pacific region grew by a modest 1.8% per annum over the same period, representing around 40% of the global market, or 23 million m^3, in 2005. In 2005, China and Japan accounted for 42% and 34%, respectively of total plywood demand in the Asia-Pacific region, dominating the tropical hardwood plywood markets. The United States also represents an important market for plywood. According to ITTO, the United States consumed 20.4 million m^3 of plywood in 2005 (of which 5.9 million m^3 was imported), whilst consumption increased slightly by 2.8% between 2001 and 2005. Plywood consumption is mainly driven by the construction and furniture industries.

Substitution by other types of wood panels such as MDF and particleboard has affected plywood demand. The price differential between plywood and MDF and particleboard has been a key factor in this substitution. Within the plywood segment, there has also been a substitution of tropical hardwood with softwood and temperate hardwood products to reduce costs. However, based on findings by Pöyry, in some end-use applications for tropical plywood such as film-faced plywood, floor-based plywood, marine plywood and container flooring grades, due to other materials being less suitable to meet the required performance criteria, there is a lower substitution threat.

The following table illustrates global plywood consumption by region between 1990 and 2005.

Global Total Plywood Demand Development



Source: Pöyry

Note: e denotes estimated figures

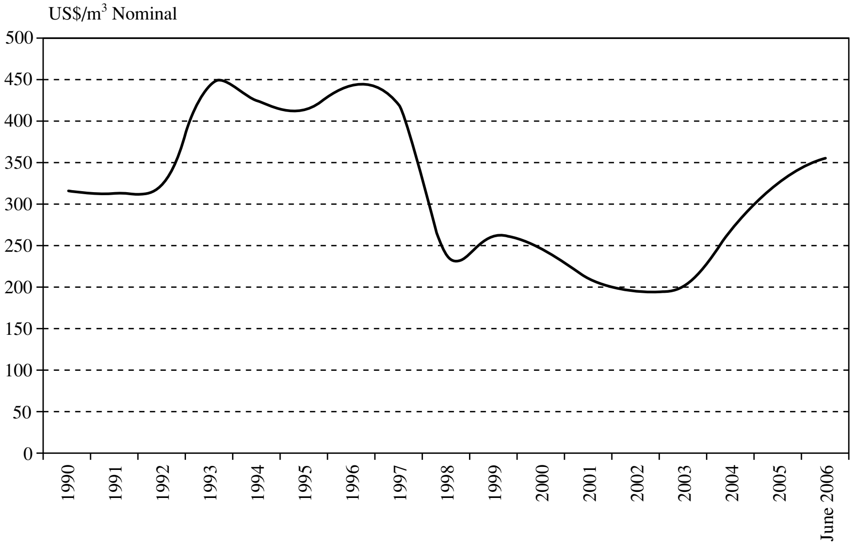
As veneer is a component of plywood, market demand for veneer is affected by fluctuations in the market for plywood. Veneer tends to be produced as a separate product and transported or exported to an area more conducive to plywood production. As plywood production can be very labor intensive, in many cases veneer is exported to countries with lower labor rates such as the Philippines.

According to Pöyry, future demand growth for plywood in Asia is expected to remain relatively flat, with less substitution by other products. Improving living standards linked to increasing GDP implies increased volumes of plywood consumption in products such as flooring, interiors and furniture.

Despite the recent improvement in the economic conditions in Japan, Pöyry anticipates that the long-term outlook in Japan is for declining housing starts which is likely to constrain demand growth. However, we expect the recent rise in housing starts in Japan to be sustained in the near-term along with an economic recovery in Japan. According to Pöyry, strong economic growth, an expanding furniture industry and anticipated continuing housing construction activity in China are some of the factors that will support plywood demand. China's export oriented furniture industry has also been expanding and significant capacity investments have occurred in the industry.

Plywood prices increased significantly as a result of rapid increase in demand in the early 1990s (between 1990 and 1993), but fell sharply during the Asian financial crisis. Prices have stabilized from 2000 onwards, and since 2003, there has been a clear upward trend as a result of some growth in demand within the Asia-Pacific region. Plywood prices in Asia have also been affected by increasing tropical log costs resulting from tightening tropical log supply. As a result, plywood prices in Asia have increased by over US$150 per m^3, representing an increase of 16% per annum, since 2003, according to Pöyry. The chart below illustrates the historical plywood prices for Malaysian and Indonesian plywood.

Malaysia and Indonesia — Historical Plywood Prices



Source: Pöyry

Housing Products

Furniture

On a global basis, trade in furniture has grown significantly between 2000 and 2004, with the European Union and the United States accounting for 75% of global consumption. Imports of wooden furniture have been particularly strong in the United States with annual growth of 15% per annum over the last decade, five times the growth of sales from domestic production. In the Asia-Pacific region, China is the largest producer followed by Japan.

Flooring

The North American market experienced strong growth in hardwood and laminated flooring in the past few years. Demand for wood-based flooring in the Asia-Pacific region, particularly in countries such as China and India, has also been expanding due to an increase in construction activity.

Other products

Reconstituted Panel Products

According to ITTO, substantial quantities of reconstituted panel products, particularly particleboard and MDF, are now being produced in several countries in Asia and Latin America. We believe that these products will become increasingly important as limits on the growth of plywood production are reached and as more countries move further into downstream processing and attempt to utilize available resources more efficiently. They may also substitute for plywood and sawn timber, resulting in decreasing or slower growth in production and exports of traditional tropical wood products in many countries.

Sawn timber

According to Pöyry, global demand for sawn timber has been growing steadily at a moderate growth rate of 0.7% per annum between 1995 and 2005. However, since 2002, demand has stabilized and increased and Pöyry expects the Asia-Pacific region to have a positive outlook with the continued upswing in the economies of importing countries and the strong construction industry prospects in China and India. The construction and furniture industries are the major demand drivers for tropical hardwood sawn timber products.

CERTIFICATION AND SUSTAINABLE FOREST MANAGEMENT

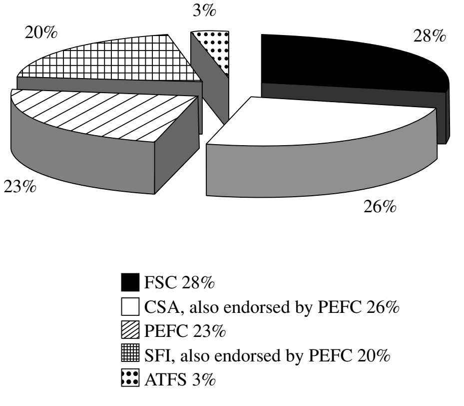
With the increasing emphasis on sustainable forest development, forest certification has become a market-driven tool. According to the FAO, the percentage of world-wide certified forest has increased significantly since 1998, from less than 12 million hectares in 1998 to approximately 270 million hectares by May 2006, and there has been an increasing trend in demand for certified wood products in North America, Europe and Japan. FAO has reported that FSC-certified forest products from tropical forests, for instance, are increasingly appearing in retail and supermarket chains selling garden furniture from tropical forests in western and central Europe, including the United Kingdom. According to the FAO, the potential supply of logs from the world's certified forests in 2006 is estimated at approximately 370 million m^3, an increase of approximately 8% from 2005 representing approximately 25% of the world's production of industrial roundwood logs. Two components of forest certification, forest management certification and chain of custody certification, provide assurance regarding the origin of the wood and its compliance with environmental management and other standards set out in the certification standard.

Although forest certification is voluntary, we expect that forest certification will enhance market access for wood products in environmentally-sensitive markets such as Europe and the United States. As a consequence, in conjunction with the increasing awareness of environmental issues and public relations, we believe that the area of forests being certified will continue to grow in the foreseeable future.

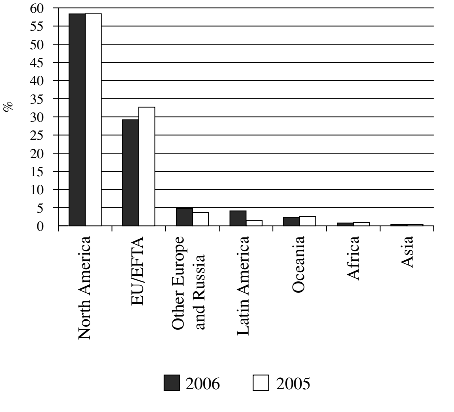
Forestry operations in many countries are now seeking some form of certification, either through the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification Schemes (PEFC), or via other avenues (for example, ISO14000 and other national standards authorities). The FSC, in particular, has been recognized as one of the international organizations that provides a system for different stakeholders interested in forest issues to work towards responsible forest management. The PEFC Council is another international organization which promotes responsible forest management through independent third party certification, although its focus has been on forest certification in European and North American regions. Other certification schemes, such as the Canadian Standards Association (CSA) system, the Sustainable Forestry Initiative (SFI) in North America and the American Tree Farm System (ATFS) in the United States have also become more common in recent years in their respective countries.

The following charts show the share of certified area by major certificate schemes and the area of certified forest as a percentage of total forest area, by percentages, in 2006:

Share of certified forest area by major international certification schemes, 2006



Geographical distribution of total certified forest area, 2005-2006



Source: Forest Products Annual Market Review 2005-2006, jointly published by FAO and the United Nations Economic Commission for Europe (UNECE)

According to the FAO, worldwide certified forest area reached approximately 270 million hectares by May 2006, representing approximately 7% of the world's forest area, with approximately 58% of the world's certified forest area being located in North America and approximately 29% in the European Union. In addition, FAO also reported that chain of custody (CoC) certificates issued by major international certification schemes increased by about one third, reaching 7,200 certificates worldwide by mid-2006, covered by PEFC and the FSC. Meanwhile, tropical countries are also increasingly developing their own national certification schemes. In Malaysia, for instance, the MTCC was established as an independent non-profit organization in October 1998 to create and operate a national forest certification scheme. These national certification schemes are usually catered to the criteria of the nations concerned.

FORESTRY INDUSTRY

Malaysia

According to the FAO, forest land in Malaysia is estimated to be 20.9 million hectares or 63.6% of its land area at the end of 2005. Of this, an area of 14 million hectares has been designated as permanent forest estate, which is under sustainable management. Approximately 11 million hectares of the permanent forest estate are production forests with the remaining 3 million hectares being protection forests. Malaysia also has 5 million hectares of perennial agricultural tree crops which are mainly rubberwood, oil palm, cocoa and coconut.

Malaysia was the world's largest tropical log exporting nation in 2005. Sarawak is the most important timber producing state of Malaysia, although timber production has been reduced to meet the sustainable level recommended by ITTO. According to the Malaysia Timber Council (MTC), export of major timber products from Sarawak accounted for approximately 34.9% of all timber product exports from Malaysia in 2005. Over 60 species of timber are regularly extracted in Malaysia, and the prime commercial species groups include meranti, kapur, keruing, selangan batu, bindang, merbau, cengal, balau and mixed light hardwood.

According to the Department of Statistics of Malaysia, total export of timber and timber products in 2005 was valued at approximately US$5.9 billion, or 4.0% of the country's total export earnings. The country's reliance on logs for export earnings is slowly being reduced in favor of semi-processed and finished goods, with sawn timber, plywood, veneer products and furniture increasing in exports, in terms of both volume and value.

The importance of forest plantation development to augment the supplies of logs from the natural forests is recognized by both the Sarawak state government and the private sector in Malaysia. The Sarawak state government has set a target to establish around 1.4 million hectares of plantation in the next 20 years. However, at present, private sector investment in forest plantations has yet to materialize in a significant manner.

Guyana

The forests of Guyana cover approximately 15.1 million hectares or 76.7% of the country's total land area as at 2005. According to ITTO, approximately 13.6 million hectares have been classified as state forest and may be considered potential production forest. Of these, 5.8 million hectares are allocated to commercial use, 500,000 hectares to research and protection and 63,000 hectares are protected and outside the jurisdiction of the forest service. State Forests are allocated by the Guyana Forestry Commission to timber harvesting concessions, which are allocated under three categories based on area and duration: State Forest Permissions (annual permits), Wood Cutting Leases (three to 10 years) and Timber Sales Agreements (20 years or more). Approximately 7 million hectares (or 56% of the state forest), mainly in the south of the country, have not yet been allocated to timber harvesting or other uses; a lack of ready access and long distances to market make the commercial harvesting of these forests uneconomical at present.

New Zealand

Forestry is a major industry in New Zealand. It ranks as the third largest commodity export industry, behind dairying and meat production, and contributed approximately 11% of the country's export earnings in 2005. New Zealand is also a leading forest plantation country. Its planted production forests covered an estimated 1.81 million hectares as at April 1, 2005. Radiata pine is the dominant species, making up 89% of the planted forest area in New Zealand, with douglas-fir the next most common species, making up 6%. Almost all of New Zealand's industrial roundwood is produced in plantations for domestic use and for export.

Since 1987, New Zealand has implemented a comprehensive plantation privatization program and has sold around 540,000 hectares of plantation forests to private sector interests. As a result, more than 90% of the planted forests are now under private ownership. The rate of new planting fluctuates from time to time, reaching a high of 98,200 hectares in 1994, but has since declined to 19,900 hectares in 2003 and further declined to 10,600 hectares in 2004, to a more stable level following the decline in log prices during the Asian financial crisis. Significant areas of forest established in the 1970s are now maturing and are expected to be harvested over the next decade.

INTERNATIONAL BODIES AND ORGANIZATIONS IN THE GLOBAL FORESTRY INDUSTRY

International bodies and organizations such as the Food and Agriculture Organization of the United Nations (FAO) and International Tropical Timber Organization (ITTO) issue statistical data, information and commentary in relation to the global forestry industry from time to time.

FAO

Serving both developed and developing countries, FAO acts as a neutral forum where all nations negotiate agreements and debate policy. It collects, analyses and disseminates data to aid development and keeps a comprehensive database on forestry information for countries worldwide. It helps developing countries and countries in transition to modernize and improve agriculture, forestry and fisheries practices. The FAO has a Committee on Forestry which brings together heads of forest services and other senior government officials worldwide to identify emerging policy and technical issues, to seek solutions and to formulate proposals for appropriate actions.

ITTO

ITTO is an intergovernmental organization headquartered in Japan which promotes the conservation and sustainable management, use and trade of tropical forest resources. ITTO collects, analyzes and disseminates data on the production and trade of tropical timber, develops policy documents to promote sustainable forest management and forest conservation and assists tropical member countries to adapt such policies to local circumstances and to implement them in the field through projects. The data collected by ITTO is based on estimated figures by individual countries due to the lack of reliable official production figures provided by ITTO members.

ITTO member States

ITTO currently has 59 member States which cover approximately 80% of the world's tropical forests and represent about 90% of the global tropical timber trade. ITTO membership is open to the governments of all States, subject to approval by the ITTO council but without any specific criteria. The 59 member States of ITTO are:

Producing countries (based on ITTO classification)

Africa

Cameroon	Central African Republic	Congo	Côte d'Ivoire
Gabon	Ghana	Liberia	Nigeria
Togo	Democratic Republic of the Congo		

Asia & Pacific

Cambodia	Fiji	India	Indonesia
Malaysia	Myanmar	Papua New Guinea	Philippines
Thailand	Vanuatu		

Latin America

Bolivia	Brazil	Colombia	Ecuador
Guatemala	Guyana	Honduras	Mexico
Panama	Peru	Suriname	Trinidad and Tobago
Venezuela			

Consuming countries (based on ITTO classification)

Australia	Canada	China	Egypt
European Union	Austria	Belgium/Luxembourg	Denmark
Finland	France	Germany	Greece
Ireland	Italy	Netherlands	Portugal
Spain	Sweden	United Kingdom	Japan
Nepal	New Zealand	Norway	Republic of Korea
Switzerland	United States of America		

ITTO guidelines

The criteria and indicators has been developed by ITTO as part of its guidelines to define, assess and monitor progress towards sustainable forest management. The ITTO criteria and indicators list the main factors that influence the health and productivity of a forest and suggest indicators that, if measured over time, will help managers assess the extent to which management practices are consistent with the sustainability of forests and of forest-dependent communities. The ITTO criteria and indicators are reviewed and refined from time to time based on experience and seek to reflect new concepts of sustainable forest management.

The ITTO criteria and indicators specify seven criteria as essential elements of sustainable forest management. The first criteria, "Enabling conditions for sustainable forest management", is concerned with the general legal, economic and institutional framework, without which actions included under the other criteria will not succeed. The second and third criteria, "Extent and condition of forests" and "Forest ecosystem health" respectively, are concerned with the quantity, security and quality of forest resources. The remaining four criteria deal with the various goods and services provided by the forest, including "Forest production", "Biological diversity", "Soil and water protection" and "Economic, social and cultural aspects". Each criteria has a set of specified indicators to identify information needed to monitor change, both in the forest itself (outcome indicators) and as part of the environmental and forest management systems used (input and process indicators).

HARVEST CYCLES, CLIMATE CONDITIONS AND HAZARDS

Harvest cycles vary globally depending on the location, species, growth rates and end product use of the logs. Plantation logs often have an optimum time for harvesting given that they are grown in a controlled environment with silviculture techniques applied. The harvesting cycle may also vary depending on the proposed end use for the wood. For natural forests, individual government bodies in the relevant countries, such as Guyana and Malaysia, often have overall control of the concessions and regulate the permitted harvest cycles or cutting levels as part of their commitments towards sustainable forest management. In Malaysia, concession holders are required to harvest logs according to a cutting cycle of 25 years, whereas in Guyana, the cutting cycle is 40 years. They may also prescribe the diameter that the trees must attain before logs can be harvested. These requirements are often determined following studies conducted in relation to growth rates and having regard to sustainable forest management practices.

Tree species are grown depending on climate conditions and weather. These are most notable in natural forests where the species vary according to climate, sunlight, rainfall, soil conditions and elevations. Tropical forests are found near the hot and moist equatorial zone and are home to a variety of tropical hardwood species such as meranti, kapur, keruing and selangan batu as well as tropical softwood species such as bindang. Temperate forests take shape in the higher latitudes, which enjoy warm moist summers and cold and snowy winters, where temperate hardwood species such as eucalyptus, birch, aspen, alder, maple, beech and oak, and temperate softwood species such as radiata pine, douglas-fir, spruce, hemlock and cedar are grown. The boreal forest, where giant conifers such as spruce, pine and fir grow, are found in the colder northern latitudes of North America, Europe and Asia, where there is heavy snow in the winter. For forest plantations, on the other hand, species are selected for planting based on the climate, soil conditions, expected growth rates and the end product to be produced. In selecting the appropriate species, considerable analysis is often done to determine growth rates and end product utilization with respect to climate and soil conditions as well as resistance to insect and disease infestation.

Growth of trees in both natural forests and plantations can also be affected by natural hazards as well as unfavorable local and global weather conditions, such as drought, floods, hailstorms, windstorms, typhoons, land slides, frost and winter freezing; and natural disasters such as fire, disease, landslides, insect infestation, pests and earthquakes. The hazards that are prevalent in the forests differ depending on the geographical location of the forests and whether the forests are natural or man-made plantations. Natural forests in Malaysia and Guyana, for instance, are more susceptible to drought, floods and land slides. Plantations in Malaysia and New Zealand, on the other hand, are more vulnerable to wind, fire, pests and diseases.

MALAYSIA REGULATORY OVERVIEW

Upstream Operations and Regulations

The main statutes which govern matters related to forestry in Sarawak, Malaysia are set out below:–

- the **Forests Ordinance, Chapter 126 (1958 Edition)** ("**Forests Ordinance**") is the most important piece of legislation that regulates the protection and management of forests in Sarawak, the taking of forest produce in Sarawak and for the construction and the operation of sawmills and plants for the manufacture of veneer, plywood, moldings or any other products made from timber. The Forests Ordinance authorizes the Director of Forests in consultation with the Minister of Planning and Resource Management ("Minister") to fix or impose any limit or volume of timber to be produced, taken, felled or removed from any licensed area and alternatively cancel or vary those limits. Royalty on forest produce is payable to the state government and are based on timber species and volume.

- the **Forests (Planted Forests) Rules, 1997** complements the Forests Ordinance as it provides for the establishment of planted forests and harvesting of trees, the registration, control and administration of any nurseries and research facilities established for or to facilitate tree planting or cultivation of any species of trees in planted forests. Licensee licensed hereunder can commence the planting of trees upon the submission of an environmental impact assessment report of the planted forest to the Natural Resources and Environmental Board as required under the Natural Resources and Environment (Prescribed Activities) Order 1994 and an approval thereof. Any license issued hereunder is not transferable unless approved by the Minister.

- the **Natural Resources and Environment Ordinance, Chapter 84 (1958 Edition)** provides for the establishment, composition, powers and functions of the Natural Resources and Environment Board and the conservation of natural resources. The Natural Resources and Environment Board has the functions and powers, amongst others, to provide rules, guidelines and directions for the protection and enhancement of the environment in matters relating to, inter alia, land use, development and protection of sources of water supply and invalid waters, extraction and removal of forest produce, mining, planning and development of agricultural estates and generally to take or undertake such measures or steps as may be necessary to safeguard the quality of the environment. The Natural Resources and Environment Board may require submission of an environmental impact assessment report from any person undertaking activities like logging operations in forest areas which have previously been logged or in respect whereof coupes have previously been declared to have been closed by the Director of Forests under the provisions of the Forests Ordinance.

- the **Land Code (Chapter 81) (1958 Edition)** is the most important legislation applicable to land matters in Sarawak including provisions on land classification, alienation of lands, registration of land titles and dealings in respect of lands in Sarawak. The Land Code also provides that native customary rights may be permitted upon restricted area of land in Sarawak in accordance with native customary law/rights of the communities by various methods including the felling of primary forest and the occupation of the land, the occupation or cultivation of land or the use of land for a burial ground or shrine. Native customary rights may be extinguished by a direction issued by the Minister but compensation and/or other land shall be paid or made available to any person who can establish his claims to such rights in accordance with certain provisions of the Land Code. Under the Land Code, the Minister may also declare any area of state land to be "native communal reserve" for the use of any community living.

- the **Wild Life Protection Ordinance, 1998 (Chapter 26)** was enacted to provide better provisions for the protection of wild life, the establishment and management of wild life sanctuaries and all matters ancillary thereto. In an effort to ensure the long term conservation and protection of wild life in Sarawak, the Director of Forests has issued circulars to forest timber licensees/logging operators requiring strict adherence to various requirements including the prohibition on the employees of the timber companies from hunting in the licensed areas and using company vehicles for hunting or carrying meat of wild animals.

Downstream operations and regulations

There are various licenses and certificates required for the manufacture of wood products which are regulated by various statutes and issued by the relevant authorities. The main licenses and/or certificates are regulated by the following statutes:

- the **Industrial Co-ordination Act 1975 (Act 156)** regulates "manufacturing activities" – defined as making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade. Manufacturing activities in Malaysia can only be engaged upon issuance of a license hereunder and the licensee can only manufacture products that are specified in the license and may be subject to various conditions, including shareholding equity conditions. In a corporate restructuring involving companies with such licenses, or any share issuance involving a change in the effective interest in those companies, the approval of MITI will be required. A license may also be revoked at the discretion of MITI if the manufacturer to whom a license is issued has not complied with any condition imposed in the license. Various principal manufacturing licenses held by certain subsidiaries of our Group, including, Samling Plywood (Miri) Sdn Bhd., Samling Plywood (Baramas) Sdn, Bhd. and Samling Flooring Products Sdn. Bhd., have shareholding equity conditions attached, which may vary from license to license, such as a condition requiring that an effective shareholding interest ranging from 50% to 70% of the issued share capital of the licensed company shall be held by Malaysians, including an effective shareholding interest of up to at least 30% which must be held by Bumiputera interests. See the fifth column to the table under the sub-section headed "Principal Licenses/Permits/Certificates" for details.

- the **Factories and Machinery Act 1967 (Act 139) and Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970**, deal with regulations in relation to certification, inspection and notification of machinery and factories. Machinery shall only be installed with the written approval of the Inspector of Factories and Machinery and shall be used upon issuance of a certificate of fitness.

- the **Business, Professions and Trades Licensing Ordinance (Chapter 33)** provides for the licensing and taxation of trades and other gainful occupations. It is an offence in Sarawak for any person to carry on any business which is not covered under a trading license.

- the **Environmental Quality Act 1974 (Act 127)** sets out the prevention, abatement, control of pollution and enhancement of the environment and for the purposes connected therewith. The Minister in charged with the responsibility for environmental protection, may by regulations specify the acceptable conditions of emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into any area, segment or element of the environment. Unless a license is given, no person shall emit or discharge any environmentally hazardous substances, pollutants or wastes into the atmosphere or any noise greater in volume, intensity or quality. It is an offence if any person contravenes the aforesaid and shall be liable to a fine not exceeding RM100,000 or to imprisonment for a period not exceeding five years or to both and to a further fine not exceeding RM1,000 a day for every day that the offence is continued after a notice by the Director General requiring him to cease the act specified therein has been served upon him.

Other Regulatory Bodies in Timber/Forestry Industry in Sarawak

Forest Department of Sarawak

The Forest Department of Sarawak (or the Sarawak Forest Department) is principally responsible for (i) advising the Sarawak state government on all matters pertaining to forestry; (ii) the collection of revenue due to the Sarawak state government from timber royalty and other fees for environmental protection and conservation of endangered wildlife species; (iii) the control of harvest from the forest estate based on the principle of sustainable forest management; and (iv) the enforcement of the Forests Ordinance 1958 (Chapter 126), the National Parks and Nature Ordinance 1998, the Wildlife Protection Ordinance 1998 and the control of all forestry operations under the terms of a forest license.

Sarawak Forestry Corporation

The Sarawak Forestry Corporation is a body corporate established under the Sarawak Forestry Corporation Ordinance 1995 (Chapter 17) wholly-owned by the Sarawak state government. The Sarawak Forestry Corporation acts as an agent of the Sarawak state government, among others, (i) to provide services in collecting and enforcing payment of timber royalty; (ii) to carry out government plans and policies for forestry operator; (iii) to undertake research on all aspects of forestry; and (iv) to enforce compliance by all licensees, contractors, sub-contractors, operators and those involved in the logging and timber processing industry of all laws and regulations governing their operations, and the conditions, directives, plans and schemes contained or imposed on any permit or license issued to them under the Forests Ordinance.

Sarawak Timber Industry Development Corporation (STIDC)

The Sarawak Timber Industry Development Corporation (STIDC), also known as Perbadanan Perusahaan Kemajuan Kayu Sarawak or "PUSAKA", was established in June 1973 under the Sarawak Timber Industry Development Corporation Ordinance 1973 and it controls and co-ordinates the manufacturing standards and trade practices of Sarawak timber industries and makes recommendations to the Sarawak state government as to the methods, measures and policies to be adopted to facilitate the improvement of the existing timber industry in Sarawak, Malaysia.

Under the Sarawak Timber Industry (Registration) Regulations, 1999, no person shall be engaged in or associated with the manufacture of timber or the sale, distribution or marketing of timber unless he is registered under the regulations.

Import/Export Restrictions

Forests Ordinance

The Director of Forests may by rule under section 95 prohibit the export from Sarawak of any timber, or of timber of a particular class or description or destination, unless such timber is accompanied by a certificate of inspection in the prescribed form.

Subject to any particular condition or limitation or reservation imposed in the notice under the Forest Ordinance, no holder of a license or permit to which the notice apply shall, among others, export or caused to be exported or removed from Sarawak any timber forming or constituting part of the reservation quota.

No timber shall be loaded or transmitted onto any vessel for export or removal from Sarawak until a certificate ("Export Clearance Certificate") has been issued by the Director of Forests or any person specially authorized by him certifying that the timber does not form part of the reservation quota. The master of every vessel carrying or towing timber for export or removal from Sarawak shall not leave or attempt to leave any port until and unless he has in his possession an Export Clearance Certificate provided to him by the person exporting or removing the timber from Sarawak. An Export Clearance Certificate shall not be issued unless the Director of Forests or any person duly authorized by him is satisfied that all royalties, premia, cess and other dues chargeable on any timber to be exported or removed from Sarawak have been duly paid, such timber carried or towed by the vessel have been taken under license or permit as indicated in the Forest Produce Removal Pass and other documents produced by the master of the vessel in support of such claim and The master of the vessel carrying or towing such timber has not contravened any of the requirements of Part VII of the Sarawak Rivers (Traffic) Regulations, 1993.

Customs (Prohibition of Import) Rules 1998

The importation of logs, wood in the rough, whether or not stripped of its bark or merely roughed down, wood roughly squared or half squared but not further manufactured and Large Scantlings and Squares ("LSS") having a cross section exceeding 60 square inches that originates or manufactured wholly or mainly in, or consigned from Indonesia is absolutely prohibited.

The importation of logs, wood in the rough whether or not stripped of its bark or merely roughed down, wood roughly squared or half-squared but not further manufactured and LSS having a cross section exceeding 60 square inches excluding Ramin timber from all other countries (except Indonesia) is prohibited unless the import is accompanied by an import permit issued by or on behalf of the Sarawak Timber Industry Development Corporation (in relation to Sarawak), or the Malaysian Timber Industry Board (in relation to other states of Malaysia), as the case may be.

The importation of logs, wood in the rough whether or not stripped of its bark or merely roughed down, wood roughly squared or half-squared but not further manufactured and LSS, of Ramin timber from all other countries (except Indonesia) is prohibited unless the import is accompanied by an import permit issued by or on behalf of the Sarawak Timber Industry Development Corporation (in relation to Sarawak), or the Malaysian Timber Industry Board (in relation to other states of Malaysia), as the case may be, and an import permit required under the Convention on International Trade in Endangered Species of Wild Fauna and Flora ("CITES") issued by or on behalf of the Sarawak Timber Industry Development Corporation (in relation to Sarawak), or the Malaysian Timber Industry Board (in relation to other states of Malaysia), as the case may be.

The importation of sawn timber, parts and derivatives of Ramin timber from all countries are prohibited unless the import is accompanied by an import permit issued by or on behalf of the Sarawak Timber Industry Development Corporation (in relation to Sarawak), or the Malaysian Timber Industry Board (in relation to other states of Malaysia), as the case may be, and an import permit required under CITES issued by or on behalf of the Sarawak Timber Industry Development Corporation (in relation to Sarawak), or the Malaysian Timber Industry Board (in relation to other states of Malaysia), as the case may be.

The importation of poles and piles of Bakau *(Rhizophora spp)* from all countries are prohibited unless the import is accompanied by an import permit issued by or on behalf of the Sarawak Timber Industry Development Corporation (in relation to Sarawak), or the Malaysian Timber Industry Board (in relation to other states of Malaysia), as the case may be.

Customs (Prohibition of Exports) Order 1998

The exportation of logs, sawn timber, moulding, plywoods, veneer chips or particle boards, fiberboards, wood chips and ground wood to all destinations is prohibited, except under an Export Licence granted by the Director General of Customs or granted by the proper officer of customs appointed by the Director General of Customs to act on his behalf at the Sarawak Timber Industry Development Corporation (in relation to Sarawak), or the Malaysian Timber Industry Board (in relation to other states of Malaysia), as the case may be, and subject to such conditions as may be specified in the license.

Principal Licenses/Permits/Certificates

The principal licenses, permits or certificates required to be obtained by our Group in order to carry out our timber business are set out below:

Name of company within our Group	Certificate of Registration *(required pursuant to Forests Ordinance)*	Forest Timber License *(required pursuant to Forests Ordinance)*	License of Planted Forest *(required pursuant to Forests Ordinance and Forests (Planted Forests) Rules 1997)*	Manufacturing License *(required pursuant to Industrial Co-ordination Act 1975)*
KTN Timor Sdn. Bhd.	No. R0140/91 Issued in January 1993 Expiring in December 2007	No. T/0280 Issued in June 1984 Expiring in June 2009		
Merawa Sdn. Bhd.	No. R0150/94 Issued in December 1994 Expiring in November 2007	No. T/0390 Issued in March 1992 Expiring in March 2012		
Ravenscourt Sdn. Bhd.	No. R0136/91 Issued in January 1993 Expiring in December 2007	No. T/0294 Issued in January 1985 Expiring in January 2015		
Samling Wood Industries Sdn. Bhd.	No. R0009/94 Issued in March 1994 Expiring in February 2008	No. T/3284 Issued in May 1993 Expiring in May 2013		
S.I.F. Management Sdn. Bhd.	No. R0046/2001 Issued in July 2001 Expiring in July 2007	No. T/9082 Issued in April 2001 Expiring in April 2011		No. A015197 (for veneer manufacturing) Issued in September 2005 No expiry date
Syarikat Reloh Sdn. Bhd.	No. R0204/92 Issued in May 1993 Expiring in September 2007	No. T/3112 Issued in June 1984 Expiring in June 2007		
Sertama Sdn. Bhd.	No. R0134/91 Issued in January 1993 Expiring in December 2007	No. T/3173 Issued in April 1987 Expiring in April 2012		
Majulaba Sdn. Bhd.	No. R0165/2005 Issued in November 2005 Expiring in November 2007	No. T/9115 (previously under the Forest Timber Licence Nos. T/0298 and T/0299) Issued in November 2005 Expiring in November 2015		
Samling Plywood (Lawas) Sdn. Bhd.	(1) No. R0012/94 Issued in March 1994 Expiring in February 2008 (2) No. R0013/94 Issued in March 1994 Expiring in February 2008	(1) No. T/0404 Issued in May 1995 Expiring in May 2013 (2) No. T/0405 Issued in May 1993 Expiring in May 2013		
Samling Reforestation (Bintulu) Sdn. Bhd.	(1) No. R0082/2000 Issued in October 2000 Expiring in October 2007 (2) No. R0083/2000 Issued in October 2000 Expiring in October 2007 (3) No. R0108/99 Issued in November 1999 Expiring in November 2007 (4) No. R0105/99 Issued in November 1999 Expiring in November 2007 (5) No. R0107/99 Issued in November 1999 Expiring in November 2007		(1) No. LPF/0020 Issued in August 2000 Expiring in August 2060 (2) No. LPF/0021 Issued in August 2000 Expiring in August 2060 (3) No. LPF/0008 Issued in December 1998 Expiring in December 2058 (4) No. LPF/0005 Issued in December 1998 Expiring in December 2058 (5) No. LPF/0007 Issued in December 1998 Expiring in December 2058	

Name of company within our Group	Certificate of Registration *(required pursuant to Forests Ordinance)*	Forest Timber License *(required pursuant to Forests Ordinance)*	License of Planted Forest *(required pursuant to Forests Ordinance and Forests (Planted Forests) Rules 1997)*	Manufacturing License *(required pursuant to Industrial Co-ordination Act 1975)*
Syarikat Samling Timber Sdn. Bhd.	No. R0084/2003 Issued in August 2003 Expiring in August 2007		No. LPF/0014 Issued in January 1999 Expiring in January 2059	
Samling Plywood (Miri) Sdn. Bhd.	No. R0014/94 Issued in March 1994 Expiring in February 2008	No. T/0413 Issued in September 1993 Expiring in August 2018		(1) No. A007396 (for plywood manufacturing) Issued in May 1993 No expiry date (2) No. A007396 (for veneer manufacturing)[(a)] Issued in May 2005 No expiry date
Samling Plywood (Baramas) Sdn. Bhd.	(1) No. R0011/94 Issued in December 1994 Expiring in February 2008 (2) No. R0010/94 Issued in March 1994 Expiring in February 2008	(1) T/0412 Issued in September 1993 Expiring in August 2013 (2) No. T/0411 Issued in September 1993 Expiring in August 2013		(1) No. A007508 (for plywood manufacturing)[(a)] Issued in April 1991 No expiry date (2) No. A015191 (for veneer manufacturing)[(c)] Issued in September 2005 No expiry date
Samling Plywood (Bintulu) Sdn. Bhd.	(1) No. R0015/94 Issued in December 1994 Expiring in February 2008 (2) No. R0149/94 Issued in November 1994 Expiring in November 2007	(1) No. T/3283 Issued in May 1993 Expiring in May 2008 (2) No. T/3282 Issued in May 1993 Expiring in May 2008		(1) No. A006707 (for plywood manufacturing) Issued in February 1991 No expiry date (2) No. A006707 (for veneer manufacturing) Issued in March 1998 No expiry date (3) No. A013395 (for veneer manufacturing) Issued in April 2003 No expiry date
Samling Housing Products Sdn. Bhd.				(1) No. A013513 (for manufacturing of wooden furniture and its parts) Issued in May 2003 No expiry date (2) No. A010509 (for manufacturing of medium density fiber mouldings and decorative medium density board/plywood) Issued in December 2000 No expiry date (3) No. A010509 (for manufacturing of wooden door, wooden door panels, wooden furniture and its parts) Issued in October 1996 No expiry date

Name of company within our Group	Certificate of Registration	Forest Timber License	License of Planted Forest	Manufacturing License
	(required pursuant to Forests Ordinance)	*(required pursuant to Forests Ordinance)*	*(required pursuant to Forests Ordinance and Forests (Planted Forests) Rules 1997)*	*(required pursuant to Industrial Co-ordination Act 1975)*
Samling Flooring Products Sdn. Bhd.				(1) No. A010076 (for the manufacturing of laminated flooring boards and panels)[(b)] Issued in May 2000 No expiry date (2) No. A014468 (for veneer manufacturing)[(b)] Issued in May 2004 No expiry date (3) No. A013776 (for veneer manufacturing)[(b)] Issued in December 2003 No expiry date (4) No. A014372 (for manufacturing of veneer, sawn timber and woodchip) Issued in April 2004 No expiry date (5) No. A010076 (for manufacturing of 3-ply parquet)[(b)] Issued in January 1996 No expiry date (6) No. A015463 (for manufacturing of plywood and veneer in Sibu)[(d)] Issued in March 2006 No expiry date
Samling Chipboard Sdn. Bhd.				No. A014467 (for particle board manufacturing) Issued in May 2004 No expiry date
Sorvino Holdings Sdn. Bhd.				No. A012378 (for manufacturing of re-conditioned heavy machineries — tractors, motorgraders, truck with gross vehicle weight exceeding 38 tonnes, excavators and wheel loaders) Issued in October 2000 No expiry date
Grand Paragon Sdn. Bhd.				(1) No. A013740 (for manufacturing of wooden solid door, flush doors, moulded doors and wooden solid windows) Issued in January 2003 No expiry date (2) No. A013739 (for manufacturing of wooden door and window components) Issued in January 2003 No expiry date

(a) At least 50% of its effective shareholding must be held by Malaysian citizens including at least 10% to be reserved for Bumiputera shareholders.

(b) At least 60% of its effective shareholding must be held by Malaysian citizens including at least 10% to be reserved for Bumiputera shareholders.

(c) At least 60% of its effective shareholding must be held by Malaysian citizens including at least 30% to be reserved for Bumiputera shareholders. Upon completion of the Global Offering, we shall be in non-compliance with such license requirement. We are seeking to rectify the license condition to bring it in line with the license condition previously issued for this company at the time of the Reorganization. Such non-compliance may result in the relevant manufacturing licence to be revoked at the discretion of MITI. The licence relate to the operation of one of our veneer factories in Layun, Sarawak, which contributed approximately 0.7% and 2.5% of our revenue for the financial year ended June 30, 2006 and the three months ended September 30, 2006 respectively. In view of the insignificant contribution of this factory to our revenue, our Directors are of the view that there will not be any material adverse effect on our Group's business as a whole in the event that the operations at this factory have to be suspended.

(d) At least 70% of its effective shareholding must be held by Malaysian citizens.

Foreign Investment in Malaysia under the FIC Guidelines

Certain acquisitions of shares and/or assets in Malaysia by a foreign interest are regulated and monitored by the FIC. The FIC Guidelines for the regulation of acquisition of assets, mergers and takeovers of businesses and companies in Malaysia are policy guidelines of a non-statutory nature and do not have the force of law. The FIC Guidelines provide that a proposed acquisition of shares and/or assets shall result directly or indirectly in a more balanced Malaysian participation in ownership and control, which should lead directly or indirectly to net economic benefits being derived in relation to certain matters and should not have adverse consequences in terms of national policies in certain areas.

The acquisitions of asset by any foreign interest as set out below require the FIC's approval:

1. Any acquisition of property by foreign interest. Such foreign interest is only allowed to acquire property valued at more than RM150,000 per unit by a foreign interest, with no limit on the number of property acquired.

2. Acquisition of a residential unit valued at less than RM150,000, but more than RM60,000 by a local manufacturing company owned by foreign interest for residential purposes for the benefit of the company's employees.

3. Acquisition of commercial unit valued at less than RM10 million for use by the foreign interest need not be undertaken via a local company.

4. Acquisition of agricultural land valued at more than RM250,000 or at least 5 acres in area, whichever is higher, subject to the conditions for acquisition, for agricultural or agro-tourism purposes.

5. Acquisition of (i) industrial property without any price limit; (ii) one or more contiguous properties with a total value of RM10 million and above; (iii) an entire building or property development project, irrespective of its value; (iv) land or land with building for redevelopment on a commercial basis; or (v) commercial unit valued at more than RM10 million, and the acquired property must be registered under a locally incorporated company, subject to the conditions for acquisition.

6. Acquisition through public auction valued at more than RM150,000 per unit subject to the conditions of the acquisition.

7. Exempted from the imposition of equity condition, an acquisition of industrial property by foreign interests for its own purpose of manufacturing operation.

Nevertheless, an acquisition of industrial property by a manufacturing company licenced by MITI for its own purpose of manufacturing is exempted from the requirement of FIC's approval.

Foreign interest is not permitted to acquire all properties, among others, under the category of low and medium cost and/or reserved to the Bumiputera.

The acquisition of shares by any foreign interest as set out below requires the FIC's approval:

1. Any acquisition of interest in a local company/business which is RM10 million or more in value by foreign interests;

2. Any acquisition of interest of a local company/business by any means, which results in the transfer of ownership or control to foreign interests;

3. Any acquisition of interest by:

   (a) any foreign interest of 15% or more of the voting rights of a local company/business or which results in an increase of voting rights of foreign interests to 15% or more in a local company/business; or

   (b) any associated or non-associated group of foreign interests, in the aggregate of 30% or more of the voting rights of a local company/business OR which in the aggregate results in an increase of voting rights of foreign interests to 30% or more in a local company/business;

   regardless of the value of the transaction with the exception of open market acquisitions on Bursa Malaysia Securities Berhad for short term holdings;

4. Any merger or take-over of a local company/business by foreign interests;

5. Any proposed joint venture involving two or more parties in a local company;

6. Any control of a local company/business through any form of management agreement, technical assistance agreement or other arrangements;

7. Any charging of shares in a local company to any foreign interest where the value of the loan or market value of the shares is RM10 million or more.

For the purpose of FIC Guidelines, "foreign interest" includes foreign individuals, permanent residents, companies incorporated outside Malaysia and local companies 50% voting shares of which are held by foreign individuals or companies.

For the purposes of our Reorganization, we obtained an approval granted by the FIC in relation to our acquisition of certain Malaysian companies (including SST and subsidiaries of Lingui). FIC has required as a condition of such approval that Samling Strategic will remain as the largest single shareholder of our Company, whether directly or indirectly. Other than the above, the FIC approval does not set out any other conditions and we are not subject to any shareholding equity conditions under the FIC approval.

The FIC does not regulate further issuance of shares by our Company outside of Malaysia or the acquisition by our Group of overseas non-Malaysian assets or shares. We are therefore not required to seek approval from the FIC for issuance of Shares or debt securities, or the obtaining of bank loans or other forms of financing, so long as such transactions do not result in Samling Strategic ceasing to be our largest single shareholder. However, any acquisition by our Company or any subsidiary of our Group which falls within the ambit of the FIC Guidelines will require FIC's approval.

PRC REGULATORY OVERVIEW

- **Timber Trading and Processing Licensing Framework**

  In the PRC, the PRC Forest Law (Decree [1984] No. 17 of the PRC President) implemented on January 1, 1985 and amended on April 29, 1998 (the "PRC Forest Law") is the basic law governing the forestry/plantation industry. The PRC Forest Law is further interpreted by the Implementation Regulations of the PRC Forest Law (Decree [2000] No. 278 of the State Council) implemented on January 29, 2000 ("Implementation Regulations"). According to the Implementation Regulations of the PRC Forest Law, timber trading and processing in the forest zones must be approved by the forestry bureau at county level or above. For timber trading and processing outside the forest zones, some provinces of the PRC such as Shandong Province implement a licensing system as well, under which panel producers and sellers are required to obtain the Timber Trading and Processing License from forestry bureaus at county level.

- **Wood-based Panels Production Licensing Framework**

  According to applicable PRC laws, the production and sale within the PRC of the following kinds of wood-based panels is subject to production permit: veneer, flakeboard, directional flakeboard, medium-density fiberboard, decoration veneer-pasted wood-based panels, velum-oaked facing wood-based panels, cabinetwork panels, solid wood-composite floor, soaked bumf-layered wood floor, bamboo floor, solid wood floor. But, if all of the products are exported, the production is not subject to a production permit. However, if the products are sold within the PRC, a production permit is necessary.

Import/Export Restrictions

There is no import/export restriction specifically implemented over the forestry/plantation industry, save for the export prohibition on unprocessed logs and the export prohibition or restriction on precious trees and relevant products or derivatives of such trees.

Principal Licenses/Permits/Certificates

Riverside is not required under PRC law to hold any licenses, permits or certificates that are specific to our Group's business as the relevant requirement to obtain license, permit or certificate is only applicable to timber trading and processing within designated forest zones, while such activities of Riverside are conducted outside such forest zones. Foothill holds a Shandong Province Timber Dealing and Processing License pursuant to the Shandong Province Regulations on Administration of Forest Resources promulgated on June 30, 2000, which was issued in April 2006 and will expire in April 2010. As a company incorporated in the PRC, each of Riverside and Foothill holds a business license, expiring in August 2042 and November 2052, respectively, which is subject to annual inspection by the relevant PRC authorities. Since all of the products of Riverside and Foothill are for export, both companies are not required to hold a production permit for wood-based panels.

NEW ZEALAND REGULATORY OVERVIEW

Until the 1980s, the New Zealand Government was directly involved in forestry production through ownership of over half the country's plantation forests, two large sawmills, administration of forestry encouragement loans, and regulation of log exports. In 1987, the Government decided to sell its planted forests to private companies and its current policy is to ensure that New Zealand forestry is internationally competitive and not dependant on subsidies.

The principal government department concerned with regulating forestry in New Zealand is the MAF. MAF administers most forestry legislation and frequently publishes guidelines on best practice in the industry.

While there is no comprehensive code applicable to silviculture in New Zealand, the forestry industry is affected by a number of statutes, some specific to the industry and some more general in application:

Specific Statutes

- The *Forests Act 1949* is the most important legislation applicable to forestry. The Act itself principally regulates the felling, milling and export of indigenous timber. The Forests Act also contains provisions on the registration of forestry supply contracts which, although passed, have yet to come into force. Regulations may be passed under the Act to deal with a broader range of topics including the establishment and funding of forests, the branding of forest products, import and export of timber (which is also governed by the Biosecurity Act 1993 and Hazardous Substances and New Organisms Act 1996), and the operation of forests and sawmills. Regulations dealing with forestry loans and grants, state forests and fees are presently in force;

- The *Forestry Encouragement Act 1962* allows MAF to provide loans to encourage forestry. The Act makes provision for "forestry encouragement agreements" with MAF to be registered against the title to the land;

- The *Forest and Rural Fires Act 1977*, together with the *Forest and Rural Fires Regulations 2005*, amendments to the *Fire Service Act 1975* and the *Rural Fire Management Code of Practice* set out a framework for the control and prevention of forest fires. In addition to creating individual offences and obligations on forestry operators amongst other persons, with regard to fires, fire breaks and fire prevention, the Act creates fire control districts and authorities and places restrictions on access to exotic forests.

- The *Forestry Rights Registration Act 1983* allows the right to cultivate and fell a forest on another's land to be registered as a specific interest in land under the land transfer regime.

General legislation

The following statutes (including any subordinate legislation), while not specific to forestry, are highly relevant:

- The *Biosecurity Act 1993* is concerned with preventing the importation of microbial, animal or plant pests into New Zealand. This Act also governs the surveillance and prevention of certain organisms and provides a legislative framework for pest management within New Zealand.

- The *Hazardous Substances and New Organisms Act 1996* provides a legislative framework for the management (including the importation) of hazardous substances and new organisms and related decision-making.

- *Te Ture Whenua Mãori (Mãori Land Act) 1993*, which places restrictions on the use and alienation of Mãori land, is relevant where a forest is to be established (usually by lease or forestry right) on land registered as Mãori land. There are procedures in place under the Act which govern the granting, variation or assignment of interests in Mãori land.

- The *Health and Safety in Employment Act 1992* deals with health and safety issues, requiring safety in the workplace and the provision of a safe working environment. It is enforced by the Occupational Safety and Health Service ("OSH"), a division of the Department of Labor. OSH and the forestry industry have established a Code of Practice for Safety and Health in Forest Operations (the "Code"). Compliance with the Code is not mandatory, however non-compliance with the Code may be found to be non-compliance with the Act. The Code places obligations on employers, self-employed people and employees and also recommends how to comply with the Act.

- The *Resource Management Act 1993* sets out a regime whereby regional and district councils are required to establish plans to deal with the activities allowed within each council's area. The various forestry activities (including establishment, thinning and harvesting) are stipulated to be permitted, controlled, discretionary or non-complying activities under each relevant plan. A Resource Consent must be obtained where an activity is a controlled, discretionary or non-complying activity (but not where the activity is a permitted activity under the relevant council plan). Most land use consents (including for water use and discharge of any run-off) which a forestry company is likely to require will, in all probability, need to be applied for under this Act.

Other relevant statutes include those relating to fencing (*Fencing Act 1978*), control of wild animals (*Wild Animals Control Act 1977*), customs and excise (*Customs and Excise Act 1996*), conservation and anti-pollution statutes (*Conservation Act 1987, Hazardous Substances and New Organisms Act 1996*) and laws relating to the preservation of historic places including archaeological sites and those sacred to Mãori (*Historic Places Act 1993*).

Overseas Investment

The law relating to overseas investment in New Zealand is governed by the Overseas Investment Act 2005 and Overseas Investment Regulations 2005. Investment by overseas persons (broadly non-New Zealand residents or companies in which non-New Zealand residents have greater than 25% control) in land deemed "sensitive" (including foreshore land, reserves, Mãori reserves and non-urban land) will require the approval of the Minister of Finance and/or the Minister of Land. Approval will also be required for investment in non-land business assets worth NZ$100 million or more.

Other Statutes

General laws relating to such areas as taxation, construction, employment, health and safety and immigration are also applicable to forestry and wood manufacturing facilities. Laws relating to competition (e.g. the *Commerce Act 1986*) and common law and statutory provisions on general contract law and corporate/ commercial law will also apply to the pricing and contractual relationships of any company in New Zealand. New Zealand is a member of WIPO and has a number of statutes regulating intellectual property issues including, copyright, trade marks, designs, plant varieties and patents. New Zealand also has regimes regulating both on-market and off-market offers of securities to the public and preventing the misuse of insider or other confidential information.

In addition to these issues, any wood processing facilities would need to be established in areas designated ("zoned") for industrial use in the relevant "district" or "regional" plan. These are established by local authorities which also administer the resource management legislation.

International Dimensions

New Zealand ratified the Kyoto Protocol in December 2002. New Zealand has begun implementing the Protocol in its domestic legislation. As part of this process, there are proposals to introduce a "carbon tax" on certain forestry operations and practices. The nature and extent of this tax (if any) and its application are as yet unclear.

Legislation (the *Climate Change Response Amendment Act*) amending New Zealand's climate change legislation was recently passed. In addition to amending the Climate Change Response Act 2002 (New Zealand's legislation implementing the Kyoto Protocol), this amends the Forests Act to allow for contracts between the Crown and landowners to create "forest sinks" — forests qualifying for carbon credits under the Protocol — and to control the felling of wood from such forests. A number of the substantive provisions of the climate change legislation have yet to come into force.

New Zealand is also a member of the WTO and of the 12-country Montreal Process relating to sustainable forest development.

Import/Export Restrictions

The Biosecurity Act 1993 is concerned with preventing the importation of microbial, animal or plant pests into New Zealand. The Biosecurity Act, supplemented by certain provisions of the Hazardous Substances and New Organisms Act 1996, provides a consolidated regime governing the introduction of organisms, including timber, into New Zealand. While most of its provisions deal with importation, there are also obligations on the owners of imported organisms and on those who detect or suspect the presence of exotic pests. MAF is responsible for the regulation of the export of New Zealand forestry produce and in particular, is responsible for New Zealand's Export Phytosanitary (plant health) Certification system and New Zealand's associated obligations under the International Plant Protection Convention (the "IPPC") for phytosanitary certification. While the Plants Export Operations standards set out the operational requirements of the certification, including phytosanitary inspection, audit, post-inspection security, quarantine, and/or documentation; the precise inspection, certification and other requirements and restrictions for the export of New Zealand forestry produce are largely dependent upon the country of import. Wood packaging material is also required to be certified and marked pursuant to ISPM 15 (the International Standard for Phytosanitary Measures which stipulates guidelines regulating the international trade in wood packaging material). Other ISPMs (particularly those dealing with general procedures and pest control) may also potentially be relevant.

Principal Licenses/Permits/Certificates

The principal licenses, permits or certificates required to be obtained by our Group in order to carry out its operations are set out below:

- four consents to roadline harvest and construction, two of which were issued in May 2006 and expiring in December 2011, one issued in March 2005 and expiring in December 2008, and one issued in October 2000 and expired in October 2002, respectively. The consent that has expired relates to a project that was delayed, and consent is expected to be renewed in or around December 2007 when the project is expected to be resumed;

- seven consents to clear fell harvest, four of which were issued in February 2004 and expiring in February 2014, one issued in February 2004 and expiring in February 2009, one issued in December 2006 and expiring in December 2012 and one issued in June 2002 and expired in August 2005, respectively. The consent that has expired relates to a project that was delayed, and the consent is expected to be renewed in or around December 2011 when the project is expected to be resumed; and

- two consents to construction and clear fell harvest, issued in August 2003 and expired in March 2006, and issued in August 2003 and expired in August 2006, respectively. These consents that have expired relate to projects that were delayed, and the consents are expected to be renewed in or around December 2009 and December 2007, respectively, when the projects are expected to resume.

Other issues

The Forest Code of Practice sets out guidelines that aim to ensure safe and efficient forest operations.

The New Zealand Forestry Accord of 1991 is an important agreement between forestry organizations and conservation groups. It sets out standards relating to conservation and the use and promotion of indigenous trees in forestry. While it does not have the force of law, most major representatives of the forestry industry are signatories.

GUYANA REGULATORY OVERVIEW

Overview

The main regulatory legislation governing the grant and operation of timber concessions and wood products businesses in Guyana are:

The Forests Act — Chapter 67:01 of the Laws of Guyana. The Forest Act provides for any state land to be declared as state forest. The Act provides for (1) grants, leases and Timber Sales Agreements for cutting and taking or obtaining forest produce; (2) sale of forest produce; and (3) suspension and cancellation of leases. Regulations made under the Forest Act govern royalties, leases, transport privileges, transfer of title, felling limits and protected trees, sawmillers and timber dealers licenses. Under the Forest Act, the operation of a forestry concession requires Guyana Forestry Commission approval. Licenses are also required for operation of saw mills.

The **Timber Marketing Act** — Chapter 67:04 of the Laws of Guyana. The Timber Marketing Act and the regulations made thereunder provide for the control of the sale and use of timber including grading; the registration and affixation of brands; the use of preservative treatments; the issue of timber-marketing and export certificates; and the assignment of trade names. A timber company would be entitled without a license to market its wood products pursuant to its concession(s) and timber sales agreement(s).

Guyana Forestry Commission Act 1979. The main regulatory body charged with the administration of forestry in Guyana is the Guyana Forestry Commission established under the Guyana Forestry Commission Act 1979. The Guyana Forestry Commission issues timber sales agreements, leases and licenses under the Forests Act of Guyana. The Guyana Forestry Commission has issued the following non-statutory but strictly applied provisions, namely:

- *Forest Management Plan Guidelines (1999)*, a guide to the operation of a forest resource which must be followed for the issue of such licenses as may be required. These guidelines do not enjoy strict statutory status, but are complied with. These guidelines are designed to establish the administrative capacity of the operator to describe and evaluate the commercial potential of the forest resources in the area, protect fragile land on steep slopes, protecting water supplies and protecting the forest's wildlife and biological diversity, and obtain local community support for forest management. The terms of a Timber Sales Agreement between the Government of Guyana and an operator would specify that the operator shall submit a forest management plan setting out proposals in specific areas.

- *Code of Practice for Timber Harvesting 2nd Edition — November, 2002*. This code is not statutory and not legally enforceable, but is observed. Although concession non-compliance with this code does not attract sanctions, the regulatory authorities namely the Environmental Protection Agency and the Guyana Forestry Commission will, in examining any discretion, determine whether there has been compliance with or adherence to its terms as well as the Environmental Protection Act 1996. This code expresses the Guyana Forestry Commission's vision on satisfactory felling, extraction, road building and other timber harvesting practices. Its terms will be legally binding where included in Timber Sales Agreements and wood-cutting licenses issued by the Guyana Forestry Commission.

Environmental Protection Act 1996. The Environmental Protection Act established the Environmental Protection Agency (EPA) which is charged with the management, conservation, protection and improvement of the environment, the prevention or control of pollution, the assessment of the impact of economic development on the environment, the sustainable use of natural resources and matters incidental thereto. An environmental assessment board thereby created will determine whether to recommend the issue of an environmental permit.

The Amerindian Act 2006 was passed to formalize the holdings of Community Lands by the indigenous population, the Amerindians, and to provide for the relationship of such lands with those under the ordinary purview of the Guyana Forestry Commission. The Act provides that the Guyana Forestry Commission must consider the impact on an Amerindian village before issuing any rights or permission to any person in respect of state forests contiguous with the village. There is also provision in the Act for the use of forest products from community lands in a forest area by a resident of that community. The Act does provide, however, that traditional rights shall be subject to the right of private holders of leases existing at the commencement of the proposed Act.

Import/Export Restrictions

Under the Guyana Timber Export Board Act (Chapter 67.03 of the Laws of Guyana), the export of timber is prohibited without the express permission of the Guyana Forestry Commission.

Further, as a result of non-statutory policy decisions of the Guyana Forestry Commission, there is a restriction on the harvesting of bulletwood and an export restriction in relation to crabwood and locust species although permission can be sought in both instances to avoid the restriction.

The Guyana Forestry Commission establishes and recommends minimum export prices only. The free market is allowed to operate.

Principal Licenses/Permits/Certificates

The principal licenses, permits or certificates required for our Group's operations are as below:

- Factory Registration at the Land of Canaan, East Bank Demerara, issued in March 1994 for an indefinite term;

- Timber Depot Licences Number ESS 03/2006 and ESS 02/2006, both issued in January 2006, and expired in December 2006. The Timber Depot Licences are subject to renewal on a yearly basis by application to the Guyana Forestry Commission upon their expiry. The renewal applications for the licenses have been submitted and are still pending. It is expected that the licenses will be renewed for a one year period; and

- Sawmill Licences Number DEM 01/2006 and ESS 23/2006, both issued in January 2006, and expired in December 2006. The Sawmill Licences are subject to renewal on a yearly basis by application to the Guyana Forestry Commission upon their expiry. The renewal applications for the licenses have been submitted and are still pending. It is expected that the licenses will be renewed for a one year period.

OVERVIEW OF CRITERIA RELATING TO OUR CERTIFICATIONS

We have obtained various certifications as part of our business operations. Certain product certifications, including JAS certification for sale of plywood to Japan, JIS certification for sale of fiberboard to Japan and CE Marking for sale of plywood to the European Union, are required for product sales in specific markets in those regions. In addition to the product certifications which are essential for the sale of products to specific markets, we have also obtained forest management certifications and chain of custody certifications issued by the FSC and the MTCC. Forest certifications are voluntary and not currently required for the sale of our logs and wood products to all markets. The main criteria governing the certifications which we have obtained in connection with our business are set out below:

Forest certification relating to our upstream operations

FSC forest management certification

The FSC issues forest management certificates to forests which have been managed in compliance with the Principles and Criteria laid down by the FSC in order to promote environmentally responsible, socially beneficial and economically viable management of forests. The standard currently used is the "Forest Stewardship Standard" issued by the FSC. The FSC Principles and Criteria cover compliance with laws and FSC principles, tenure and use rights and responsibilities, indigenous people's rights, community relations and worker's rights, benefits from the forest, environmental impact, management planning, monitoring and assessment, maintenance of high conservation value forest and, where relevant, plantation management. The evaluation is based on the observations of an independent assessor for each indicator set out in the standard. The observation is carried out by means of study of documentation and records, field observation, interviews with managers, employees, contractors and other stakeholders of the applicant and evaluation of the effectiveness of management system implemented over the full geographical area operated by and the full range of management operations of the applicant. Whilst the FSC-accredited certification organizations will not insist on perfection in satisfying the Principles and Criteria laid down by the FSC, holders of the FSC forest management certificate will be required to demonstrate that there has been no major failures in any individual principles.

Holders of FSC forest management certificates are authorized to use the FSC trademarks off-product. The FSC certification scheme has been recognized as one of the international organizations that provides a system for different stakeholders interested in forest issues to work towards responsible forest management. As at December 2006, the FSC has issued forest management certificates covering approximately 84 million hectares of forest area worldwide. Recipients of FSC forest management certification include public governmental organizations as well as privately managed companies worldwide, and in respect of natural forests, tree plantations or semi-natural and mixed forests operated by such organizations. It is estimated that as at December 2006, there are approximately 8.2 million hectares of tropical natural and/or mixed forest area, or approximately 10% of the total forest area certified by the FSC, with FSC forest management certification. The remaining 90% of the FSC certified forest areas are made up of plantation, sub-tropical and temperate forests.

MTCC forest management certification

According to information made publicly available by the MTCC, the MTCC issues Certificate for Forest Management to concession holders in Malaysia where the permanent reserved forests (PRFs) in the particular forest management unit have complied with the requirements of the forest management standard used in the MTCC scheme and the timber is harvested legally. The standards currently used by the MTCC are the "Malaysia Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I (2001))" although MTCC is in the process of implementing Malaysia Criteria, Indicators, Activities and Standards of Performance of Forest Management Certification (MC&I (2002)). The MC&I (2001) are based on the 1998 ITTO Criteria and Indicators for Sustainable Management of Natural Tropical Forests and cover criteria for enabling conditions for sustainable forest management, forest resource security, flow of forest produce, biological diversity, protection of soil and water and economic, social and cultural aspects. The MC&I (2002) were developed in collaboration with FSC, and uses the FSC Principles and Criteria as a guide. The MC&I (2001) contain the key elements for sustainable forest management covering economic, social and environmental aspects, whereas the MC&I (2002) is based on FSC Principles and Criteria, which are generally considered to be more comprehensive with international recognition. The MTCC is also currently in discussion with the FSC for further improvements to MC&I (2002) since its adoption on January 1, 2005.

The application for forest management certification is assessed by (a) independent assessors in accordance with the requirements of the standard set by MTCC; and (b) peer review by qualified individuals registered with MTCC for this purpose. The objective of the peer review is to ensure that the independent assessors have carried out an objective and professional assessment of the application. Holders of the certificate may use the MTCC logo off-product to provide an assurance that their forest management unit adheres to good forest management practices as required by the standards set by MTCC.

Forest management certificates issued by the MTCC are recognized by organizations in various countries across Europe, as well as in New Zealand and Japan, including:

- The Danish Ministry of Environment

- The Central Point of Expertise on Timber appointed by the Department for Environment Food & Rural Affairs, United Kingdom

- The Ministry of Agriculture and Forestry, New Zealand
- The Royal Horticultural Society, United Kingdom
- The French Ministry of Environment and Sustainable Development and the Ministry of Agriculture, Food and Rural Affairs
- The Forestry Agency, Ministry of Agriculture, Forestry and Fisheries, Japan

The MTCC scheme is currently implemented at a national level in Malaysia, and is recognized by certain organizations in Europe, Japan and New Zealand, compared to the FSC scheme which has international recognition generally. As at December 2006, MTCC has issued forest management certificates covering approximately 4.7 million hectares of forest areas in Malaysia. As at December 2006, there are nine recipients of MTCC forest management certificates. We are the first privately managed company in Malaysia and the only one in Sarawak to have obtained MTCC forest management certification. The other recipients of MTCC forest management certification are state forest departments of the Malaysian government.

Forest Management certification enhances market access for wood products in environmentally-sensitive markets such as Europe and the United States. Neither FSC nor MTCC certificates are currently essential for sale of wood products to overseas markets.

Forest certification relating to our downstream operations

FSC chain of custody certification

The FSC issues chain of custody certificates to forest operators which can demonstrate that the channel through which products are distributed from their origin in the forest to their end-use are in compliance with the Principles and Criteria laid down by the FSC. It traces the steps of raw materials from the forest to the consumer, including all successive stages of processing, transformation, manufacturing and distribution. The standard currently used is also the "Forest Stewardship Standard" issued by the FSC. Operations that have been independently verified for FSC chain of custody certification are eligible to label their products with the FSC logo. The FSC certification scheme is recognized as one of the highest worldwide standards for sustainable and responsible forest management. FSC certificates enhance market access for wood products in environmentally-sensitive markets such as Europe and the United States. However, FSC certificates are not currently essential for sale of wood products to overseas markets. As at December 2006, FSC has issued approximately 5,400 chain of custody certificates worldwide.

MTCC chain of custody certification

The MTCC issues Certificate for Chain of Custody to manufacturers or exporters who have complied with the standard for chain of custody certification set by MTCC. The standard currently used is the "Requirements for chain of custody certification". The requirements for chain of custody certification for MTCC and FSC are broadly similar. The application is assessed by independent assessors in accordance with the requirements of the standard for chain of custody certification set by MTCC. Holders of the certificate may use the MTCC logo, on-product and off-product, to provide an assurance to buyers that their wood products are manufactured from sources of wood-based materials certified by the MTCC. Similar to forest management certificates issued by the MTCC, the MTCC certificates for chain of custody are also recognized by various countries across Europe, as well as in New Zealand and Japan. MTCC certificates enhance market access for wood products in Europe and Japan. However, MTCC certificates are not currently essential for sale of wood products to overseas markets. As at December 2006, MTCC has issued approximately 99 chain of custody certificates in Malaysia.

Product certification relating to our downstream operations

JAS certification

JAS is a certification system for agricultural and forestry products administered by the Labeling and Standards Division of Food Safety and Consumer Affairs Bureau of Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF). Under applicable laws in Japan, most structural materials (including plywood) must be either JAS-compliant products or products with performance demonstrated to be equal to or better than the JAS standards. Producers and manufacturers may either be certified by a registered certification organization to label the JAS mark on their products following an inspection of the products or production process, or arrange for a registered inspection organization to inspect and label the JAS mark on their products. The applicant is assessed in areas of its systems documentation, personnel qualifications, company organization and infrastructure, grading and labelling for JAS certification. The application is assessed by (a) document review of quality management procedure; (b) on site inspection; and (c) continuous inspections and audits. Periodic surveillance audits are carried out by the relevant independent assessors on a monthly or quarterly basis, depending on the requirements of the independent assessors, to ensure on-going compliance with the relevant requirements.

JIS certification

JIS is a certification system administered by the Japanese Standards Association, a national inspection body authorized by the Ministry of International Trade and Industry of Japan. It covers industrial and mineral products with the exception of medicines, agricultural chemicals, chemical fertilizers, silk yarn and foodstuffs, agricultural and forest products designated under the Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products. The JIS mark provides a credible proof that a product that bears the certification mark complies with the relevant standards and marks a distinction against products that do not bear such a mark. JIS marks are generally required for fiberboards sold in Japan. An applicant factory is assessed on manufacturing, processing and testing facilities in the factory, testing methods and quality control methods and other technical manufacturing conditions necessary for quality control as far as compliance with the requirements under the JIS is concerned. Regular on-site surveillance audits are not required, although the independent assessors may perform spot checks to ensure on-going compliance with the relevant requirements.

CE Marking certification

The CE Marking certification specifically relates to sale of products within the European Free Trade Association (EFTA) and the European Union members. It is a mandatory European marking for certain product groups to indicate conformity with the essential health and safety requirements set out in European Directives. By affixing the CE marking, the manufacturer, or its representative, or the importer assures that the item meets all the essential requirements of all applicable EU directives. The CE Marking certification system focuses on compliance with the relevant design and manufacturing requirements and surveillance of product and quality system. Periodic surveillance audits are carried out by the relevant independent assessors approximately every six months to ensure on-going compliance with the relevant requirements.

In relation to forest management and chain of custody certifications, periodic surveillance audits are carried out by independent assessors accredited by the FSC and the MTCC respectively to ensure on-going compliance. Such surveillance audits are carried out usually on an annual or bi-annual basis, depending on the requirements of the relevant independent assessor. During the course of their reviews, areas of non-compliance with the strict guidelines may be identified and corrective action requests (CARs) are issued. The FSC and the MTCC (as applicable) will usually require the CARs to be addressed and complied with within a specified time frame, failing which it may lead to a temporary suspension or withdrawal of the certification. The length of time for correction or rectification of CARs will depend on both the nature of the shortcomings and the practicalities of addressing the problem. An extension of time may sometimes be granted for such correction. During the suspension period, logs or products (as applicable) may continue to be produced from the relevant forests or production facilities but such logs or products will not be FSC or MTCC certified.

OUR HISTORY

Our Company was incorporated on June 27, 2005. In preparation for the listing of our Shares on the Stock Exchange, we underwent the Reorganization, the details of which are set out below in the section headed "Reorganization of our Company".

We trace our origins to 1963 when Datuk Yaw Teck Seng, the founder of our Group, started his logging business in Sarawak, Malaysia. In 1976, he established SST, the first company in our Group, for log contracting.

Between 1976 and 1993, we expanded our forest concession areas in Sarawak, which were awarded by the Sarawak state government. We also invested in other businesses such as sawmilling, quarrying and property investment and development.

In 1990, Samling Strategic acquired shares in Lingui through Strategic Corporation Sdn. Bhd. and became a controlling shareholder of Lingui. Lingui was listed on the Malaysia Stock Exchange in 1973 originally as a plantation, property and manufacturing company.

In 1991, we expanded our operations to Guyana, South America by establishing Barama Company Limited. Barama Company Limited was granted a forest concession license in that year for approximately 1.6 million hectares in the Northwest region of Guyana. In 1993, we established a plywood operation to add value to our forest resources and a sawmill operation in Guyana in 1996.

In 1993, Samling Strategic and certain of its long-term business partners injected its quarry and other assets into Lingui. In 1994, Samling Strategic injected its timber assets into Lingui in exchange for additional shares in Lingui. During the same year, Lingui acquired a substantial stake in Glenealy and, in 1995, Samling Strategic injected its timber assets into Glenealy in exchange for a direct shareholding in Glenealy.

In 1997, Glenealy, an associate of our Group, acquired HFF, which operates a radiata pine plantation in New Zealand, with the aim of diversifying its forest resources to include a long term supply of soft wood to complement its tropical hardwood forest concessions. In 2000, our Group completed a restructuring where Lingui and Glenealy rationalized their businesses by a series of asset swaps. This resulted in Lingui focusing on timber related operations, including the radiata pine plantation in New Zealand, and Glenealy focusing on oil palm plantations.

We have achieved the following key milestones as part of our development into an integrated forest resource and wood products company:

- Between 1994 and 2000, we expanded our value-added processing capabilities in Malaysia to include fiberboard, flooring, furniture and components, door facing and door production facilities.

- Between 1998 and 2000, we were granted six planted forest licenses in Sarawak from the Sarawak state government for the development and establishment of tree plantations.

- In 2004, we established a joint venture in Sarawak with Masonite (one of the leading manufacturers and suppliers of door facings and doors in the world) for the production and marketing of door facings and doors. Pursuant to our agreement with Masonite, we focus on production and Masonite is responsible for the marketing of these products.

- In 2005, we established a strategic partnership in Japan with Daiken Corporation, a building materials supplier, and Itochu Corporation, a major trading house in Japan, for the production of fiberboard. This strategic partnership allows us to have better access into the Japanese market.

- We have achieved numerous internationally recognized certifications for different parts of our forestry management and production operations. In 1996, we were the first recipient of ISO9001: 2000 quality management system in Malaysia for plywood manufacturing. We were the first privately managed company in Malaysia and the only one in Sarawak to have obtained MTCC's forest management certifications with respect to approximately 56,000 hectares, which represents 3.9% of our forest areas in Malaysia. We have also obtained FSC forest management certification for approximately 35,000 hectares, which represents all of our tree plantation in New Zealand.

REORGANIZATION OF OUR COMPANY

We were incorporated under the laws of Bermuda on June 27, 2005. Prior to the Global Offering, a number of reorganization steps were taken to transfer interests in timber and related businesses to us in preparation for the Listing.

Details of the reorganization steps are set out in the section headed "Reorganization" in Appendix VIII to this prospectus. In summary, the Reorganization steps were as follows:

- we acquired from our Controlling Shareholders for cash an approximate 39.87% interest in Lingui, a company listed on the Malaysia Stock Exchange, which holds forest concessions in Malaysia and plantations in New Zealand and is principally engaged in timber related operations. This triggered a requirement for us to make a mandatory general offer to other shareholders of Lingui under the Malaysian Securities Commission Act, 1993 and the Malaysia Takeovers Code under which we acquired an additional 19.82% interest in Lingui;

- we acquired from our Controlling Shareholders and certain of their long-term business partners, Tapah, PDT, Merawa Holding Sdn. Bhd., Yong Nyan Siong and Wong Lee Ung, their controlling interests in certain Malaysian private companies involved in timber and timber-related businesses through acquisition of the intermediary holding company, SST;

- we acquired from our Controlling Shareholders the entire issued capital of Caribbean Esskay Limited, a company incorporated in the British Virgin Islands with indirect interests in forest concessions and timber related operations in Guyana held via its wholly-owned subsidiary, Barama Company Limited; and

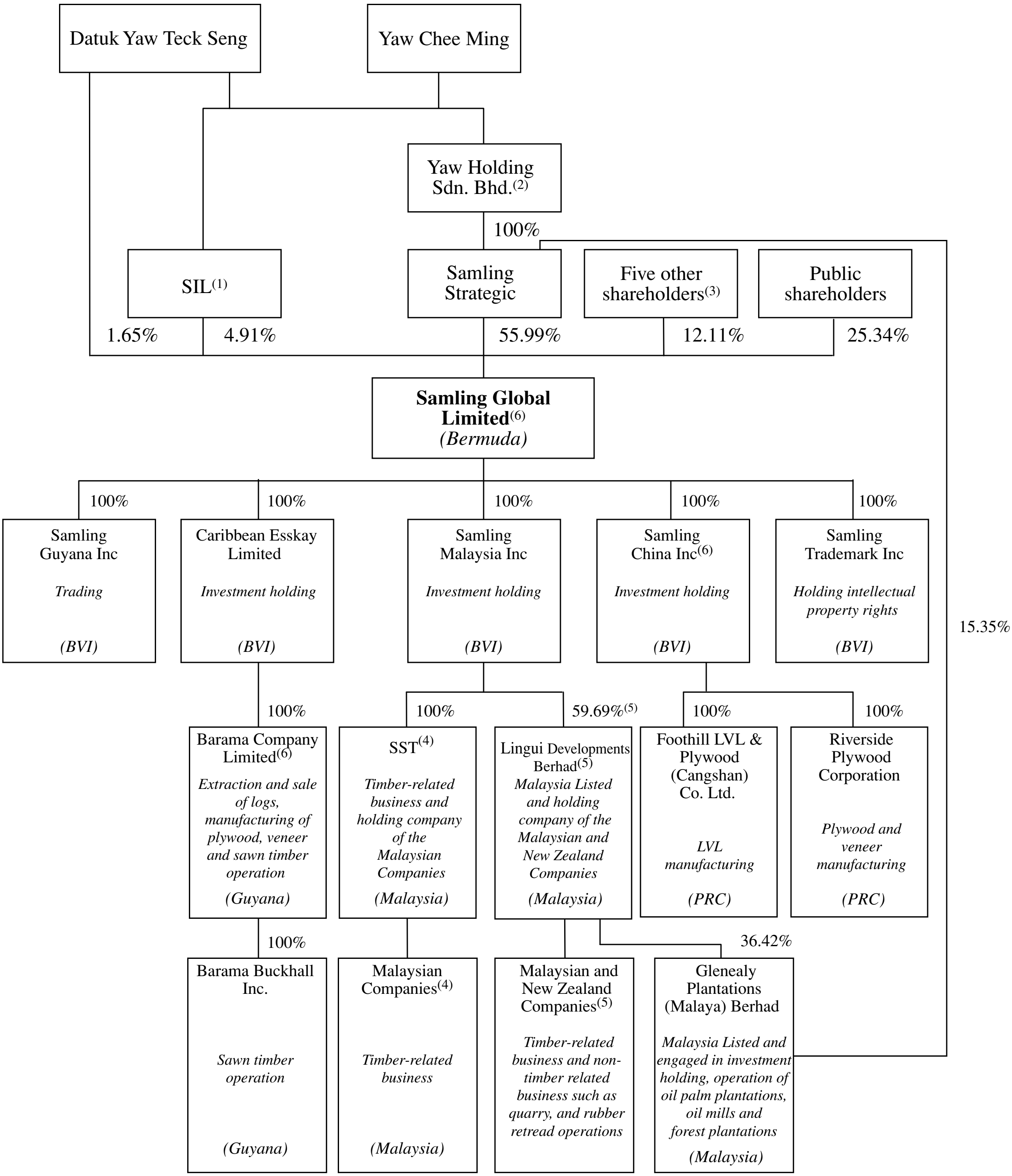
- we acquired from a long-term business partner of our Controlling Shareholders, Glory Winner Trading Limited, the entire equity interests in two PRC companies, involved in LVL, and plywood and veneer manufacturing, respectively.

Pursuant to the approval granted by the FIC in relation to our acquisitions of certain Malaysian companies (including SST and subsidiaries of Lingui) under our Reorganization, FIC has required as a condition of such approval that Samling Strategic will always remain as the largest single shareholder of our Company, whether directly or indirectly.

Certain of the Malaysian companies we acquired hold licenses issued by MITI, including with regards to our plywood production, veneer production and other downstream activities. See "Regulation of our Industry — Malaysia Regulatory Overview — Downstream operation and regulations". These licenses require that the share capital of such subsidiaries be effectively owned in certain minimum amounts by Malaysian citizens and by Bumiputera interests. Such required levels of ownership vary from license to license, such as a condition requiring that an effective shareholding interest ranging from 50% to 70% of the issued share capital of such subsidiary be held by Malaysian citizens, including an effective shareholding interest of up to at least 30% be held by Bumiputera interests.

Based on the guidelines issued by MITI, we are required to comply with such ownership requirements at the time of our Listing (and at the time of any Over-allotment Option closing), and thereafter, where a new submission or application is made to MITI in respect of a corporate exercise that increases the share capital of the relevant licensed company or our Company, being the holding company of our Group. In the absence of such corporate exercise, we would be deemed by MITI to be in compliance (irrespective of any sale of our Shares held by Bumiputera interests, for example) until the next occasion (if any) on which we undertake a corporate exercise involving any of the relevant licensed companies or the issue of Shares, when our compliance with such requirement would be assessed by MITI again.

The following chart sets forth our main operational and shareholding structure immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised:



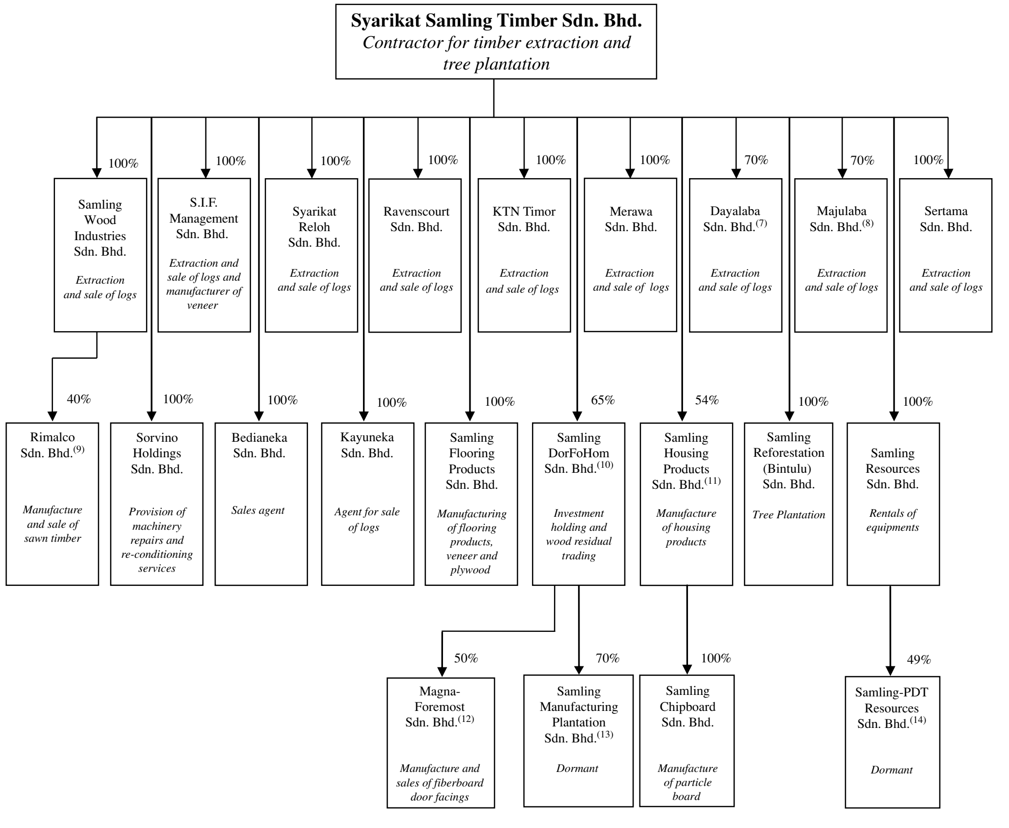
Notes:

(1) SIL is owned as to 99.9% by Datuk Yaw Teck Seng and as to 0.1% by Yaw Chee Ming.

(2) Yaw Holding Sdn. Bhd. is owned as to 39.6% by each of Datuk Yaw Teck Seng and Yaw Chee Ming, respectively, 4.8% by each of Yaw Chee Chik, Yaw Chee Siew, Yaw Chee Weng and Yaw Chee Yun (all being brothers of Yaw Chee Ming), respectively, and 1.6% by Su Khuan Ying (the spouse of Datuk Yaw Teck Seng).

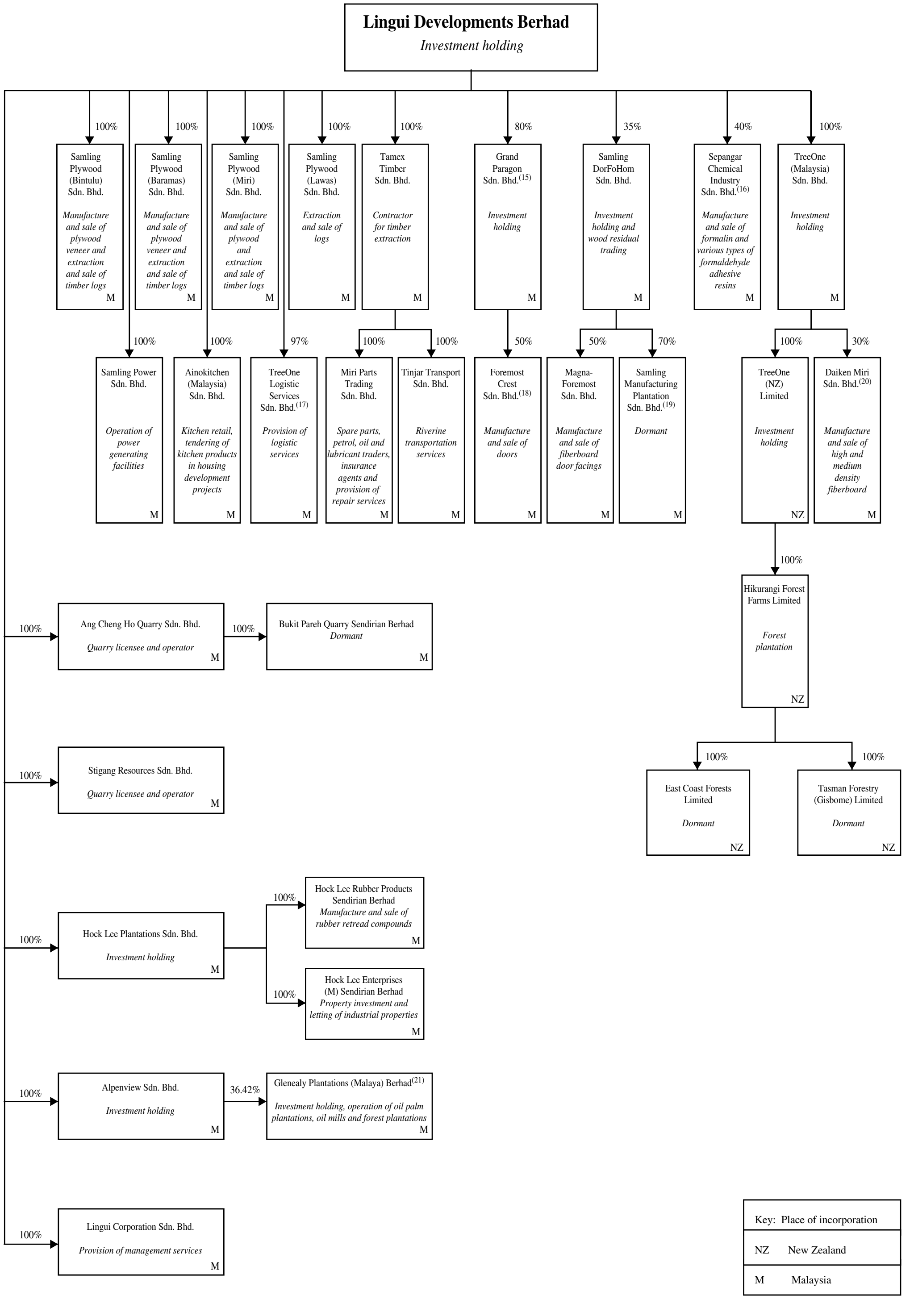
(3) The five other shareholders are PDT, Tapah, Yong Nyan Siong, Wong Lee Ung and Glory Winner Trading Limited, who will respectively hold approximately 5.00%, 5.44%, 0.07%, 0.04% and 1.56% in us immediately after completion of the Global Offering. PDT is incorporated in Malaysia and owned as to 60% by Abdul Hamed Bin Sepawi and as to 40% by Wan Morshidi Bin Tuanku Abdul Rahman. Tapah is incorporated in Malaysia and owned as to 99.998% by Ahmad Bin Su'ut and as to 0.002% by Mohamad Hashim Bin Haji Osman. Glory Winner Trading Limited is incorporated in the British Virgin Islands and wholly-owned by Chia Ti Lin, Colin. PDT, Tapah, Yong Nyan Siong and Wong Lee Ung were allotted and issued shares in our Company as consideration for their transferring to us respective interests in SST which holds the various Malaysian companies in note (4) below, whilst Glory Winner Trading Limited was allotted and issued shares in our Company as consideration for its transferring to us the 100% interests in both Foothill and Riverside. Other than its shareholding interest in our Company, Tapah is owned by Independent Third Parties. PDT is held as to 40% by Wan Morshidi Bin Tuanku Abdul Rahman, who is a director of certain of our subsidiaries. Each of Wong Lee Ung and Yong Nyan Siong is a director of certain of our subsidiaries. Glory Winner Trading Limited is owned by Chia Ti Lin, Colin, a senior manager of our Company and a director of certain of our subsidiaries. Except Glory Winner Trading Limited, each of the above-mentioned shareholders had interests in the Malaysian companies (see note (4) below) prior to the Reorganization steps.

(4) We hold interests in various Malaysian companies through SST, which is incorporated in Malaysia and indirectly held by us via Samling Malaysia Inc, which is incorporated in the British Virgin Islands. These Malaysian companies hold forest concessions and plantations and are principally engaged in the production and sale of veneer, housing and flooring products, sawn timber, timber extraction and other timber related operations. The following chart sets forth the main operational structure of SST and these Malaysian companies:



(5) Lingui is a company listed on the Main Board of the Malaysia Stock Exchange since August 28, 1973. The approximate 59.69% interest in Lingui indirectly held by us via Samling Malaysia Inc comprises the approximate 39.87% sold to us by our Controlling Shareholders under the Lingui SPA and the approximate 19.82% which we subsequently acquired under the mandatory general offer triggered upon the Lingui SPA becoming unconditional.

Lingui holds interests in various Malaysian and New Zealand companies which hold forest concessions in Malaysia and plantations in New Zealand. The Lingui group of companies is principally engaged in plywood and veneer manufacturing, timber extraction and other timber related operations. The following chart sets forth the main operational structure of Lingui and these companies, including Glenealy Plantations (Malaya) Berhad, which is listed on the Malaysia Stock Exchange:



(6) Our Company also holds 100% interest in a dormant company incorporated under the laws of Delaware (being Samling Global USA Inc.), Samling China Inc also holds 100% interests in three dormant companies incorporated in Hong Kong (being Samling Tongling Co. Ltd., Samling Foothill Co., Limited and Samling Riverside Co. Limited), and Barama Company Limited also holds 100% interest in a dormant company incorporated in Guyana (being Barama Housing Incorporated).

(7) The remaining 30% interest is held by Binabadi Sdn. Bhd., which is an Independent Third Party.

(8) The remaining 30% interest is held by Binabadi Sdn. Bhd., which is an Independent Third Party.

(9) The remaining 60% interest of this associate company is held by Titimas Global Agencies Sdn. Bhd., which is in turn 70% held by Mr. Pui Kian Onn, a director of our subsidiary, Riverside.

(10) The remaining interest is held by Lingui, which holds interest of 35%. Lingui is a public company listed on the Malaysia Stock Exchange, in which our Company held a 59.69% interest as at the Latest Practicable Date. Please also refer to note (5) above.

(11) The remaining interests are held by Sojitz Corporation and Dainippon Ink & Chemicals, Inc., which hold interests of 17% and 29% respectively. Sojitz Corporation is a company listed on the Tokyo Stock Exchange and the Osaka Securities Exchange Co., and is our connected person. Dainippon Ink & Chemicals, Inc. is a company listed on the Tokyo Stock Exchange, Inc., the Osaka Securities Exchange Co., Ltd. and the Nagoya Stock Exchange, Inc., and is our connected person.

(12) The remaining 50% interest is held by Masonite, the joint venture partner of this project company.

(13) The remaining 30% interest is held by PDT, which is an existing shareholder of our Company. PDT is held as to 40% by Wan Morshidi Bin Tuanku Abdul Rahman, who is a director of certain of our subsidiaries.

(14) The remaining 51% interest is held by PDT, as referred to in note (13) above.

(15) The remaining interests are held by Yeoh Keat Hin and John William Smith, who each hold 10% of the interests and are Independent Third Parties.

(16) The remaining interests of this associate company are held by Wu Tsung Her, Shiny Chemical Industrial Co., Ltd. and Sabah Energy Corporation, which hold interests of 5%, 31% and 24%, respectively, and are Independent Third Parties.

(17) The remaining 3% interest is held by PDT, as referred to in note (13) above.

(18) The remaining 50% interest is held by Masonite, the joint venture partner of this project company.

(19) The remaining 30% interest is held by PDT, as referred to in note (13) above.

(20) The remaining interests of this associate company are held by Daiken Corporation and Itochu Corporation, which hold interests of 55% and 15%, respectively, and are Independent Third Parties.

(21) Glenealy is listed on the Malaysia Stock Exchange, and Samling Strategic, one of our Controlling Shareholders, directly held a 15.35% shareholding in Glenealy as at the Latest Practicable Date.

OVERVIEW

We are a well established, integrated forest resource and wood products company with approximately 4 million hectares of forest resources situated in different regions around the world. We also own one of the world's largest hardwood plywood manufacturing capacities. Our main businesses are the management of sustainable forestry resources, extraction of timber and the processing, manufacture and sale of a wide range of wood products. Our focus is on logs, plywood and veneer, together with sawn timber and further value-added products including fiberboard, door facings and housing products. Our products are sold to customers in over 30 countries and territories, including developed markets such as Japan, the U.S., the U.K. and other countries in Europe, as well as fast-growing markets such as China, India and other countries in Asia. Based in Malaysia, our management team has a long track record of developing, investing in and operating forest concessions and downstream wood products processing operations of over 30 years. We are committed to implementing sustainable forest management practices which are designed to ensure the long-term supply of our forest resources.

Currently, we have a gross total of approximately 4.0 million hectares of forest assets, primarily in the form of forest concessions, harvesting rights, plantation licenses, freehold land and leases, with a log production volume of approximately 2.3 million m^3, 2.3 million m^3, 2.2 million m^3 and 0.7 million m^3 for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, respectively. As of September 30, 2006, we had gross forest concession areas totaling approximately 1.4 million hectares in Malaysia and approximately 1.6 million hectares in Guyana and had harvesting rights for a further 445,000 hectares in Guyana. In addition, we own, lease or hold forestry licenses for land in New Zealand and Malaysia for existing and future tree plantations. The total gross area of our tree plantation land is approximately 438,000 hectares in Malaysia and 35,000 hectares in New Zealand of which approximately 11,000 hectares and 26,000 hectares, respectively, have been planted as of December 31, 2006. With tropical hardwood reserves in many Asian countries being depleted or under increasing harvesting restrictions, we believe our sizeable resource base provides a sustainable woodflow required for both our upstream and downstream operations. The strategic locations of our forest resources within the Asia-Pacific region and South America enable us to market these products efficiently and access key markets across the globe, including Japan, China, India, Europe and North America.

Forest certification is voluntary. We have received forest management certifications with respect to approximately 56,000 hectares of natural forest in Malaysia, which represents 3.9% of our forest areas in Malaysia and for approximately 35,000 hectares of tree plantations in New Zealand, which represents all of our tree plantations in New Zealand. Whilst our sustainable forest management practices and the legality of the source of our logs are not dependent upon our obtaining forest management certification for our forest concessions and plantations, we believe such certifications help us to build brand identity and to meet increasing market demand for certified wood products.

We currently have a total wood processing capacity of approximately 1.4 million m^3 per annum (excluding the processing capacities for housing products). To maximize value from our forest resources, we convert more than half of our logs into plywood, veneer and sawn timber at our own processing facilities. We also add value to our products by further processing them into other downstream products such as housing products. Wood residue from our processing operations is used to produce products such as fiberboard and door facings to optimize recovery from our wood resources. Our wide range of products and sizeable production capacity enable us to maximize market opportunities whilst optimizing utilization of our forest resources. Through the high integration of our operations, covering the full wood products supply chain from the management and harvesting of our forest resources to the processing, sales and distribution of our wood products, we are able to achieve significant cost efficiencies. We are able to supply our downstream operations from our sizeable upstream resources and have well-developed infrastructure and logistics support systems in place to manage our vertically integrated operations. We plan to increase our production capacity over the next five years in line with expected future increased woodflow and anticipated rising market demand.

In capturing value throughout the value chain, our geographical and product diversification enables us to be more resilient to changes in market trends. We have developed close relationships with a diverse range of customers, from general traders to end-user customers, in major wood, furniture, construction and housing markets in the world, including high growth markets in Asia, particularly, China and India, as well as markets in developed countries such as North America, Europe and Japan. To enhance our brand identity and the visibility of our products, we have established strategic marketing alliances with targeted distributors who are close to the end-user customers in markets such as Japan and the U.K. In addition, we have identified certain local operators in the U.K. and other countries in Europe and Japan for strategic co-branding and marketing arrangements to market and sell our plywood and other wood products. We believe our commitment to sustainable forest management and the certifications we have obtained puts us in a competitive position against our competitors in those markets that require certified products, such as markets in developed countries and regions including the U.S., the U.K. and Europe.

According to Pöyry, demand for wood products in many markets, particularly in the Asia-Pacific region, is projected to grow over the next decade. Expanding construction, furniture and interior decoration industries are the major drivers that are expected to support demand for logs and wood products. In recent years, we have made significant investments in new logging equipment and infrastructure within our forest resources to increase our log extraction capacity as well as expanding our downstream processing capacity. As a result, we believe we are now well positioned to take advantage of this growing demand for wood products as well as the expected favourable pricing environment in the medium to long term.

COMPETITIVE STRENGTHS

We have a large sustainable forest resource base established in strategic locations

We have a large sustainable forest resource base and we currently hold concessions and harvesting rights covering approximately 3.5 million gross hectares of mainly mixed tropical hardwood forests in Malaysia and Guyana. In addition, we have a license covering approximately 438,000 gross hectares for development of hardwood plantations in Malaysia. We also have a maturing radiata pine softwood plantation which is also FSC certified with a gross area of approximately 35,000 hectares in New Zealand, which is capable of producing logs for the production of panel products and sawn timber. Our long-term investment in our forest resources enables us to secure an increasing and sustainable woodflow.

Our sizeable resource base also helps ensure a consistent supply of logs to our downstream facilities. This allows us to plan our production according to the needs of customers while limiting our exposure to log price increases. In addition, the strategic locations of our forest resources within the Asia-Pacific region and

South America enable us to efficiently access key markets across the globe, including Japan, China, India, Europe and North America, and to capitalize on the increasing demand for wood products in many of these markets.

We are able to maximize the use and value of our wood resources

Broadly our logs are graded into high and normal grade logs. Our high grade logs are mainly exported and we maximize the value of the remainder by converting them into plywood, veneer and sawn timber in our own processing facilities. Although our operations are currently mainly focused on the sale of logs, plywood and veneer, we add further value to these by processing them into flooring, doors and other housing products. In addition, the wood residue from our downstream operations is further used to manufacture other products such as fiberboard and door facings and some is also used as fuel for electricity generation.

Our ability to produce and sell a wide range of products enables us to maximize the recovery of our wood resources, optimize our margins across our product range, diversify our revenue base and to respond to changes to our customers' needs. We work closely with our key end-user customers to match their product requirements to our wide selection of tree species and quality logs.

Our highly integrated operations and our well-developed infrastructure and logistics support systems enable us to optimize cost efficiencies

Our business operations are highly integrated, covering the entire wood product supply chain from the management and harvesting of our forest resources to the processing, sales and distribution of wood products. Over the last 30 years, we have established well-developed infrastructure and logistics support systems. In the last two years, we have made significant investments in increasing and renewing our log extraction and timber processing capacities to position ourselves better to capitalize on any opportunities from upward timber price trends. Our control of the production process enables us to achieve quality control, significant cost efficiencies and to capture value.

Our natural forest concessions in Malaysia and Guyana are contiguous in regions, allowing us to organize and manage our internal infrastructure and logistics in a cost-efficient manner. Our transport infrastructure includes planned networks of roads and bridges constructed by us. We operate a large fleet of logging equipment, vehicles, tugs, barges and cranes to harvest and transport our logs and other wood products. We have established stable, long-term relationships with our major equipment suppliers such as Caterpillar and Mercedes Benz, with whom we work closely to develop new and improved equipment designs customized for use in our forestry operations. We enjoy economies of scale as a result of bulk and centralized purchasing of our logging equipment and vehicles. Our scheduled replacement program enables us to utilize the latest equipment technologies to help improve productivity and fuel efficiencies.

Our plywood and veneer operations are located near our forest resources with internal infrastructure in place to enable the efficient transfer of logs for processing. We also have well established infrastructure and transportation logistics to transfer our products for export. We have a long term relationship with our plywood and veneer machine manufacturers to enable us to develop new technologies to enhance efficiencies and production of plywood and veneer.

We have a diversified and established customer base and are well positioned in key markets

We have had an established customer base for our log sale for more than 20 years and for plywood products since 1993. Our customer base is now diversified geographically in more than 30 countries and territories including Japan, Malaysia, Greater China (including Hong Kong and Taiwan), the U.S., India, South Korea, Thailand, the U.K. and other countries in Europe. Our customers also span across different segments of the industry, from general traders to end-users, in all of our main export markets. We have developed close relationships with our customers, and are able to leverage and cross-sell our broad range of wood products to the same customers.

We have strengthened our marketing and distribution operations by working closely with selected distributors to more effectively monitor and forecast product demand and improve margins, thereby enhancing our competitive position. For example, we have a strategic alliance agreement with one of the U.K.'s leading suppliers of building materials, which enables us to regularly supply to more than 450 distribution outlets. We have also established synergistic partnerships with some of our customers, such as our joint ventures with Masonite for door products and with Daiken Corporation and Itochu Corporation in Japan for our fiberboard products. Given our existing diversified customer base and our established presence in our key markets, we believe we are in a strong position to develop further and expand our sales in our target markets.

We have access to the increasing number of markets and customers that demand environmentally certified products

Forest and wood product certifications are becoming increasingly important within markets in developed countries such as the U.S., the U.K. and Europe. Countries like Japan, China and India are also increasingly aware of growing consumer demand for certified wood products from sustainably managed forests.

We are able to market our products to the growing number of customers who require FSC and MTCC forest management and chain of custody certifications, demonstrating that our products can be traced back to the certified forest of origin. The FSC has been recognized as one of the international organizations that provides a system for different stakeholders interested in forest issues to work towards responsible forest management. The MTCC scheme is currently implemented at a national level in Malaysia, and is recognized by certain organizations in Europe, Japan and New Zealand. In Malaysia, we received the MTCC forest management certification for approximately 56,000 hectares, which represents 3.9% of our natural forest concessions area in Malaysia. Although our MTCC forest management certification represents only approximately 1% of the total MTCC forest management certification in Malaysia as at December 2006, we are the first privately managed company in Malaysia and the only one in Sarawak to have obtained MTCC forest management certification as at the Latest Practicable Date. The other recipients of MTCC forest management certification are state forest departments of the Malaysian government. In New Zealand, we have obtained FSC forest management certification for approximately 35,000 hectares, which represents all of our tree plantations there. Our New Zealand FSC forest management certification represents approximately 5% of the total FSC forest management certification in New Zealand as at December 2006.

We are committed to product quality and have achieved the highest recognized industry standards for regulating formaldehyde emission for panel products, and have obtained the JAS and JIS certifications for our industrial standard plywood and fiberboard products, respectively, that are sold to Japan. We also have CE Marking to cater for low formaldehyde emission plywood products to Europe. In addition, we were the first recipient of ISO9001:2000 for forest operations and the first for plywood manufacture in Malaysia.

We believe that the certification we have obtained enhances our ability to access markets that demand environmentally certified products. In addition, as forest management certification typically involves a lengthy audit process that could take a number of years to complete, we believe that our current forest management certification status gives us a competitive advantage over our competitors which do not have such certifications.

We have a strong team of professional managers

Throughout the past 30 years, we have developed extensive forestry and management expertise with local knowledge in all of the countries in which we operate. Our management team also has experience in managing a publicly listed company, through our subsidiary, Lingui. We have built up an experienced and stable executive team of professional managers that is committed to our long term success. Many of our senior managers have been pioneers in the development of the Malaysian wood products industry. We have also recruited personnel with extensive experience in sustainable forest management, downstream primary and secondary manufacturing and distribution and marketing. Our management team has developed our operations to meet changing market requirements, including complying with the stringent forest management certification processes. We have demonstrated our ability to work effectively both during periods of high growth as well as in challenging market conditions.

INDUSTRY OPPORTUNITIES

We believe that we are well positioned to benefit from the following industry opportunities:

Diminishing tropical hardwood resources in the world

While forest areas in developed countries have stabilized and are generally increasing modestly each year, according to Pöyry, deforestation has continued to be a major issue in developing countries, particularly for tropical and subtropical forests. One consequence of this is a significant and growing shortage of large-diameter logs, both softwood and hardwood, which are particularly favored by plywood and sawn timber producers. According to Pöyry, the supply shortfall is particularly apparent in the Asia-Pacific region, where regional demand for wood products significantly exceeds supply, and the region is the largest "wood deficit" region in the world. Our extensive tropical hardwood resources position us well to capture the demand for high quality tropical hardwood and large-diameter logs, plywood and sawn timber products.

Increasing demand for wood products in the Asia-Pacific region

According to Pöyry, demand for wood in the Asia-Pacific region is projected to grow over the next decade. This is driven in part by regional consumer demand for forest products. Projected positive economic growth in Asia, increasing urbanization and expanding furniture, construction and interior decoration industries are the major drivers that are expected to support demand for logs and wood products. Pöyry expects that these growth factors will also have a significant impact on the demand for tropical hardwoods. As our key markets include Malaysia, China, Japan, India, South Korea and other countries in the Asia Pacific region, we believe that we are positioned to benefit from such expected increase in demand for forest products.

Favorable pricing environment for tropical hardwood resources in medium to long term

Pöyry expects that declining hardwood log availability will continue to drive a positive price environment and price increases over the coming few years. According to Pöyry, since 2002, prices for selected log grades and species across the timber industry have increased by as much as 65% or close to 10.5% per annum as a result of the impact of supply constraints. Similarly, plywood prices across the timber industry since 2003 have shown a clear upward trend and Pöyry's forecast plywood prices are expected to continue to develop positively over the next five years. We believe that our diverse range of wood products, with different log grades and species, allow us to take advantage of such favorable pricing environment.

Our business, results of operations and financial condition are affected by a number of factors, some of which are beyond our control. These factors may affect our ability to realize any or all of these opportunities. See "Risk Factors".

OUR FUTURE PLANS

Our aim is to build on our strengths to become the leading integrated forest resources and wood products company in the world. We plan to implement the following:

Increase our log production from existing resources in Guyana and New Zealand

We expect to increase our woodflow in the next three to five years. We expect to increase log production levels in Guyana and New Zealand while maintaining production levels in Malaysia. In Guyana, we intend to expand our production levels from approximately 218,000 m^3 for the financial year ended June 30, 2006 to an average sustained woodflow of 355,000 m^3 per annum by 2008, by increasing harvesting from our existing concession areas and selecting additional commercial species for harvest. We believe our production could increase further to at least 420,000 m^3 per annum when more plywood species are commercialized for the export market. See pages VI-70 and VI-71 of the Independent Technical Report prepared by Pöyry for details of the estimated future log production levels from our forest concessions in Guyana. We plan to process our increased log production in our recently expanded production facilities in Guyana to target the anticipated growing demand for tropical hardwood logs in China and India.

Our radiata pine resource in New Zealand is maturing and we expect to yield a sustainable woodflow of 800,000 m^3 per annum within the next five years, depending on market conditions. This is compared to the production levels of approximately 96,000 m^3 for the financial year ended June 30, 2006. See pages VI-82 and VI-83 of the Independent Technical Report prepared by Pöyry for details of the estimated future log production levels from our forest plantations in New Zealand.

Expand our production facilities to complement our increased woodflow and increase our value-adding capability

To support the increased availability of raw materials from the expansion of our forest resource base, we plan to expand our production facilities. Our focus is to enhance our position in the panel product segment by increasing plywood, veneer and sawn timber capacities. We intend to process these into value-added products such as furniture, flooring, doors and decking.

We intend to increase our environmentally certified products to meet the growing market demand for certified products. We are able to provide environmentally certified products which currently command a premium.

Acquire suitable new concessions and plantations to increase scale and sustainable woodflow

We intend to increase our resource base by acquiring hardwood concessions and/or tree plantations where suitable opportunities arise. We also plan to plant fast-growing species with harvesting cycles of between 10 to 15 years in our plantations to produce saw and peeler grade logs to complement the timber extracted from our natural forest concessions.

We believe these plans will place us in a strong competitive position, in terms of wood cost and security of woodflow.

Enhance our pricing and sales through global branding and strengthening our sales and distribution network

We plan to promote our brand globally with high quality, certified wood products to enhance our sales and distribution position.

Traditionally, our products have been sold through several intermediary channels such as agents, brokers, dealers, importers, wholesalers and retailers. We intend to directly distribute our products as close to the end-user customer as possible. Our strategy includes the potential acquisition of, investments in, or joint ventures with, existing sales and distribution networks to market our products to key markets such as Japan, the U.S., China and India. We believe that being closer to our end-user customers has a number of advantages including improved distribution margins, opportunities to build brand identity and a better understanding of end-user requirements.

We plan to continue to build marketing alliances with selected distributors. We believe this will allow us to become their approved or preferred supplier resulting in us receiving stable and recurring orders to provide a foundation to grow our sales. We also plan to establish sales support offices in key markets. These offices will assist in coordinating the delivery, logistics management and after-sales services.

Continue investment in research and development to improve yields and wood quality from our plantations

We plan to continue to invest in research and development to improve our wood yields, quality and rotation times using improved planting materials, tissue culture, cloning techniques, genetic improvements and fertilizer programs. In addition, we plan to research and develop silviculture practices, such as thinning intensities and pruning, so that we can achieve larger diameter logs within our plantations and within the harvesting rotation timeframes.

Strengthen management processes and information systems

We plan to invest in additional management process and information systems and technology for our business operations. For our concessions and plantations, we plan to invest in Geographical Information Systems to manage detailed information on our forests.

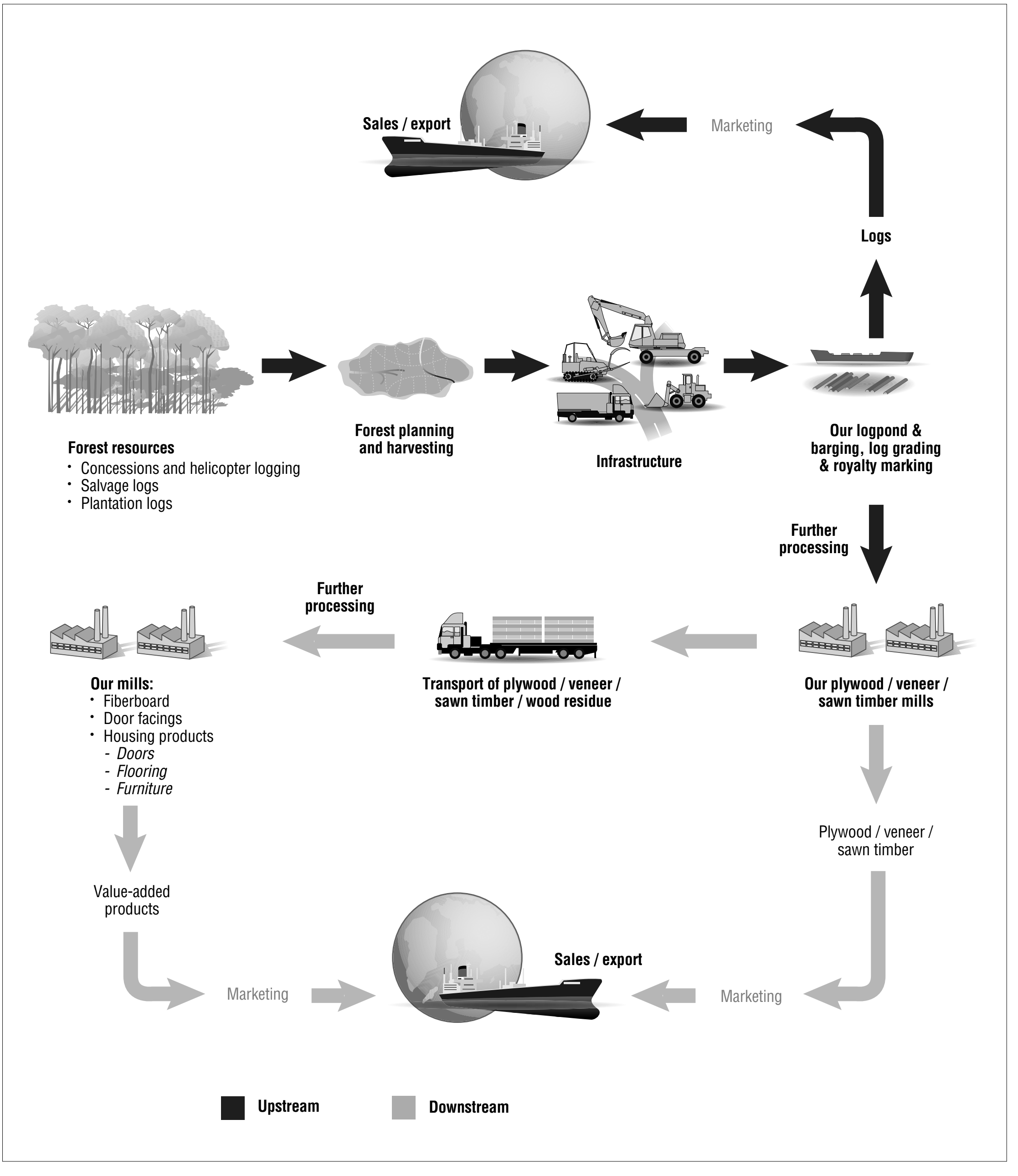
For our downstream operations we will continue to invest in information technology to enhance our plant processing efficiencies and resource planning. For our sales and marketing, we intend to invest in supply chain solutions and to facilitate efficient customer relationship management.

With this, we will be better positioned to actively cooperate with our customers and to manage our inventory levels and production cycles.

OUR PRINCIPAL BUSINESSES

Our business operations are highly integrated and cover the full wood products supply chain from the management and harvesting of our forest resources to the processing, sales and distribution of our wood products. We divide our principal businesses into upstream and downstream timber operations. Our upstream timber operations comprise mainly the management of our natural forest concessions and tree plantations, and the harvesting and sale of logs. Our downstream operations comprise the manufacturing, marketing and distribution of our wood products. Our downstream wood products are mainly focused on plywood and veneer, together with sawn timber and further value-added products, including fiberboard, door facings and housing products.

The following diagram shows a summary of our production operations and the scale of our integration from the upstream forests to the production and export of a wide variety of wood products.



The following map highlights the locations of our Group's operations showing the natural forest concessions and tree plantations operated by our Group and the locations of our processing facilities.

The following table sets forth a summary of our forest resources as at September 30, 2006.

	Hardwood				Softwood	
	Malaysia		Guyana		New Zealand	
	Concessions	Plantations	Concession	Harvesting rights	Plantations	Total
	Resources – Hectares (in thousands) as at September 30, 2006					
Gross area	1,424	438	1,611	445	35	3,953
Net operable area[1]	908	138	1,327	370	26	2,769

Note:

(1) Net operable area is the area which can be commercially logged in accordance with the relevant government rules. It excludes non-commercial forest and areas of rugged and steep terrain, areas of swamps, water catchment areas, protected river zones, areas of shifting agriculture, areas reserved for the indigenous population and other environmental reserves.

The following table sets forth a summary of our log production volumes, annual quota/allowable cut and log usage volumes for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006 in each of our forest resource bases.

The log production in Malaysia is categorized as:

- "Quota logs" which are volumes of logs harvested using ground-based harvesting methods with tractors from our concession areas presented for royalty assessment in a 12 month period which are subject to the annual quota;

- Logs harvested by helicopter logging through the use of helicopters and other special equipment in high terrain areas that are difficult or inaccessible to ground-based harvesting equipment;

- Salvage logs which are harvested from clearing of areas for tree plantations under plantation licenses;

- Others which are logs which have been harvested using ground-based harvesting methods but held in stock pending royalty assessment. Such logs are presented for royalty assessment and form part of the "quota logs" in the following financial year.

In Sarawak, all log sales must be approved by STIDC and the Sarawak Forestry Corporation to ensure that royalties have been paid and that the annual quota and the percentages of logs allocated for export, where applicable, are complied with. The annual quota for Malaysia for each of our concession licenses represents the maximum volume of logs harvested using ground-based harvesting methods with tractors permitted for royalty assessment in any 12 month period beginning July 1 each year with reference to the annual harvesting plans. The annual quota only applies to "quota logs" and not logs harvested by helicopter logging, salvage logs or logs harvested but held in stock pending royalty assessment in the following financial year. See "Business — Our Upstream Timber Operations Business — Natural forest concessions — Malaysia".

The annual allowable cut in Guyana is the annual allowable volume of logs which we are permitted to cut from our concession which is determined by the Guyana Forestry Commission. In Guyana, any unutilized annual allowable cut can be carried forward to use in future years.

There are no quota restrictions on the harvesting of plantation logs from our tree plantations in New Zealand.

The total log usage volumes reflects logs sales to third parties and logs sales to our downstream manufacturing operations and includes logs consumed by our downstream processing facilities where the processing mills and forest concession from which the logs were extracted are held by the same subsidiary. The total log production differs from the total log usage volume due to logs held in stock.

	Hardwood/Tropical Softwood				Softwood	
	Malaysia		Guyana		New Zealand	
	Concessions	Plantations	Concession	Harvesting rights	Plantations	Total
	m³ (in thousands)					
	For the financial year ended June 30, 2004					
Total log production	1,976	–	43	110	132	2,261
• "Quota logs"	1,670[3]	–	N/A	N/A	N/A	1,670
• Logs harvested by helicopter logging	99	–	N/A	N/A	N/A	99
• Salvage logs	159	–	N/A	N/A	N/A	159
• Others	128	–	N/A	N/A	N/A	128
Annual quota/allowable cut	1,721	N/A	204	204	N/A	2,129
Total log usage	1,983	–	141[8]		136	2,260
• Third parties — local[1]	449	–	4		64	517
• Third parties — export	683	–	50		72	805
• Downstream operations	851	–	87		–	938

	Hardwood/Tropical Softwood				Softwood	
	Malaysia		Guyana		New Zealand	
	Concessions	Plantations	Concession	Harvesting rights	Plantations	Total
	m³ (in thousands)					
	For the financial year ended June 30, 2005					
Total log production	1,997	–	85	105	130	2,317
• "Quota logs"	1,684[4]	–	N/A	N/A	N/A	1,684
• Logs harvested by helicopter logging	78	–	N/A	N/A	N/A	78
• Salvage logs	253	–	N/A	N/A	N/A	253
• Others	111	–	N/A	N/A	N/A	111
Annual quota/allowable cut	1,739	N/A	291	207	N/A	2,237
Total log usage	2,132	–	160[8]		130	2,422
• Third parties — local[1]	369	–	11		62	442
• Third parties — export	743	–	39		68	850
• Downstream operations	1,020	–	110		–	1,131
	For the financial year ended June 30, 2006					
Total log production	1,858	–	61	157	96	2,172
• "Quota logs"	1,493[5]	–	N/A	N/A	N/A	1,493
• Logs harvested by helicopter logging	36	–	N/A	N/A	N/A	36
• Salvage logs	399	–	N/A	N/A	N/A	399
• Others	40	–	N/A	N/A	N/A	40
Annual quota/allowable cut	1,727	N/A	351	293	N/A	2,371
Total log usage	1,886	–	198[8]		102	2,186
• Third parties — local[1]	356[2]	–	22		34	412
• Third parties — export	496	–	99		68	663
• Downstream operations	1,034	–	77		–	1,110
	For the three months ended September 30, 2005					
Total log production	424	–	15	29	33	501
• "Quota logs"	366[6]	–	N/A	N/A	N/A	366
• Logs harvested by helicopter logging	–	–	N/A	N/A	N/A	–
• Salvage logs	95	–	N/A	N/A	N/A	95
• Others	74	–	N/A	N/A	N/A	74
Annual quota/allowable cut	1,727	N/A	351	293	N/A	2,371
Total log usage	502	–	42[8]		37	581
• Third parties — local[1]	119	–	4		12	135
• Third parties — export	134	–	20		25	179
• Downstream operations	249	–	18		–	267

	Hardwood/Tropical Softwood				Softwood	
	Malaysia		Guyana		New Zealand	
	Concessions	Plantations	Concession	Harvesting rights	Plantations	Total
	m³ (in thousands)					
	For the three months ended September 30, 2006					
Total log production	580	–	23	44	24	671
• "Quota logs"	408[7]	–	N/A	N/A	N/A	408
• Logs harvested by helicopter logging	12	–	N/A	N/A	N/A	12
• Salvage logs	105	–	N/A	N/A	N/A	105
• Others	95	–	N/A	N/A	N/A	95
Annual quota/allowable cut	1,694	N/A	344	341	N/A	2,379
Total log usage	621	–	69[8]		23	712
• Third parties — local[1]	72	–	9		7	104
• Third parties — export	173	–	38		16	210
• Downstream operations	376	–	22		–	398

Notes:

(1) Logs supplied to third parties includes logs supplied to our sawn timber facilities in Miri and Lawas, Sarawak which are rented and operated by an associate of our Group, Rimalco Sdn. Bhd., in which we hold a 40% interest.

(2) This includes approximately 95,000 m^3 of logs which we sold to companies which became part of our Group on June 29, 2006.

(3) The "quota logs" include approximately 81,000 m^3 of logs which were held in stock in the financial year ended June 30, 2003 and assessed for royalties in the financial year ended June 30, 2004.

(4) The "quota logs" include approximately 128,000 m^3 of logs which were held in stock in the financial year ended June 30, 2004 and assessed for royalties in the financial year ended June 30, 2005.

(5) The "quota logs" include approximately 111,000 m^3 of logs which were held in stock in the financial year ended June 30, 2005 and assessed for royalties in the financial year ended June 30, 2006.

(6) The "quota logs" include approximately 111,000 m^3 of logs were held in stock in the financial year ended June 30, 2005 and assessed for royalties in the financial period ended September 30, 2005.

(7) The "quota logs" include approximately 40,000 m^3 of logs which were held in stock in the financial year ended June 30, 2006 and assessed for royalties in the financial period ended September 30, 2006.

(8) Log usage from concession and harvesting rights in Guyana have been combined as they form part of the logs for usage and held in stock in Guyana.

(9) The log production data, annual quota and log usage for our concessions in Malaysia differs from the equivalent data in the Independent Technical Report prepared by Pöyry set out in Appendix VI to this prospectus principally due to an assumption made by Pöyry in the Independent Technical Report that Merawa Sdn. Bhd. and Dayabala Sdn. Bhd., two of our subsidiaries that only became part of our Group on June 29, 2006, were assumed by Pöyry to have been included in our Group for the whole of the financial year ended June 30, 2006. The table above reflects that these companies were only consolidated in our Group following the Reorganization. In addition, the Independent Technical Report also excludes log production from a portion of one of our concessions, where the concession area was contracted to a third party logging contractor who has the right to retain the timber harvested from the concession for its own use.

Our production facilities for our downstream products are located in Malaysia, Guyana and China. The following table sets forth a summary of the volume of logs used by our plywood, veneer and sawn timber processing facilities for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006, showing the split between logs from internal sources and third party purchases.

Sources of logs used by our downstream processing facilities[1] — m^3 (in thousands)

	For the financial year ended June 30,						For the three months ended September 30,			
	2004		2005		2006		2005		2006	
	Internal sources	Third party purchases	Internal sources	Third party purchases	Internal sources	Third party purchases	Internal sources	Third party purchases	Internal sources	Third party purchases
Uses of logs										
Plywood and veneer	875	425	1,073	414	1,097	349	263	60	395	82
Sawn timber/wood chips[2]	131	26	123	41	77	24	23	–	20	–
	1,006	451	1,196	455	1,174	373	286	60	415	82

Notes:

(1) The raw materials for our plywood, veneer and sawn timber manufacturing facilities are logs. We use wood residue from our processing operations to produce products such as fiberboard and door facings.

(2) Logs sourced by our sawn timber facilities includes logs used by our sawn timber facilities in Miri and Lawas, Sarawak which are rented to, and operated by, an associate of our Group, Rimalco Sdn. Bhd. in which we hold a 40% interest. These logs are shown in the table on pages 132 to 134 of this prospectus as logs sold to third parties-local. If the logs sourced by such sawn timber facilities are excluded, the total sources of logs used by our downstream processing facilities from internal sources would be approximately 938,000 m^3, 1,131,000 m^3 and 1,110,000 m^3 for the financial years ended June 30, 2004, 2005 and 2006, respectively, and approximately 267,000 m^3 and 398,000 m^3 for the three months ended September 30, 2005 and 2006, respectively.

The following table sets forth a summary of the locations, rated production capacity and actual production volume of our facilities for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006 and the principal sources of logs for processing.

	Rated production capacity per annum	Production volume — Financial year ended June 30, 2004	2005	2006	Three months ended September 30, 2005	2006	Principal sources of logs
	m³ (in thousands), unless otherwise specified						
Malaysia							
Plywood/Veneer	950	543	607	662	170	201	Our Malaysia concessions/ plantation areas[5] and logs from third parties
Sawn timber[1]	54	39	42	38	12	12	Our Malaysia concessions and logs from third parties
MDF[2]	100	102	99	89	24	23	N/A[6]
Sub-Total	**1,104**	**684**	**748**	**789**	**206**	**236**	
Guyana							
Plywood/Veneer	108	48	48	29	6	10	Our Guyana concessions and harvesting rights
Sawn timber	64	3	5	5	2	2	Our Guyana concessions and harvesting rights
Sub-Total	**172**	**51**	**53**	**34**	**8**	**12**	
China							
Plywood/Veneer/LVL	160	52	88	71	20	20	Logs from third parties
	(in thousands)						
Malaysia — others							
Furniture	6,172 pieces	4,739 pieces	5,269 pieces	5,460 pieces	1,686 pieces	916 pieces	N/A[6]
Flooring	2,004 m²	664 m²	584 m²	423 m²	108 m²	101 m²	N/A[6]
Door facings[3]	8,000 units	4,318 units	7,562 units	8,165 units	1,818 units	2,143 units	N/A[6]
Engineered/skin doors[4]	267 units	172 units	74 units	69 units	11 units	10 units	N/A[6]

Notes:

(1) Our sawn timber facilities in Miri and Lawas, Sarawak are rented to and operated by an associate of our Group, Rimalco Sdn. Bhd., in which we hold a 40% interest.

(2) Our MDF facility is owned by an associate of our Group, Daiken Miri Sdn. Bhd., in which we hold a 30% interest.

(3) Our door facings facility is owned by Magna-Foremost Sdn. Bhd. which is a 50:50 joint venture between Samling DorFoHom Sdn. Bhd. and Masonite.

(4) Our solid/engineered doors and skin doors facilities in Selangor have been owned and operated by Foremost Crest Sdn. Bhd. since June 14, 2005, which is a 50:50 joint venture between Grand Paragon Sdn. Bhd. and Masonite.

(5) Logs sourced from our Malaysia concessions/plantation areas include "quota logs" harvested from our forest concessions, logs harvested by helicopter logging and salvage logs harvested from clearing plantation areas.

(6) These facilities do not use logs as raw materials.

Depending on the needs of our downstream operations and the relative sale price and market for our logs, we have the flexibility to switch between selling our logs to third parties and processing them internally. The following table sets forth a summary of the sources and uses of timber produced from our concessions and plantations and/or sourced from third parties in Malaysia, Guyana, New Zealand and China, including the volume of certified logs involved and their uses, for the financial year ended June 30, 2006.

	Financial year ended June 30, 2006				
Source of logs	**Production volume/ Volume sourced from third parties**	**Log usages**	**Volume of MTCC/FSC certified logs involved**	**Use of certified logs**	**Production volume of wood products utilising certified logs**
Malaysia					
– Our Group's natural forest concessions (including salvage logs from clearing areas for tree plantations)	1,858,000 m^3	• Plywood factories in Malaysia to produce plywood • Veneer factories in Malaysia to produce veneer • Sawmills in Malaysia to produce sawn timber • Conversion into wood chips for the production of MDF, door facings and other housing products • Third party log sales (local and export)	1,500 m^3 of MTCC certified logs (0.1% of our log production in Malaysia)	• 900 m^3 for the plywood mill in Miri, Sarawak, Malaysia to produce MTCC certified plywood • 600 m^3 for third party sale (export) as logs without MTCC certification	• 300 m^3 of plywood with MTCC chain of custody certification
– Our Group's tree plantations	–	–	–	–	–
– Third Party sources	354,000 m^3	• Plywood factories in Malaysia to produce plywood • Veneer factories in Malaysia to produce veneer • Sawmills in Malaysia to produce sawn timber	–	–	–
Guyana					
– Our Group's natural forest concessions	61,000 m^3	• Plywood factories in Guyana to produce plywood • Sawmills in Guyana to produce sawn timber • Third party log sales (local and export)	28,000 m^3 of FSC certified logs (12.8% of our total log production in Guyana)[(1)]	• 5,200 m^3 for the plywood mill in Guyana to produce plywood • 4,400 m^3 for the sawmills in Guyana to produce sawn timber • 16,700 m^3 for third party log sales (local and export) as logs without FSC certification • 1,700 m^3 held in stock in Guyana	–
– Harvesting Rights granted by third party concession holders to our Group	157,000 m^3	• Plywood factory in Guyana to produce plywood • Sawmills in Guyana to produce sawn timber • Third party log sales (local and export)	–	–	–

Source of logs	Financial year ended June 30, 2006 Production volume/ Volume sourced from third parties	Log usages	Volume of MTCC/FSC certified logs involved	Use of certified logs	Production volume of wood products utilising certified logs
New Zealand					
– Our Group's tree plantations	96,000 m^3	• Third party sale (local and export)	96,000 m^3 of FSC certified logs (100% of our log production in New Zealand)	• All for third party log sales (local and export) as logs without FSC certification	–
China					
– Third Party sources	20,000 m^3	• Plywood factory in China to produce plywood • LVL factory in China to produce LVL	15,000 m^3 of FSC certified logs (75% of our third party purchases in China)	• All for plywood mill in Nantong, China to produce FSC certified plywood	• 2,600 m^3 of plywood with FSC chain of custody certification

Note:

(1) Our FSC certification for our forest concession in Guyana was temporarily suspended on January 9, 2007 following an annual review by the relevant assessor in November 2006. During the suspension period, we will continue to produce and sell logs from our forest concession in Guyana but such logs will not be FSC-certified. See "Business — Our Upstream Timber Operations Business — Forest management certification and collaboration with third party research and development institutes" for further details.

In addition, we also engage in a limited number of secondary businesses including the manufacturing of rubber retread, property investment and quarry businesses in Malaysia. Lingui also holds a 36.42% shareholding interest in Glenealy, whose principal business is the operation of oil palm plantations.

OUR UPSTREAM TIMBER OPERATIONS BUSINESS

Overview

Our upstream timber operations comprise the management and operation of natural forest concessions and tree plantations and the extraction of logs for sale to third parties or conversion into downstream wood products through our processing operations. We provide upstream support services, including tree extraction and barging to a limited number of third parties. In our concessions, we have the right to harvest logs on natural forest land owned by the government according to government guidelines. In our tree plantations, we plant the trees, manage the tree plantations and harvest the trees when they are mature.

As at September 30, 2006, we had 15 concession areas covering a gross total of approximately 1,424,000 hectares of natural tropical hardwood forest in Malaysia and a gross concession area of approximately 1,611,000 hectares in Guyana. In Guyana, we also have harvesting rights for a further 445,000 gross hectares. The total net operable area within these concession areas is approximately 908,000 hectares in Malaysia and 1,698,000 hectares in Guyana, including areas subject to harvesting rights. The remaining areas of the concessions are not operable because they comprise non-commercial forest or cover areas where the rugged and steep terrain renders logging activities commercially impractical, or are areas of swamp, water catchment, protected river zones, areas of shifting agriculture and areas reserved for the indigenous population or other environmental reserves. We do not have any natural forest concessions in New Zealand or the PRC.

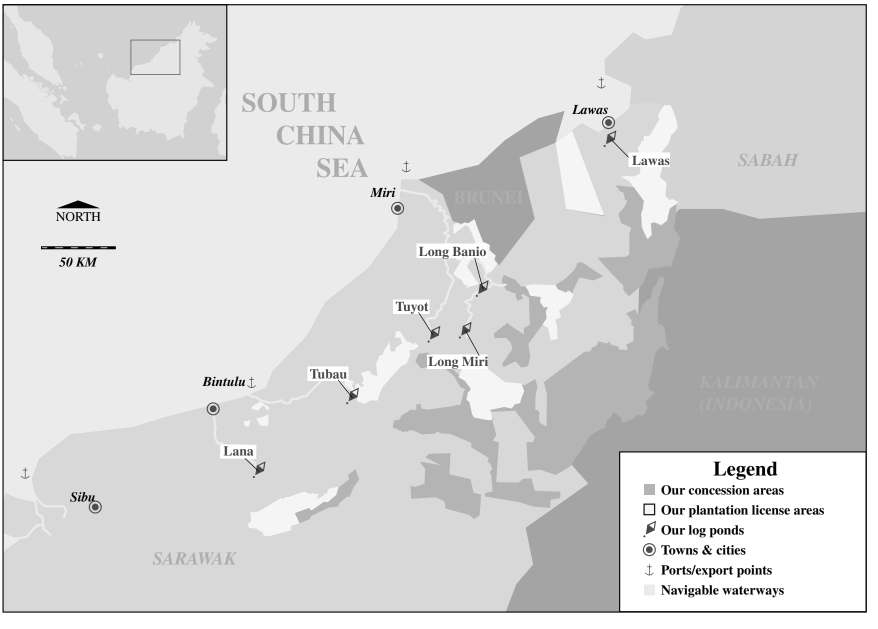
We have maturing tree plantations in New Zealand and developing tree plantations in Malaysia. As at December 31, 2006, the total gross area of our tree plantation land is approximately 35,000 hectares in New Zealand and 438,000 hectares in Malaysia of which approximately 26,000 hectares and 11,000 hectares, respectively, have been planted. For the financial year ended June 30, 2006, we derived approximately 81% of our total annual volume of logs from our natural forest concessions and harvesting rights in Malaysia and Guyana (excluding logs harvested by helicopter logging and salvage logs). The remaining volume of approximately 19% was derived from our New Zealand tree plantations and in Malaysia from helicopter logging and salvage logs from the clearing of approximately 11,000 hectares of our tree plantation areas. We do not have any tree plantations in Guyana or the PRC.

We have the necessary legal or lawful rights over our forest concessions in Malaysia and Guyana and our tree plantations in Malaysia and New Zealand, upon which our Group conducts timber harvesting, forest concessions management and tree plantations, as applicable. These rights may be forestry rights pursuant to legislation, licensed rights pursuant to licenses or concessions granted pursuant to law or legal ownership rights arising from freehold or leasehold interests held by our Group.

Natural forest concessions

Malaysia

In Malaysia, we currently have 15 concession areas covering a total of approximately 1,424,000 hectares of natural forest in the Malaysian state of Sarawak, on the Northwest coast of Borneo. The net operable area is approximately 908,000 hectares which represents our largest source of log production. We typically extract hardwood species such as meranti, kapur, keruing, selangan batu and mixed light hardwood as well as tropical softwood species such as bindang. The following map shows our concession areas, plantation license areas as well as our log ponds in Sarawak, Malaysia as at the Latest Practicable Date.



Our concessions are based on forest timber licenses granted to us by the Director of Forests, Sarawak Forestry Corporation, Government of Sarawak. Each forest timber license covers a specific area called a forest management unit or concession. Our forest timber licenses are granted to us for terms of between 6 and 25 years and are subject to renewal by application to the Sarawak Forest Department upon their expiry. Generally, we apply for renewal at least six months before expiry of our forest timber licenses. Approximately 18.5% by gross area (approximately 264,000 hectares) are due for renewal by June 30, 2010, 64.5% by gross area (approximately 919,000 hectares) by June 30, 2015 and 16.9% by gross area (approximately 241,000 hectares) by June 30, 2018. Out of the 15 concessions that we hold, five concessions which were subject to renewal in the past 20 years were renewed on similar terms. See "Business — Our Principal Businesses" for information as to our log production volumes from our concessions in Malaysia harvested using ground-based harvesting methods with tractors during the Track Record Period.

Concessions are harvested according to a cutting cycle of generally 25 years. Out of our concessions in Malaysia, approximately 18% of our net operable area is primary forest. Infrastructure required to carry out our existing and future harvesting operations have been established at various locations, facilitating easy access. We sequentially harvest our net operable area which is divided into harvesting areas called "coupes". This coupe method promotes natural regeneration, allowing us to return to the coupe later after younger trees are given the opportunity to mature.

- **Harvesting plans and permits**

  After we are granted a concession, we must submit a general plan to the Sarawak Forestry Corporation showing the coupe layout and road network and bridges we need to build throughout the concession. Following approval by the Sarawak Forestry Corporation, we prepare annual harvesting plans for each concession showing a detailed layout of proposed logging activities within individual coupes. We are required to submit the annual harvesting plans to the Sarawak Forestry Corporation for its approval and to determine, among other things, the coupe in which we can operate and the expected sustainable yield volumes permitted for harvesting. Following approval of the annual harvesting plan, we are also required to obtain a permit from the Sarawak Forestry Corporation before we can harvest any logs from any particular coupe. The trees selectively harvested from the coupes must be of a prescribed minimum diameter and must be species that are not protected from harvesting. Logs harvested from individual concessions will be tagged by us with log identification tags for identification and tracking and will then be delivered to locations designated by the Sarawak Forestry Corporation for royalty marking. The log identification tags contain information on specie, concession and coupe and block number and are color-coded to enable the forest officers to differentiate between "quota logs", logs harvested by helicopter logging and salvage logs. Spot checks are carried out by forest officers from the Sarawak Forestry Corporation from time to time to ensure that the logs are tagged properly.

- **Helicopter logging**

  In Malaysia, the Sarawak Forest Department permits concession holders to engage in helicopter logging in high terrain areas that are difficult or inaccessible to ground-based harvesting equipment. These areas are excluded from the net operable areas as they are not considered to be productive forest because they cannot be logged using ground-based harvesting methods.

Helicopter logging is carried out in accordance with regulatory approvals and controls imposed by the Sarawak Forestry Corporation. Separate annual harvesting plans are prepared where we are required to map the proposed area of operation and enumerate the trees to be fell. The volumes to be harvested in the annual harvest plan follow the same principles of sustainable yield applicable to the ground-based method of harvesting and are controlled by the Sarawak Forestry Corporation, although there is no specific quota. In addition, special procedures apply to helicopter logging whereby the Sarawak Forestry Corporation will station its officers to oversee the helicopter logging operations at the operational area by counting the number of trees lifted. Furthermore, the helicopter operators are required to submit to the forest officers the flying hours of their operations, which will be used as an additional indicator to determine the production of logs from helicopter lifts. Logs harvested by helicopter logging are subject to royalty payments and are also tagged with log identification tags with separate color codes and delivered to designated locations for royalty marking. Production volumes from helicopter logging are limited due to various factors such as constraints on the special type of helicopters suitable for such work, limited flying hours to perform such tasks and higher costs. We therefore only engage in helicopter logging to extract high value species of timber from difficult or inaccessible terrain areas within our concessions. See "Business — Our Principal Businesses" for information as to our log production volumes from our concessions in Malaysia harvested by helicopter logging during the Track Record Period.

- **Annual quota**

The Sarawak Forest Department will grant an annual quota for each of our concession licenses with reference to the annual harvesting plan. The annual quota represents the maximum volume of logs harvested using ground-based harvesting methods with tractors permitted for royalty assessment in any 12 month period beginning July 1 each year. See "Business — Our Principal Businesses" for information on the annual quota applicable to our log production in Malaysia during the Track Record Period.

We derive "quota logs" which are volumes of logs harvested using ground-based harvesting methods with tractors from our concession areas presented for royalty assessment in a 12 month period which are subject to the annual quota. The total volume of logs harvested by us in any financial year also includes logs which are not subject to the annual quota, such as logs harvested by helicopter logging, salvage logs and logs harvested but held in stock pending royalty assessment. Logs harvested by helicopter logging are not subject to the annual quota as the annual quota is determined by the Sarawak Forest Department by reference to the net operable area of a concession, and areas available for helicopter logging operations are excluded from net operable area. Helicopter logging takes place in areas that are not considered to be operable areas of forest being in high and inaccessible areas which cannot be logged using ground-based harvesting methods with tractors. Salvage logs are logs harvested for the purpose of clearing areas for tree plantations under our plantation licenses, which are subject to a separate regulatory regime. See "Business — Our Upstream Timber Operations Business — Tree plantations — Malaysia" for details of the regulatory controls over harvesting of salvage logs. Logs harvested but held in stock pending royalty assessment in a particular financial year are logs which have been harvested using ground-based harvesting methods, but as these logs have not been delivered to the designated locations for royalty marking, are not assessed for royalties in the same financial year. These logs will form part of the "quota logs" for the following financial year when they are presented for royalty assessment.

- **Royalty assessment**

We pay royalties to the Sarawak state government on all logs harvested from our concessions, including "quota logs" and logs harvested by helicopter logging, based on timber species and volumes harvested each year, subject to an annual minimum royalty payment. We also pay royalties to the Sarawak state government on salvage logs harvested with the purpose of clearing areas for tree plantations under plantation licenses and other plantation logs that may be harvested by us in the future when our tree plantations mature. See "Business — Our Upstream Timber Operations Business — Tree plantations — Malaysia". The royalties payable for each specie group are set out in our forest timber licenses and are subject to change from time to time, as determined and notified by the Sarawak Forest Department. There have been no major changes to the royalty rates we paid since 1995. The annual minimum royalty payment differs amongst our forest timber licenses and are determined by the Sarawak Forest Department based on the size of the concession. In Sarawak, all log sales must be approved by STIDC and the Sarawak Forestry Corporation to ensure that royalties have been paid and that the annual quota and the percentages of logs allocated for export, where applicable, are complied with. Royalties are assessed on all logs produced at locations designated by the Sarawak Forestry Corporation. Forest officers are stationed at these locations to ensure all logs are royalty marked and, where applicable, do not exceed the annual quota. Additional tags are affixed to logs for royalty and transport purposes, where color-codes are used to differentiate between logs to be used for downstream processing, local sales and export. Logs may not be removed from the designated areas without the appropriate royalty marking and relevant permits. Therefore, royalty assessment has been the primary means of the Sarawak state government to ensure that logs have been harvested legally in accordance with the relevant rules and regulations stipulated by the Sarawak Forest Department.

For the three financial years ended June 30, 2006 and the three months ended September 30, 2006, the amount of royalties paid (inclusive of royalties for salvage logs harvested from our tree plantations) by us were approximately US$27.3 million, US$28.7 million, US$23.7 million and US$7.9 million respectively. During the Track Record Period, we have settled such royalty payments within the time period as required by the Sarawak Forestry Corporation. In addition, an export duty may be payable on the logs and sawn timber exported from Sarawak, although no export duty is currently applicable. We also pay log administration charges and premium taxes to the Sarawak state government. The forest timber licenses are not transferable unless we obtain approval from the Minister of Planning and Resource of Malaysia.

- **Relationship with indigenous people in our concessions**

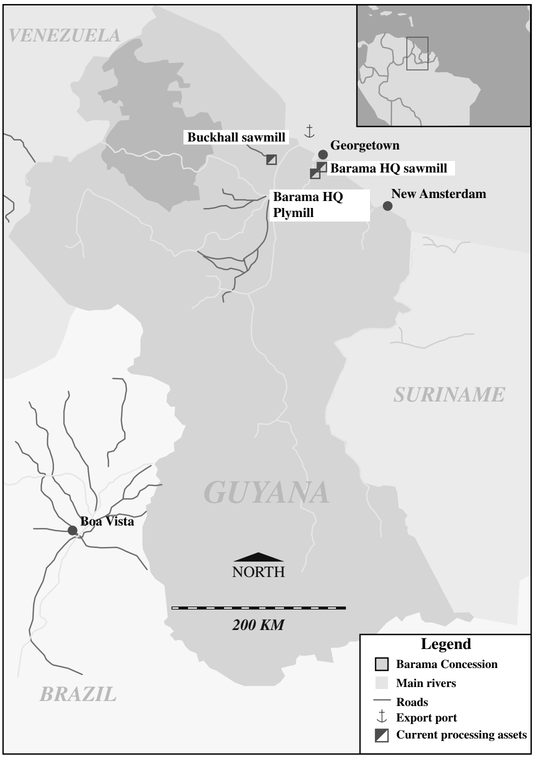
There are indigenous people who live in certain parts of our concessions as permitted by law. These communities may harvest trees for personal rather than commercial use and for clearing of land for agricultural purposes. See "Risk Factors — Risks Relating to Our Business — Our operations in some of our concessions and plantations may be adversely affected by activities, rights and claims of indigenous people living on or near such concessions and plantations". We actively work with the indigenous people to integrate and accommodate their community activities within our operations.

We have established a team of welfare officers since 1993 who are responsible for liaising with the indigenous people to understand their needs and to notify them before we commence operations in a particular coupe of our forest concessions. We have also established a liaison committee in 2003 which includes representatives from local communities and the Sarawak Forestry Corporation as part of the requirement for MTCC certification to handle issues concerning indigenous people. We have experienced some minor localized disruptions to our harvesting operations during the Track Record Period as a result of disputes with indigenous communities living on our concessions in Malaysia. These disputes were usually in the form of protests and/or road blockades around parts of our concessions. Such disputes have generally been resolved through dialogue with the communities within a short period with minimal impact to our operations or financial results. In certain instances we have requested the assistance of forest officers from the Sarawak Forestry Corporation in resolving the dispute. We paid a nominal amount of monetary compensation to resolve disputes with indigenous people, and we contributed to specific community developments as part of our efforts towards sustainable forest management during the Track Record Period. In two instances, such disputes have also resulted in legal proceedings which remain pending before the Malaysian courts. See "Business — Legal Proceedings and Protests".

We also aid community development by building dwellings, schools and clinics and undertake other projects such as building access roads and providing water supplies to villages. We are working with government agencies in Sarawak to initiate and support agro-forestry projects such as a community reforestation project where the community will receive the value of the timber once it is merchantable and coffee planting projects with the aim of aiding the economic advancement of local communities. Through these measures, we seek to manage our relationship with the indigenous people in Malaysia relating to our concessions and plantations.

Guyana

In Guyana, we were granted a natural forest concession in the Northwest District and Mazaruni – Potaro District in the Northwest region in 1991. Our concession in Guyana covers a total gross area of 1,611,000 hectares. The total net operable area available for forest production is approximately 1,327,000 hectares. From our Guyana concession, we typically extract baromalli and other peelable species for plywood manufacture. For log exports and sawn timber, we typically extract greenheart, purpleheart, mora, kabukalli and other hardwood species. The following map shows our concession areas in Guyana as at the Latest Practicable Date.



Our harvesting operations in Guyana are similar to those in Malaysia and are subject to similar restrictions. We are subject to an annual allowable volume of logs which we are allowed to cut which is determined by the Guyana Forestry Commission. See "Business — Our Principal Businesses" for information on the annual allowable cut applicable to our log production in Guyana during the Track Record Period. There are also restrictions on the minimum tree diameter we are permitted to cut. We carry out pre-harvesting processes in compliance with the Guyana Code of Practices for Timber Harvesting which are based on regional and international best practices. We harvest our forests in Guyana according to a 40-year cutting cycle and harvesting plans approved by the Guyana Forestry Commission.

Our operations in Guyana are at an early stage of development. Out of our concessions in Guyana, approximately 78% of our net operable area is primary forest. See "Business — Our Principal Businesses" for information as to our log production volumes from our concession in Guyana during the Track Record Period. We intend to expand our production level in Guyana from approximately 219,000 m^3 of logs for the financial year ended June 30, 2006 to an average sustained woodflow of 355,000 m^3 per annum by 2008 by increasing harvesting from our existing concession areas and selecting additional commercial species for harvest. We believe our production could increase further to at least 420,000 m^3 per annum when more plywood species are commercialized for the export market. See pages VI-70 and VI-71 of the Independent Technical Report prepared by Pöyry for details of the estimated future production levels from our forest concessions in Guyana. We expect to spend capital expenditure of approximately US$5.5 million during the financial year ending 2007 towards expanding our production levels.

Our expectation of future sustainable woodflow is based on our harvesting plans which have been determined based on the annual allowable volume of wood we are permitted to cut and our existing and planned infrastructure which enables us to access of particular areas of our concession for harvesting. In determining our expected woodflow, we have made a number of assumptions, including the annual allowable volumes to be harvested, the construction and maintenance of roads which provide access to our concession areas, the availability of labor for harvesting operations and market conditions that are relevant for that point in time.

The concession expires in October 16, 2016 and is subject to automatic renewal for a further term of 25 years, provided that we continue to meet the obligations under the grant for the concession. Under the terms of our concession license and timber sales agreement, we pay the fees required under the Forests Act of Guyana and royalties to the Government of Guyana based on the volume by species harvested, subject to an annual minimum royalty payment. The royalties payable for each specie and the annual minimum royalty payment, which are subject to revision from time to time, are set out in the concession license and timber sales agreement. The annual minimum royalty payment under the timber sales agreement is approximately US$42,000. In addition, we are currently required to pay export duty on greenheart logs which we export from Guyana.

In addition to our concession areas in Guyana, we acquired harvesting rights by entering into agreements with third party concession holders in areas adjacent to our concession infrastructure to harvest wood from their concessions. In total, we have harvesting rights in respect of a gross area of approximately 445,000 hectares with a net operable area of approximately 370,000 hectares. Our harvesting rights expire on varying dates between 2010 and 2015. We pay the concession holders an agreed fee together with the royalties due to the Government of Guyana under their concession licenses for the logs which we harvest. See "Business — Our Principal Businesses" for information as to our log production volumes from harvesting rights granted to us by third parties during the Track Record Period.

For the three financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, the amount of royalties paid by us (inclusive of the fees paid by us to third party concession holders under the harvesting rights) were approximately US$607,000, US$654,000, US$961,000 and US$291,000, respectively. During the Track Record Period, we have settled such royalty payments within the time period as required by the Guyana Forestry Commission.

Tree plantations

To ensure a steady supply of logs and diversification of our product lines, we have an established radiata pine plantation in New Zealand with a growth cycle of between 25 to 30 years. We have also started a tree plantation project in Sarawak. We plan to plant fast-growing species with harvesting cycles of between 10 to 15 years in our tree plantations in Malaysia to produce saw and peeler grade logs to complement the timber extracted from our natural forest concessions.

We require significant capital investment to establish and manage a planted forest. Due to the time required for the planted trees to mature, there is a delay from the time the forest is planted until we can generate any revenues from the sale of harvested plantation logs. In Malaysia, we are able to generate revenues from the sale of salvage logs harvested during the clearing of the plantation sites which partially defray the cash outflow for planting.

New Zealand

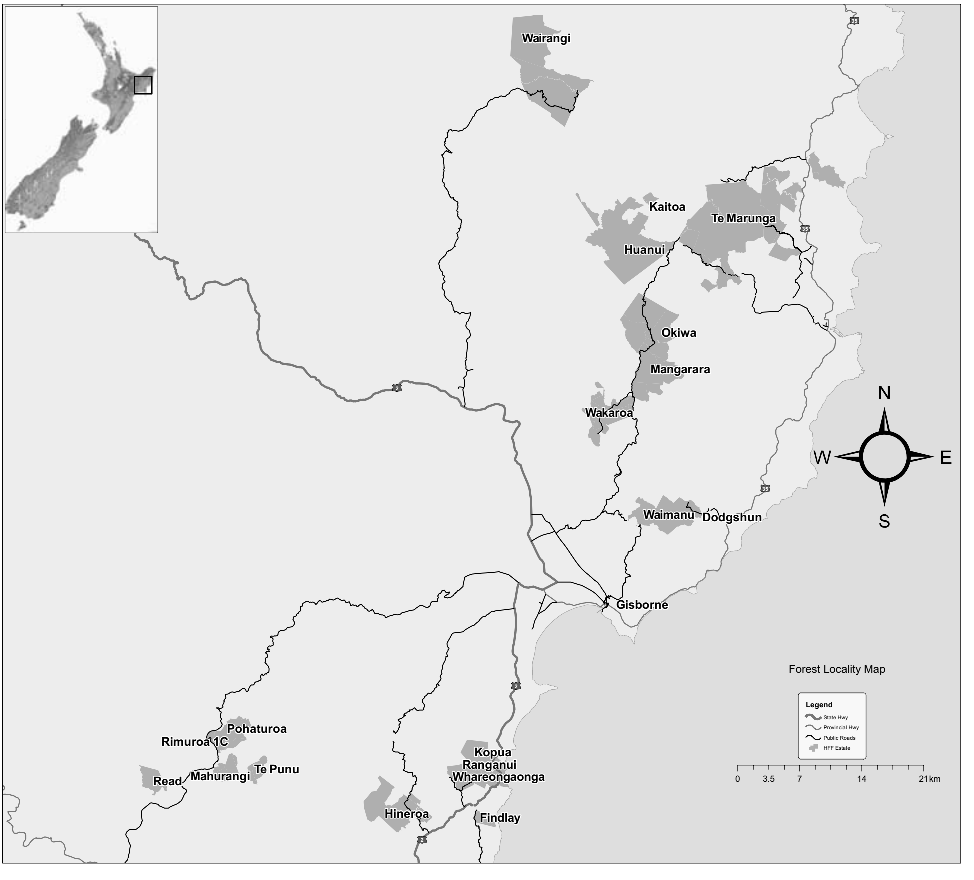
To complement and add to our existing hardwood woodflows, in 1997 we acquired HFF which owns a predominantly radiata pine plantation located on the East Coast of the North Island of New Zealand near the city of Gisborne. HFF was initially held through our associated company, Glenealy, and subsequently through Lingui following a restructuring in 2000. See "Our History and Corporate Structure — Our History". We retained all of the senior management of HFF following the acquisition, and the current General Manager (Forest Operations) of our New Zealand operations was designated by us to oversee the day-to-day operations of HFF following the acquisition.

Radiata pine can be used in producing a wide variety of end products and is used for sawn timber, veneer, fiberboard, particleboard, pulp and paper and other value-added products. It is typically harvested at between 26 and 32 years of age. According to the New Zealand Ministry of Forestry, growth rates of radiata pine on the East Coast of the North Island of New Zealand are some of the highest in the country.

Our tree plantations cover a gross area of approximately 35,000 hectares comprising 19 forests, some of which form contiguous areas and others of which are geographically discrete. As of December 31, 2006, the net plantable area and the total planted area was approximately 26,000 hectares. Of this planted area, approximately 90.6% is freehold, 3.3% is leasehold, 6.0% is under forestry rights and 0.1% is under timber title. Our leasehold forest has a 79-year term, expiring in 2060 and is leased from the Mãori Trustee, an Independent Third Party. The lease entitles us to occupy the land and to cultivate and harvest trees. The rental is based on an annual fee and a share of the stumpage at the time of harvest. For the three years ended June 30, 2006, the rental paid by us to the Mãori Trustee were US$2,500, US$2,800 and US$6,000, respectively. We were not required to pay any rental to the Mãori Trustee for the three months ended September 30, 2006 as rental under the lease is payable annually.

Forestry rights are statutory interests created pursuant to the laws of New Zealand. Forestry rights may confer rights of access to land but do not confer the right of exclusive possession of the land on the holder. A forestry right is created by a proprietor of land to establish, maintain and harvest, or to maintain and harvest, a crop of trees on a specified area of land. A forestry right is a separate property right (and may therefore be mortgaged). The holder will own the trees once they have been harvested. The proprietors of land on which we hold forestry rights are all Independent Third Parties and our forestry rights where we have established plantations were registered on varying dates between 1985 and 1997, have terms of between 30 and 35 years, and will expire on varying dates between 2015 and 2029. We have obtained legal title to the registered forestry rights held by us in New Zealand subject to all relevant mortgages and other encumbrances.

Timber titles, on the other hand, confer on the registered proprietor of the timber title an interest in the timber growing on the land. This estate is distinct from the underlying registered proprietor's interest in the land itself (excluding the timber). The registered proprietor of a timber title has the right to enter the land, cut, and carry away such timber. Once the timber is harvested, the registered proprietor of the timber title is obligated to return the land to its registered proprietor. A timber title only grants rights to one rotation of harvesting and we do not have right to plant trees. We expect to harvest the timber standing on plantations where we have timber titles between 2006 and 2010, subject to market demand. We are required to return the land to its registered proprietor once the timber is harvested. We are the registered proprietor of the timber title held by us in New Zealand and have the right to enter the land, cut and remove such timber. The registered proprietors of the land in respect of which we have timber titles are Independent Third Parties. The following map shows our plantation in New Zealand as at the Latest Practicable Date.



Of the planted area, approximately 98% is planted with radiata pine. The remaining area is planted with douglas-fir and a variety of other softwood and hardwood species. To ensure the growth of high-grade trees, we use advanced and established plantation techniques and carefully monitor planting and silviculture for each of the planted species. We implement intensive and scheduled stand-tending regimes including pruning and thinning to attend a high percentage of pruned logs for use in high grade veneer and sawn timber.

We began preliminary harvesting operations in 2001. Our log production from New Zealand for the financial year ended June 30, 2006 was approximately 96,000 m^3. See "Business — Our Principal Businesses" for information as to our log production volumes from our tree plantations in New Zealand during the Track Record Period. We are currently not required to pay any royalties or export duties to the New Zealand Government for our forestry operations in New Zealand. We expect our maturing radiata pine resource in New Zealand to be able to yield a sustainable woodflow of approximately 800,000 m^3 per annum within the next five years, depending on market conditions. See pages VI-82 and VI-83 of the Independent Technical Report prepared by Pöyry for details of the estimated future production levels from our forest plantations in New Zealand.

Our expectation of future sustainable woodflow is based on our harvesting plans which have been determined using detailed modelling and analysis of tree yield, growth and harvesting data. Our harvesting plans indicate our tree plantations in New Zealand will be able to supply the sustainable woodflow over the period based on our target tree harvesting age of 27 years. We also intend to increase harvesting from our tree plantations in New Zealand in the next five years to provide wood for our planned processing facilities to be established by us in New Zealand. We expect to spend approximately US$9.5 million in the next five years towards expanding our future sustainable woodflow. In determining our expected future woodflow, we have made a number of assumptions, including that HFF continues its forward road building program with the aim of having roads built two years in advance of harvesting to handle the anticipated harvest volume; that our New Zealand radiata pine yield models are accurate; that contract harvesting and trucking crews will be available to allow us to increase the harvest level; that HFF will proceed with its plans to build a processing facility in New Zealand to process the increased woodflow; and that the market conditions for radiata pine do not deteriorate substantially.

Given the nature and age class of our tree plantations in New Zealand, coupled with our extensive forward road building program, we have matured wood stock ready for harvesting when market conditions warrant it.

Malaysia

We have been granted six licenses for planted forest for a gross area of approximately 438,000 hectares in the Bintulu, Baram and Lawas regions of Malaysia for development of tree plantations. The net plantable area as at September 30, 2006 was approximately 138,000 hectares. The remaining areas comprise greenbelt areas for selective logging, areas of shifting agriculture, native customary reserve areas, reserves, buffer areas and areas for infrastructure such as roads, camps and fire breaks. As at December 31, 2006, approximately 11,000 hectares have been planted. The licenses are for a 60-year period, the earliest of which expires on December 7, 2058.

In addition, we have an agreement with one of our associated companies, Timor Enterprises Sdn. Bhd., a wholly-owned subsidiary of Glenealy which is involved principally in the cultivation of oil palm plantations, to harvest salvage logs during the plantation preparation stage from its licensed plantation in Sarawak, Malaysia with a net plantable area of approximately 33,000 hectares.

We are required to pay an annual license fee to the Sarawak state government for our licensed tree plantations. We have, however, been granted an exemption by the Sarawak Forest Department from payment of the annual license fee for the first six years of our respective plantation licenses pursuant to relevant regulations in Malaysia. As a result, we were not required to pay any license fees for the financial years ended

June 30, 2004. Annual license fees in the amount of approximately US$205,000, US$385,000 and US$126,000 were payable for the financial years ended June 30, 2005 and 2006 and the three months ended September 30, 2006, respectively. We pay royalties to the Sarawak state government on salvage logs harvested with the purpose of clearing areas for tree plantations under plantation licenses. The royalty rates applying to salvage logs differ from those for logs harvested from our natural forest concessions. The royalties payable for each specie group are set out in the relevant legislation and are subject to change from time to time, as determined and notified by the Sarawak Forest Department. In addition, once our planted trees have matured, we will pay a royalty on the plantation logs harvested based on the timber species and volumes harvested each year. The royalties payable for each specie group are also set out in the relevant legislation and are subject to change from time to time, as determined and notified by the Sarawak Forest Department.

Our tree plantations in Sarawak, Malaysia are regulated by rules and regulations stipulated by the Sarawak Forest Department. Similar to our natural forest concessions, we are required to prepare general plans and annual harvesting plans for each tree plantation license for approval by the Sarawak Forestry Corporation. However, the annual harvesting plans for tree plantations focus on, among other things, the estimated volume of salvage logs to be harvested for the purpose of clearing areas for tree plantations and details on the proposed tree planting pattern. In addition, we are also required to prepare an environmental impact assessment report in respect of each tree plantation. We may only commence operation in a tree plantation and harvest salvage logs after we have obtained approval of the annual harvesting plan and the requisite permits. We apply similar tagging procedures to our salvage logs for identification and tracking, and we are also required to deliver the salvage logs to locations designated by the Sarawak Forestry Corporation for royalty marking before the logs may be used for downstream processing or sale. The log identification tags for salvage logs are differentiated by tags colors from logs harvested from our natural forest concessions.

Annual quotas do not apply to salvage logs or plantation logs as tree plantations are regulated separately from natural forest concessions. As trees are cleared in the relevant tree plantation areas in preparation for tree plantations instead of for the purposes of regeneration, we harvest salvage logs from any tree plantation area only once. See “Business — Our Principal Businesses” for information as to our log production volumes of salvage logs during the Track Record Period. Pöyry also estimated our production volume of salvage logs to be 457,800 m^3 per annum on average over a period of five years, from 2006 to 2010. See pages VI-98 and VI-104 of the Independent Technical Report prepared by Pöyry for details of the estimated future production levels from our tree plantations in Malaysia (including salvage logs). Officers from the Sarawak Forestry Corporation will inspect and review the progress of our tree planting program before it will approve the next annual harvesting plan for clearing additional areas within our tree plantation. To date we have not harvested any plantation logs from our Malaysian tree plantations, other than salvage logs from the preparation of our tree plantation sites. We expect to harvest the first plantation logs in 2010.

At our tree plantations in Sarawak, we principally plant acacia which matures in 10 years. We also plant other species such as rubber which matures in 12 years and khaya which matures in 15 years. Acacia, rubberwood and khaya wood are used for veneer and plywood, with the residual fiber suitable for fiberboard, particleboard and pulp and paper. We apply modern techniques and recognized best practices in our nursery management. We practise rigorous selection of seedlings with the aim of ensuring good quality and healthy seedlings are planted. The following table sets forth an estimate of the currently established plantation areas by species:

	Net planted area (hectares) established at our Malaysian plantations per establishment year — m³ (in thousands)							
	For the financial year ended June 30,						For the six months ended December 30,	
Species	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2006**	**Total**
Acacia	240	1,153	834	1,605	2,233	2,357	1,203	9,625
Rubber	11	–	72	38	173	35	36	365
Khaya	–	–	–	122	133	293	134	682
Others	7	49	2	15	141	156	8	378
Total	258	1,202	908	1,780	2,680	2,841	1,381	11,050

Log extraction and sale

We extract logs of different species and grades either for export, for our own plywood, veneer and sawn timber manufacturing, or for sale to local sawmills and plywood producers. In Malaysia and Guyana we harvest saw logs and peeler grade logs from our concessions in Malaysia and Guyana. In addition, we harvest peeler grade logs from clearing plantation sites in Malaysia during the preparation stage. Peeler grade logs are peelable logs which can be used for veneer and plywood manufacture. Sawmill grade logs are of higher density suitable for sawn timber. We vary the species of logs exported depending on the market and the requirements of our downstream operations.

In Malaysia, we are currently permitted to export 40% of the annual quota of our royalty assessed logs which have been harvested from our concessions in Sarawak under the Sarawak state government regulations. We are required to obtain an export clearance certificate and removal pass from the STIDC and Sarawak Forestry Corporation, respectively, before our logs can be removed from our concessions for export. Salvage logs cannot be exported. From Malaysia, we primarily export meranti, kapur, keruing, selangan batu, bindang and mixed light hardwood species of logs.

In Guyana, there are no restrictions on the export of our logs. From Guyana, we primarily export greenheart, purpleheart and mora species of logs. We now process a larger volume of our logs in Guyana in our new sawmill in Guyana which has been operating since March 2006.

In New Zealand, our logs are categorized into pruned logs, sawn logs and pulp logs. We sell the majority of our pruned logs to domestic third parties for the manufacture of plywood and veneer. The sawn logs and pulp logs are exported or sold domestically.

For a summary of our log usages by country during the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006 split between logs supplied to third parties and logs processed in our downstream operations, see the summary table included in "Business — Our Principal Businesses".

In addition, we provide upstream support services to a limited number of third parties for timber extraction and barging. In particular, we provide upstream support services to Limbang Trading (Bintulu) Sdn. Bhd., who is a connected person of our Company. Further details are set out in the section headed "Business — Connected Transactions".

Sustainable forest management and environmental protection measures

We recognize the importance of sustainable forest management practices to ensure the long-term supply of our forest resources. We have implemented and will continue to implement various programs that embrace and adopt sustainable forest management practices and are committed to extending our certifications for our wood products in future.

In Sarawak, in all of our concessions, we adhere to the Sarawak forestry guidelines which follow ITTO guidelines on sustainable forest management practices. In the past, ITTO has acknowledged the Sarawak's forest management was of a higher standard than in most other tropical timber producing countries. We practice sustained-yield management by adopting selective harvesting of trees in our natural forests. In regards to our management practices, we were the first recipient of ISO9001:2000 quality management system in Malaysia for forest operations which covers our design and planning of harvesting activities, transporting and marketing of merchantable timber logs.

In Guyana, we adhere to the Guyana Forestry Commission Code of Practice for Timber Harvesting. We adopt reduced impact logging following training on these techniques by the Tropical Forest Foundation, a non-profit educational institute dedicated to the conservation of tropical forests through sustainable forest management. In New Zealand, although there are no specific regulatory requirements on forest management, we comply with FSC's principles of responsible forest management.

Our forests are monitored by relevant authorities to ensure that we are complying with the relevant guidelines and regulations. For instance, in Malaysia, our forests are subject to inspection by the Sarawak Forestry Corporation and our MTCC certified forest management unit is subject to an ongoing assessment program of annual surveillance visits by MTCC appointed assessors to ensure continuing compliance. In Guyana, the parts of our forest concession which we are harvesting are continuously monitored by the Guyana Forestry Commission. In New Zealand, our plantations are subject to annual assessment by FSC. Our Directors Consider that our forest management operations have in place adequate measures to ensure continual compliance with the relevant guidelines and regulations.

Our Sustainable Forest Management (SFM) programs in Sarawak and Guyana are built on three essential foundations: economic viability, environmental compatibility and social acceptance of forest resource management. Through years of research, we believe we have devised a forest management program that balances development and sustainability while complying with conservation efforts and socio-economic needs. We have established the following working strategies in order to implement our SFM:

- economic viability: We believe we have developed economically viable methods of timber extraction that preserve the natural conditions of the forest where possible. We plan our harvesting within the coupes in our concessions with the aim of achieving efficient harvesting with minimum damage to the surrounding area. Where possible we aim to use less heavy equipment which lessens the impact on the environment and, when building logging roads, we use excavation techniques to reduce soil disturbance. We have adopted a forest management program that prescribes reduced impact logging in our designated forestry management unit, Sela'an-Linau, and in our Guyana concession, in order to minimize the damage to standing tree stocks, soil erosion and run-offs of sedimentation into surrounding river systems. By integrating our upstream and downstream operations, we intend to reduce the waste from our wood processing and maximize the use of the wood supply.

- environmental compatibility: We incorporate into our SFM plan the protection of water catchment areas and set aside protected areas for wildlife and other bio-diversity conservation. We have carried out an environmental and social impact assessment to identify ways of minimizing the adverse impact of our forest management on the environment. We have established permanent sample plots and other silvicultural research plots to observe the behavior of the logged forest conditions and other ecological factors such as changes in soil, flora and fauna following harvesting. These are part of our ongoing forest operations. Before commencing harvesting we assess the forest vegetation, water and soil. Where forests have already been harvested, we monitor residual stands and carry out aerial photo analysis to determine if the forest has sufficiently regenerated. We also manage potential environmental risks through compliance with the relevant forestry guidelines and codes of practices as well as our efforts in obtaining forest management certifications.

- social acceptance: In Sarawak, we aid community development by building dwellings, schools and clinics and undertaking other projects such as building access roads and providing water supplies to villages. We also provide educational support by awarding school grants and providing equipment. We are working with government agencies in Sarawak to initiate and support agro-forestry projects such as a community reforestation project where the community will receive the value of the timber once it is merchantable and coffee planting projects with the aim of aiding the economic advancement of local communities. In Guyana, Native Amerindians communal forests, established under Guyana law, are excluded from our concession areas. We permit local communities living in or near our concessions to freely access the nearby forest to collect forest products for domestic and traditional uses.

Before starting a logging operation in our natural forest concessions, we assess the forest to determine the most feasible access routes and logging methods to minimize the environmental impact. Our road network construction and harvesting plans are approved by the Sarawak Forestry Corporation in Malaysia and the Guyana Forestry Commission in Guyana to ensure compliance with the terms of our licenses and applicable environmental laws. We plan directional tree felling along skid trails to reduce the damage to surrounding trees. We adopt log tagging and tracking procedures to verify that our logs are derived from legal sources. We also employ helicopter logging in high terrain and inaccessible areas.

In our tree plantations in Malaysia, we prepare a tree planting plan which is approved by the Sarawak Forestry Corporation. In New Zealand we obtain resource consents relating to harvesting and road construction in accordance with the applicable rules and regulations in New Zealand for our tree plantation activities. We also practice environmentally-friendly timber harvesting techniques such as cable yarding systems, which move the logs with lesser environmental impact.

Forest management certification and collaboration with third party research and development institutes

With the increasing emphasis on sustainable forest development, forest certification has become a market-driven tool. See "Industry — Certification and Sustainable Forest Management".

Forest certification is voluntary. Whilst our sustainable forest management practices and the legality of the source of our logs are not dependent upon our obtaining forest management certification for our forest concessions and plantations, we believe that our commitment to sustainable forest management and our forest management and wood product certification puts us in a competitive position in those markets that favor certified products, such as markets in developed countries including the U.S., Japan, U.K. and Europe. We recognize forest management certification as a growing trend and have taken proactive steps to implement certification in our forest operations.

The following table sets forth details of our current forest management certifications in each of the countries in which we have forest concessions and plantations.

Country	Operation	Total gross area certified (hectares)	Percentage of gross area	Certification standard	Status
Malaysia (natural forest concession)	Sela'an-Linau Forest Management Unit, Sarawak	55,949	3.9% of our gross forest concession area in Malaysia	MTCC certificate for forest management[1]	Obtained October 18, 2004; valid for 5 years.
New Zealand (plantation)	New Zealand forest plantation	35,000	100% of our gross plantation area in New Zealand	FSC certificate for forest management	Obtained August 23, 2005; valid for 5 years.

Note:

(1) On January 1, 2005, MTCC adopted new Malaysian criteria and indicators for forest management (MC&I (2002)) which contain additional elements relating to social aspects of forest management. The MC&I (2002) is currently applicable to new applicants of the MTCC forest management certification. MTCC allows us to continue to be assessed against MC&I (2001) during a transitional period, and we are expected to be assessed for full compliance with MC&I (2002) upon the expiry of the current MTCC forest management certification. We have been in discussion with the independent assessors in preparation for compliance with MC&I (2002) and the independent assessors have from time to time made recommendations for preparatory work to be done to comply with the requirements of MC&I (2002).

Periodic surveillance audits are carried out by independent assessors accredited by the relevant certification bodies to ensure on-going compliance with the relevant certification guidelines. Such surveillance audits are carried out usually on an annual or bi-annual basis, depending on the requirements of the relevant independent assessor. During the course of their reviews, areas of non-compliance with the strict guidelines may be identified and corrective action requests (CARs) may be issued. These are subject to the discretion of the independent assessors. The independent assessors will usually require any CARs to be addressed and complied with within a specified time frame, failing which our certification may be temporarily suspended or withdrawn. See "Regulation of Our Industry — Overview of Criteria Relating to Our Certifications". CARs are issued from time to time following the surveillance audits. For example, from February 17, 2006 to January 9, 2007, 570,000 hectares (or 35.4%) of our gross forest concession area of approximately 1.6 million hectares in Guyana were certified for forest management by the FSC and we produced 28,000 m^3 of certified logs from the concession for the financial year ended June 30, 2006. This certification was temporarily suspended on January 9, 2007 following notification by the relevant independent assessor to us that there are in existence five major CARs. We were not consulted prior to the suspension or provided with any formal request for rectification of the alleged five major CARs before suspension was imposed. An annual surveillance audit was conducted by the independent assessor in November 2006 in relation to ongoing compliance with the FSC guidelines.

At the conclusion of the surveillance audit in November 2006, CARs were identified and discussed verbally with us together with representatives of the FSC which require improvements relating primarily to worker amenities (such as provision of and upgrade to washing facilities, toilets and water boiling facilities, upgrade to drainage and plumbing and waste disposal practices), staff health and safety practices (such as provision of medical supplies, first aid kits, mosquito nets, use of helmets, cut resistant pants and hearing protection aids, refreshment trainings, upgrades to canteen and recreational facilities), monitoring of non-timber activities (such as mining activities conducted by third parties) within operational areas, maintenance of buildings and equipment (such as cleaning up oil and fuel spills, procuring necessary radio equipment, improving maintenance schedule of vehicles), fire safety and signage (such as procuring fire extinguishers and rehabilitate safety signs in workshop, storage and offices) as well as issues relating to road building (such as road maintenance, restoration of degraded sites and improvement to road planning by performing road profiling) and maintenance of a website to publish a summary of the forest management plan and monitoring results.

We have taken steps to rectify a majority of the CARs identified based on the verbal comments at the surveillance audit in November 2006 and subsequent meeting with the independent assessor by conducting the necessary tests, conducting refreshment training on first aid treatment, installing the necessary facilities at the camp sites within our concessions and procuring and upgrading the necessary equipment recommended by the independent assessor. We are in the process of seeking clarification from the independent assessor and FSC on the status of the suspension. We have also reiterated our commitment towards compliance with the FSC Principles and Criteria with the independent assessor and will work with the independent assessor and the FSC to identify and resolve the CARs. However, as at the Latest Practicable Date, our FSC certification in Guyana remains suspended. We estimate that the expenditure required to conduct the remedial works for the purposes of resolving the CARs to be approximately US$100,000, in addition to our planned annual compliance cost of approximately US$100,000 per annum. The independent assessor has indicated in the suspension notification that a further review will be conducted at the end of a three-month period permitted for the close-out of major

CARs, but has not provided any indication as to when such period will expire and when the review is scheduled to take place. The independent assessor has also stated in the suspension notification that should we fail to close out the major CARs identified within the specified time period, our FSC forest management certificate in Guyana will be withdrawn. During the suspension period, we will continue to produce and sell logs from our forest concession in Guyana but such logs will not be FSC-certified.

As at the Latest Practicable Date, we had not obtained any forest management certifications for our tree plantations in Malaysia of a gross area of approximately 438,000 hectares or for the gross area of approximately 445,000 hectares in Guyana over which we hold harvesting rights which expire on varying dates between 2010 and 2015 and we would require cooperation of third party concession holders for certification of those areas. In Malaysia, currently there is no recognized certification scheme for plantation management.

Our planned annual compliance cost for forest management certification is approximately US$100,000 per annum. In Sarawak, our Sela'an Linau Forest Management Unit has received the MTCC forest management certification. The logs harvested from this Forest Management Unit are called MTCC certified logs and are used by our plywood manufacturing facility in Miri, Sarawak, Malaysia to produce plywood which therefore fulfills the MTCC chain of custody requirement. In New Zealand, all of our tree plantations have received the FSC certification. The logs harvested from such tree plantations are called FSC certified logs and are currently sold to third parties. We have been subject to periodic reviews by relevant MTCC and FSC independent assessors, and neither our MTCC forest management certification in Malaysia nor our FSC forest management certification in New Zealand have been subject to any suspension.

We subscribe to SFM practices in all of our concessions which adopt selective harvesting procedures to promote natural regeneration. Our forest management and chain of custody certifications enable us to build brand identity and to meet increasing market demand for certified wood products. This provides us with an advantage in accessing markets which prefer certified wood products over non-certified producers. Any failure by us to maintain, renew or reinstate our existing certifications or to successfully obtain additional forest management and chain of custody certifications may result in our inability to compete effectively in the sale of certified wood products against competitors able to sell certified wood products in greater amounts in markets with demand for such products. The production of certified logs from our concessions and plantations in Malaysia, Guyana and New Zealand for the financial year ended June 30, 2006 was approximately 1,500 m^3 of MTCC certified logs from Malaysia, 28,000 m^3 of FSC certified logs from Guyana and 96,000 m^3 of FSC certified logs from New Zealand, respectively. We utilised some of our MTCC certified logs produced for our plywood mill in Miri, Sarawak, Malaysia to produce MTCC certified plywood. We also utilised some of our FSC certified logs produced for our plywood mill and sawmills in Guyana to produce plywood and sawn timber without FSC certification, as we have not obtained chain of custody certification for our plywood mill and sawmills in Guyana. Whilst we sold some of the MTCC and FSC certified logs we produced in Malaysia, Guyana and New Zealand during the financial year ended June 30, 2006 to third parties, we did not, however, sold such logs as MTCC or FSC certified logs due to the relatively low production volume and that there was no customer requirement for such certified logs. See "Risk Factors — Risks Relating to Our Business — We may not be able to maintain or renew our existing forest management and chain of custody certifications, to obtain new certifications with regards to additional forest areas or wood products".

In addition, various aspects of forest certification processes have been the subject of criticism by environmental and indigenous activists and organizations. For example, the MTCC timber certification scheme has attracted publicity from time to time, including criticisms by indigenous people for failing to recognize their interests during the certification process. The MTCC has sought to clarify such criticisms through public announcements from time to time. Foreign countries such as the UK Government has also recently declared acceptance of the MTCC scheme as assurance of legally harvested timber. Nevertheless, any significant change in the criteria, standards and procedures applied by relevant forest certification bodies, or the non-recognition of such certifications in key export markets, could adversely affect our revenue from the sale of certified wood products. See "Risk Factors — Risks Relating to Our Business — Our business may be adversely affected by activities, rights and claims of indigenous people living on or near our concessions and plantations and by activism of environmental groups".

However, currently neither FSC nor MTCC certification is essential for the sale of our wood products to overseas markets and such certifications are only required by certain of our customers. Our Directors believe that, notwithstanding the recent temporary suspension of our FSC forest management certification in Guyana, our current levels of FSC and MTCC certifications are sufficient to meet the requirements of our existing customers. In addition, given that forest management certification is voluntary and there has been limited demand for certified products from our customers to date, in the event that any of our FSC or MTCC forest management certification is suspended or withdrawn, there are alternate customers that we may sell our logs to.

The process towards forest management certification takes time and we have been working to achieve certification for many years. As a result of our efforts, we have achieved certifications for several of our forest resources. Given the time and effort required to obtain and maintain certification, our certification is currently for selected areas, although we are committed to extending our certifications in future. The timeframe for increasing our forest certifications will depend on the market demand for certified products. We have also been in discussions with MTCC and FSC regarding the possibility of increasing the area of certified forests in Malaysia and Guyana respectively in the future. The process of certification is complex and based on existing guidelines applicable to us, our Directors are not aware of any material impediments to obtaining forest management certifications in the future, if we so decide, for the majority of our concessions and plantations, notwithstanding the recent temporary suspension of our FSC forest management certification in Guyana, assuming the certification bodies do not impose additional requirements beyond those set out under their existing guidelines that have applied to us, as our Directors believe that our Group's current forestry practices are in line with the guidelines set out by the relevant certification bodies. In addition, given our long-term commitment towards certification, we anticipate that our forestry practices will experience stages of improvements from time to time. See "Regulation of Our Industry — Overview of Criteria Relating to Our Certifications" for a summary of the procedures for achieving forest management certifications.

In addition, we conduct joint development with third-party research and development institutes as part of our efforts to achieve and maintain certification of our natural forests and plantations. One of the FSC principles and criteria, which is also applied as part of the MTCC certification for forest management, requires evidence of processes on research and data collection needed to monitor a range of indicators including yield of all forest products harvested, growth rates, regeneration and condition of the forest, environmental and social impacts of harvesting and other operations, and costs, productivity, and efficiency of forest management.

In the past, we have worked with Deutsche Gesellschaft fur Technische Zusammenarbeit GmbH (the German Agency for Technical Cooperation), an international cooperation for sustainable development, together with the Sarawak Forest Department, in Sarawak from 1998 to 2000. Our collaboration with Deutsche Gesellschaft fur Technische Zusammenarbeit GmbH was part of a pioneer project to research and implement "best practice" management standards and technologies on forest management following the commitment by the Government of Sarawak to achieve sustainable forest management. We also partnered with the Edinburgh Centre for Tropical Forests in Guyana from 1992 to 1999 to assist in the development of our sustainable forest management model, including collection of data and assessments of efficiency of currently employed logging practices, in preparation for FSC certification.

We have partnered with the WWF since 2002 in order to develop the social, economic and environmental aspects of our forestry operations in Guyana. Our original FSC certification in Guyana was achieved with the support of, and in collaboration with, the WWF. As part of the collaboration, WWF provided training and technical assistance to us, as well as assisting us in monitoring the progress of our activities in relation to sustainable forest management. We are required to provide quarterly reports to WWF to provide updates on status. We also received grants from WWF as part of the WWF Guyana Forest and Environmental Conservation Project, which aims to contribute to sustainable forest management operations in Guyana.

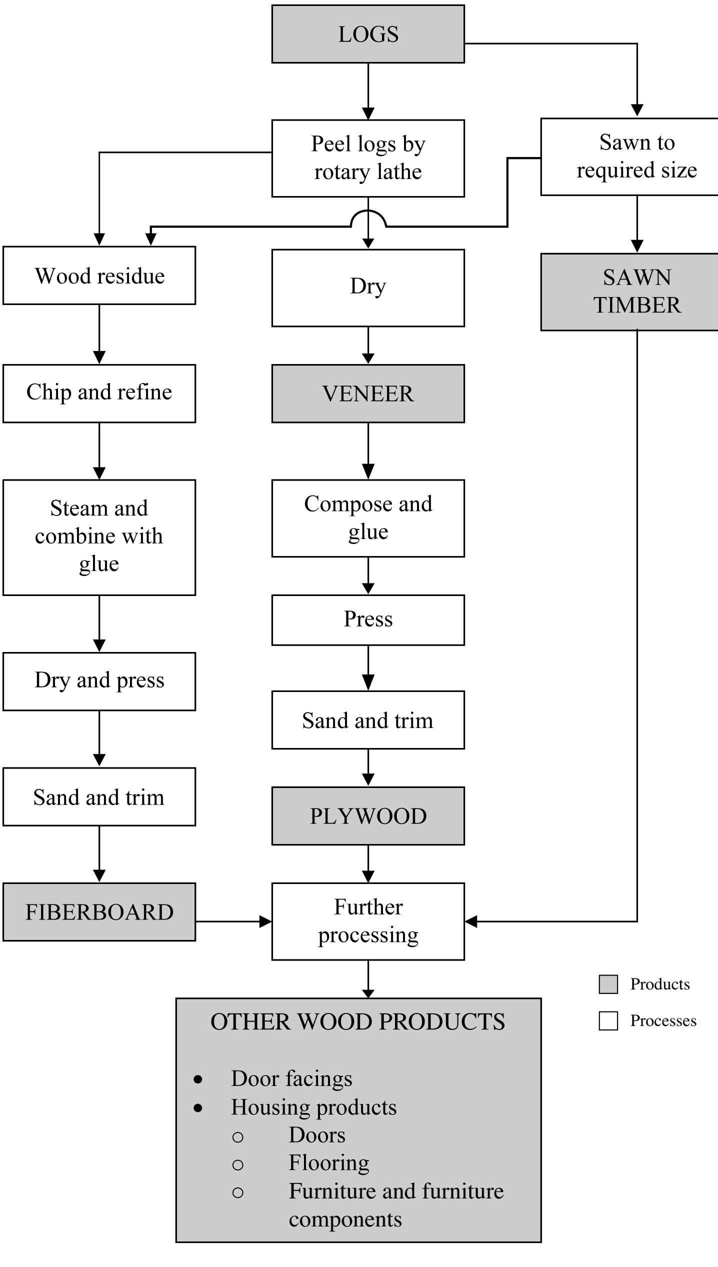
In addition, to facilitate the assessment of our MTCC certification in Malaysia, we have collaborated with the Wildlife Conservation Society, an international organization based in New York seeking to protect wildlife and wild lands, together with the Sarawak Forest Department, since 2002 on wildlife conservation research and development at our Sela'an Linau Forest Management Unit in Sarawak where we received MTCC forest management certification. We undertook to establish various measures to ensure wildlife conservation, including establishing a system to regulate access of vehicles into our concession and ensuring all our employees observe guidelines set by us. The Wildlife Conservation Society undertook to assist in conducting research and monitoring of wildlife populations, provide training to our staff in conducting surveys of wildlife population and make recommendation to enhance wildlife conservations within our concession.

OUR DOWNSTREAM TIMBER OPERATIONS BUSINESS

Overview

We have established a highly integrated production process from our upstream timber operations to our downstream operations.

Set forth below is a diagram setting out the key production steps of our downstream products.



We aim to maximize the value of our wood resources by careful selection of wood grades in accordance with our product and customer requirements. We convert a portion of our logs into plywood, veneer and sawn timber in our own processing facilities. We seek to add further value to our products by processing them into downstream products such as housing products including flooring, doors and furniture. We also convert the wood residue from our plywood and sawn timber operations into panel products such as fiberboard and door facings. In addition, we also use some of the wood residue as fuel for electricity production.

We cooperate with our customers to develop products to meet specific market needs, such as regulatory requirements, product standards and fashion trends. For instance, we produce customized designs for our furniture products, doors, specialty plywood products and flooring.

The supply of logs in our manufacturing plants is currently mainly from our own forest concessions. In the future, we will have an additional supply of logs from our plantations. We are able to maximize the log value by either exporting our logs or processing them internally for sale as wood products. We have this flexibility due to the vertical integration of our upstream and downstream operations.

Products

Our wood products comprise mainly of:

- plywood and veneer
- other wood products:
    - fiberboard and door facings
    - housing products such as doors, flooring, furniture and furniture components
    - sawn timber

See "Financial Information — Comparison of Results of Operations" for a detailed breakdown of the revenue generated from our principal product segments and the percentage of turnover attributable to sales in the product segments.

Plywood and veneer

Plywood

Veneer

- ***Plywood***

We produce a wide range of plywood including structural panels and industrial panels. Structural panels are used in building applications such as concrete formwork, exterior siding and paneling, sheeting, roofing and flooring. Industrial panels are used in industrial applications including furniture production, joinery, packaging and transport.

Our other plywood products include LVL, jumbo plywood, platform plywood, marine plywood, container flooring, concrete panel, flexible plywood, coated plywood, film faced plywood and fancy plywood. We aim to achieve superior finish applications. We seek to gain recognition as a branded supplier of certified plywood, particularly for high quality marine floor base and furniture uses.

We exported 95.0%, 95.6%, 95.2% and 96.0% of our manufactured plywood for the three years ended June 30, 2006 and the three months ended September 30, 2006, respectively.

- ***Veneer***

Our veneer is mainly used for plywood production. We have rotary peeled veneer and sliced veneer. Rotary peeled veneer is used for the production of conventional plywood products and sliced veneer is used for the production of fancy plywood. Our veneer is mainly rotary peeled veneer.

We exported 47.9%, 57.2%, 64.1% and 58.3% of our manufactured veneer for the three years ended June 30, 2006 and the three months ended September 30, 2006, respectively.

Other wood products

- ***Panel Products***

Fiberboard

Our fiberboard operations are carried out through an associated company of our Group, Daiken Miri Sdn. Bhd. We use wood residue from our processing to produce a wide range of fiberboard, including MDF and HDF, for different applications, among others: furniture, laminate flooring, printed circuit board and shoe heels.

Door facings

Our door facing operations are carried out through a jointly-controlled entity of our Group, Magna-Foremost Sdn. Bhd., which we have formed with Masonite in 2005. A 50% shareholding of Magna-Foremost Sdn. Bhd. is owned by Samling DorFoHom Sdn. Bhd., in which we hold 100% effective equity interest. The remaining 50% interest is owned by Masonite. We are responsible for the production and Masonite is responsible for the marketing of our door products. Our door facing is a special reconstituted fiberboard manufactured using wood residue and has excellent dimensional stability.

- ***Housing products***

Doors

Our door manufacturing is carried out through a jointly-controlled entity of our Group, Foremost Crest Sdn. Bhd., which we have also formed with Masonite in 2005. A 50% shareholding of Foremost Crest Sdn. Bhd. is owned by Grand Paragon Sdn. Bhd., an 80%-owned subsidiary of Lingui. The remaining 50% interest is owned by Masonite. We are responsible for the production and Masonite is responsible for the marketing of our door products. We produce solid doors, engineered doors and molded skin doors. Our solid doors are made from sawn timber. Our engineered doors are custom designed doors produced from sawn timber and sliced veneer. Our molded skin doors are made from our special reconstituted fiberboard door facings.

Flooring

We produce engineered hardwood flooring and laminate flooring. For the manufacture of our engineered hardwood flooring, the core is made of HDF or plywood which is pre-finished and strengthened with ultra-violet cured polyurethane finish for protection, moisture resistance, durability and ease of maintenance. Our laminate flooring is made from HDF and melamine impregnated papers.

Furniture and furniture components

We produce a wide range of furniture and furniture components, including bedroom and kitchen cabinets, wardrobes, shelves and small home office items. We offer customization and flexible options to our customers to choose specific designs for lamination, edge-banding and profile wrapping according to their needs. Our decorative moldings can be used by our customers to decorate wall paneling and skin doors, furniture, table tops, cabinets, wardrobes and caravan cabinets.

- ***Sawn timber***

We produce rough sawn, air dried and kiln dried timber as well as planed timber. Most of our sawn timber is exported. In Guyana, the sawn timber species are mainly purpleheart, greenheart and mora which are particularly suitable for applications such as decking and flooring. In Malaysia, our sawn timber manufacturing facility is rented to, and run by, an associated company, Rimalco Sdn. Bhd., in which we have a 40% interest. The sawn timber is produced from species such as mixed light hardwood, meranti, kapur, keruing and bindang which are used for building and construction materials.

Management and product certification and quality control

We have implemented enhanced management systems and are committed to producing high quality products to meet international standards.

We were the first company in Malaysia to receive ISO9001:2000 certification in recognition of our quality management system and high standards in plywood manufacturing in Sarawak. One of our plywood mills in Miri, Sarawak operated by our subsidiary, Samling Plywood (Baramas) Sdn. Bhd., has achieved MTCC chain of custody certification for certain plywood produced from this factory, which independently traces the source of logs. The certificate was issued on March 31, 2004 and is valid until March 30, 2009. We also have FSC chain of custody certification for overlaid decorative plywood products produced from our plywood mill in Nantong, PRC. The certificate was issued on January 31, 2003 and is valid until January 30, 2008. Wood products produced from those factories only achieve chain of custody certification if the logs used are MTCC certified logs and FSC certified logs. We have been subject to periodic surveillance audits by relevant independent assessors and our chain of custody certifications have not been subject to any suspension.

In accordance with the requirements of chain of custody certification, we have implemented a documentary tracking system and also maintain records of the suppliers, purchases, inputs, processing and outputs of chain of custody certified products. Our chain of custody certified products are packaged and labeled with the relevant MTCC or FSC logo to ensure that its certified status can be readily identified. As we produce both certified and non-certified products from our production facilities with chain of custody certification, we are required to physically separate and segregate certified wood from non-certified wood at all stages of our production process, including transportation, distribution, sale, export and import. This includes storage of certified logs and products at designated areas within our factories. The chain of custody certification system allows a mixture of certified and non-certified wood to be used during production if minimum average percentages of certified wood inputs are met. Therefore, we are permitted to produce plywood products with MTCC or FSC chain of custody certification if we comply with the minimum average percentages certified logs specified by the relevant certification bodies from time to time.

The production of certified logs from our concessions and plantations in Malaysia, Guyana and New Zealand for the financial year ended June 30, 2006 was approximately 1,500 m^3 of MTCC certified logs from Malaysia, 28,000 m^3 of FSC certified logs from Guyana and 96,000 m^3 of FSC certified logs from New Zealand, respectively. We also purchased approximately 15,000 m^3 of FSC certified logs from China for the financial year ended June 30, 2006 for our downstream operations. The logs harvested from our MTCC certified forestry management unit in Sela'an-Linau in Sarawak are currently utilized by our plywood manufacturing facility in Miri, Sarawak and for export sales. Our plywood mill in Nantong, PRC currently utilizes FSC certified logs purchased from external sources in the production of its FSC certified plywood. Our plywood mill and sawmills in Guyana also utilizes FSC certified logs we produce in Guyana, although the plywood and sawn timber produced do not carry FSC chain of custody certification, as we have not obtained chain of custody certification for our plywood mill and sawmills in Guyana. We produced approximately 300 m^3 of plywood with MTCC chain of custody certification and 2,600 m^3 of plywood with FSC chain of custody certification for the financial year ended June 30, 2006. We derived revenue of approximately US$0.3 million and US$1.1 million from the sale of MTCC and FSC certified plywood for the financial year ended June 30, 2006, respectively. We did not use any of the FSC certified logs produced from our tree plantations in New Zealand for the financial year ended June 30, 2006 for our downstream operations.

We plan to have more of our existing production facilities certified with chain of custody certification in the future once our planned increase in supply of logs from our certified forests in Guyana and New Zealand is available. The process of certification is complex and based on existing regulations and guidelines applicable to us, our Directors are not aware of any material impediments to obtaining chain of custody certifications in the future, if we so decide, for the majority of the products produced in our production facilities where chain of custody certifications are applicable, depending on the supply of certified logs and assuming the certification bodies do not impose additional requirements beyond those set out under their existing guidelines that have applied to us.

In addition, many of our products carry internationally recognized certificates. We produce JAS certified plywood required for Japan. Our fiberboard products meet the JIS accreditation. Our CE Marking plywood meets the requirements for plywood used for construction in the European market. We have been subject to periodic surveillance audits by relevant independent assessors and our product certifications have not been subject to any suspension. We derived revenue of approximately US$46.0 million, US$8.3 million and US$11.7 million from the sale of plywood with JAS certification, fiberboard with JIS certification and plywood with CE Marking certification for the financial year ended June 30, 2006, respectively.

Given that chain of custody certification is voluntary and there has been limited demand for such certified products from our customers to date, in the event that any of our FSC or MTCC chain of custody certification is suspended or withdrawn, we have alternative customers to sell our plywood products to. For our products with JAS, JIS and/or CE Marking certification, in the event that any of such certification is suspended or withdrawn, we may divert sales to other customers pending rectification of any corrective actions identified.

We have established stringent process and quality control procedures for our wood products. Our laboratories are equipped with testing equipment to conduct a wide range of tests on raw materials, such as moisture content, density and pH-value. We also test our products for, amongst other properties, strength and dimensional stability. We also use statistical process control to analyze test data to identify product performance and machine capability.

OTHER NON-TIMBER BUSINESSES

In addition to our upstream and downstream timber operations, we also engage in a limited number of secondary businesses including the manufacturing of rubber retread, property investment and quarry businesses in Malaysia. Lingui also holds a 36.42% shareholding interest in Glenealy, an associate of our Group listed on the Malaysia Stock Exchange, whose principal business is the operation of oil palm plantations.

Glenealy's oil palm plantation operations, which involve the production and sale of crude palm oil and palm kernel, differ from our Group's tree plantation operations which produce logs for sale or further processing. As at June 30, 2006, Glenealy operates 19,000 hectares of land in the Sabah and Sarawak regions of Malaysia to which it has planted oil palm. This includes approximately 4,000 hectares of land which relates to a license for planted forests granted by the Sarawak state government in Sarawak, Malaysia. The license has a gross area of approximately 82,000 hectares and a total plantable area of approximately 50,000 hectares and Glenealy is permitted to plant up to approximately 9,300 hectares of oil palm and approximately 40,700 hectares of trees. For the three financial years ended June 30, 2006, the amount of our profits attributed to Glenealy's business was a profit of US$5.6 million, US$2.2 million and US$1.0 million respectively. For the three months ended September 30, 2005 and 2006, the amount of our profits and losses attributed to Glenealy's business was a loss of US$0.8 million and a profit of US$0.5 million respectively.

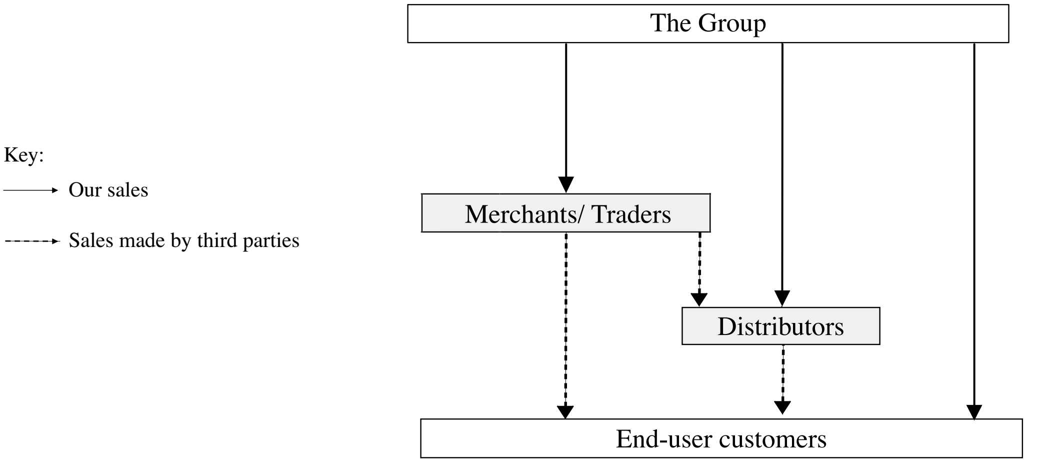
CUSTOMERS AND MARKETS

Customers

We have a broad customer base covering different segments of the distribution chain from general traders to distributors and end-user customers indirectly. For the financial year ended June 30, 2006 we sold approximately 49.2% of our logs to third parties and 50.8% to our downstream processing facilities, whilst we sell all of our downstream products to third party customers, save for some cross-selling of components within our Group.

Our wood products flow through several layers of intermediaries before reaching the end-user customers. Each layer in the market channel adds to price adjustments as each intermediary accommodates their own handling costs, margins and view of future price trends between the time they purchase the product to the time they on-sell the product.

The diagram below sets forth a summary of our main export marketing and distribution channels:



Our customers can be broadly categorized as follows:

- **Merchants and traders**

Merchants and traders, being principally large wholesalers, usually buy our products for their own account. Merchants usually operate on a regional scale, whilst traders usually have a more localized customer base. Merchants and traders resell our products to a distributor, however, we are not involved in the resale process.

- **Distributors**

Distributors, generally being regional sub-distributors, are also an important part of our supply chain for delivery of our wood products to end-user customers. As they are positioned closer to the end-user customers, they have a better understanding of the end-user customers' requirements. Distributors buy our products for their own account. They resell our products to end-user customers, however, we are not involved in the resale process.

- **End-user customers**

End-user customers fall into four main categories: (1) contractors who use our products for house building and the construction of bridges and infrastructure; (2) furniture makers who use component parts; (3) house builders who use our products for home improvements such as in their renovation and decoration projects; and (4) manufacturers such as engineered flooring manufacturers.

Merchants and traders are currently our primary sale channels with over 90% of our sales of logs being made through these channels during each of the three financial years ended June 30, 2006. The remaining sales of our logs during each of the three financial years ended June 30, 2006 were to end-user customers. Our domestic sales of logs are mainly to end-user customers. We also sell a majority of our plywood to traders and merchants. For sales of veneer, we mainly sell our products to end-user customers. For each of the three financial years ended June 30, 2004, 2005 and 2006, we sold approximately 60% of our plywood and veneer to merchants and traders, between approximately 15% to 20% to distributors and the remainder to end-user customers. We sell to traders, merchants and distributors as they are generally able to buy in bulk and will take on risks such as price and exchange rate fluctuations and transit-associated risks which end-user customers may not be willing to assume.

In addition, some of our products are also sold to our customers through agents and brokers who have closer relationships with some customers. We do not have any agency agreements with the agents and brokers generally and the commissions payable to the agents and brokers vary. We generally negotiate commissions payable to them at the time of the order based on the type of customer, size of the order and price. We believe our sales approach is consistent with industry practice.

Our plan is to increase our sales through the distributor channels as we believe prices for our products are generally higher and more stable the closer we are to an end-user customer. Our strategy includes the potential acquisition of, investments in, or joint ventures with, existing sales and distribution networks to market our products to key markets such as Japan, the U.S., Greater China and India.

As at September 30, 2006 we had 173 sales and marketing employees. We organize our sales and marketing team by product type and handle sales from country of origin.

Our sales are generally made against secured instruments of payments from our buyers. They are either by way of prepayments, bank guarantees or letters of credit. The majority of our customers for logs buy FOB and for our plywood, veneer and panel products as well as other downstream products, the majority of our customers buy on a CNF and CIF basis. As our logs are mainly sold FOB, title in the logs passes to our customers upon loading of the logs on vessels chartered by our customers and a bill of lading is issued to us. For local sales, title passes upon delivery and acceptance of the logs to our customer's premises. For our wood products sold CIF and CNF, title passes when the original documents evidencing ownership, such as a bill of lading, are surrendered to our customer or our customer's representative, such as the bank, for payment. Revenue is recognized in our income statements at the time the bill of lading is issued, or for local sales, upon delivery of the order.

For sales of our logs and wood products, we do not have a formal product returns policy, although our sales staff address any concerns raised by our customers and take the necessary action in respect of any defects to resolve any issues.

Pricing for most of our products is market driven. In setting our prices, we take into account market conditions and our costs, including manufacturing and raw material costs.

We actively work with our customers to manage our inventory levels and production cycles through regular contact with key customers on forward orders. We have developed relationships with selected wholesalers and end-user customers to more effectively forecast product demand.

For the three years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, the five largest customers of our Group in aggregate accounted for approximately 22%, 21%, 28% and 29%, respectively, of our Group's revenue. During the same period, our Group's largest customer in each respective period accounted for approximately 6%, 6%, 7% and 8%, respectively, of our Group's revenue. Apart from interests held through us in Merawa Sdn. Bhd., none of our Directors, their associates, or any shareholders holding more than 5% of the issued share capital of our Company had any interest in any of our five largest customers for the three years ended June 30, 2006 and the three months ended September 30, 2006.

Markets

We sell our products in more than 30 countries and territories, including Japan, Malaysia, Greater China (including Hong Kong and Taiwan), the U.S., India, South Korea, Thailand, the U.K. and other countries in Europe. The following table illustrates the geographical breakdown attributable to our turnover for logs and plywood and veneer during the financial year ended June 30, 2006 and the three months ended September 30, 2006.

Percentage of Segmental Revenue

Logs	**Financial year ended June 30, 2006**	**Three months ended September 30, 2006**
Greater China[1]	30%	39%
Malaysia	23%	15%
Japan	14%	17%
India and Pakistan	18%	17%
South Korea	6%	3%
Other Asia Pacific	8%	6%
Others	1%	3%
Total	100%	100%

Plywood and veneer	Financial year ended June 30, 2006	Three months ended September 30, 2006
Japan	36%	41%
North America	19%	17%
Greater China[(1)]	11%	14%
Europe	9%	7%
Malaysia	8%	9%
South Korea	6%	6%
Other Asia Pacific	7%	3%
Others	4%	3%
Total	100%	100%

Note:

(1) Including Hong Kong and Taiwan.

Japan

Japan is one of our main markets for our export logs and our largest market for plywood. Our existing customers in Japan are primarily merchants, being Japanese trading houses, some of whom have been our customers for over 20 years. Our strategy is to capitalize on our extensive experience of over 20 years in Japan and work more closely with merchants and distributors to reach end-user customers. We intend to build brand identity and better understand our customer requirements in order to secure more stable prices.

The marketing of our fiberboard in Japan is conducted through our joint venture partners, Daiken Corporation and Itochu Corporation. We conduct the marketing of our furniture and components in Japan through our business partners, Dainippon Ink & Chemicals Inc. and Sojitz Corporation. Our business partners also provide technical support.

Malaysia

Malaysia is one of the markets for our local logs and fiberboard products. Our customers for logs in Malaysia are mostly end-user customers who are processors for products such as veneer and sawn timber. The logs that are sold locally in Malaysia are mainly those that are either unsuitable for our own plywood mills or are of sawmill quality that are in excess of our own sawmill requirements. For fiberboard, we sell mainly to end-user customers who are processors for further value addition such as lamination, flooring and furniture.

Greater China

Greater China (including Hong Kong and Taiwan) is currently the main destination for our export logs and one of the markets for our plywood products. Our customers in Greater China are generally traders. We have over 20 years experience of selling our logs in China in particular. For sales of our existing and future downstream products, we are looking to acquire or develop distribution channels. We intend to build brand identity in China to enable us to seek new opportunities to increase our market share.

North America

North America is currently our second largest market for plywood products after Japan. Our customers in the U.S. include importers, distributors and large home improvement chain stores. We work directly with our customers who are distributors or their agents in the U.S. for sales from Malaysia, China and Guyana. We organize the delivery of our products from U.S. ports to the distribution centers of our key customers. For certain products we provide after-sales support service for replacement parts and assistance for the installation of our products. The marketing of our door products in the U.S. is the principal responsibility of our joint venture partner, Masonite.

South Korea

We have over 20 years and eight years experience of selling our hardwood logs and plywood, respectively, in South Korea. Most of the logs that we sell to South Korea are for conversion to sawn timber. Our main customers in South Korea are traders some of whom we have had a relationship of over 20 years. Strategically, our aim is to maintain a presence in South Korea. We have been selling softwood logs harvested from our New Zealand plantations to South Korea for the past two years.

United Kingdom

In the U.K., we have established a close working relationship with one of the leading building product distributor which has more than 450 distribution outlets throughout the U.K. with the aim of increasing our sales through their branches. We do this by frequent visits to disseminate and improve knowledge of our products. This arrangement began in 2003 and since June 2005, includes a sales excellence award to provide incentives to the branches to sell more of our products.

India

India is becoming important and represents a high growth market opportunity due to its rapid economic growth and increased building and construction activities. Our customers in India are generally traders and we have a relationship with some of our customers of over 20 years for log sales. We intend to find new opportunities to increase our market share.

LOGISTICS MANAGEMENT AND PLANT, MACHINERY AND SUPPLIERS

Logistics management — upstream

For our upstream operations, we have developed a large infrastructure in Malaysia and Guyana consisting of a network of roads and bridges and log ponds, forest camps, offices, housing and workshops to support our forest operations. As we have invested in building and developing our extensive infrastructure, we are able to access extensive areas of our concessions for harvesting. Our log ponds are transit points for log grading and selection, and storage areas for royaltied logs, before we either export or send the logs to our local processing mills. We manage a fleet of riverine barges and tugs to transport all the logs from our log ponds to the export points or mills. Our forest camps are located in different operation areas of our concessions as supply and service centers, and also house our staff quarters and offices.

We support our upstream natural forest concession operations by managing the equipment and vessels and providing engineering services. We organize processing and purchasing through our centralized unit to achieve economies of scale. Our skilled and experienced management team continuously reviews and plans forest operations with an emphasis on logistics, equipment and manpower requirements to optimize cost efficiencies.

Our natural forest concessions in Malaysia and Guyana are contiguous in regions, allowing us to organize and manage our infrastructure and logistics in a cost-efficient manner. We carefully plan our road and bridge networks to minimize transportation distances. Our plywood and veneer operations are strategically located near to our forest resources and export points for logistical expediency in the transport of logs for processing and export.

In New Zealand we have 19 separate forest blocks, some of which form contiguous areas and some of which are geographically discrete. Access to our forests is via public roads that are maintained by the local Gisborne District Council. Logs are exported through the Port of Gisborne. In 2001 we started the construction of harvest roads within our forests. Our plan is to have main harvest roads constructed at least 18 months prior to commencing harvesting. We use local contractors to build our roads and to harvest and transport our logs to the market/point of export.

Equipment management division

Our equipment and vessel management teams in Malaysia and Guyana monitor and manage our fleet of equipment, vehicles and vessels. To maximize the use of our equipment, we pay our equipment operators by reference to productivity targets. We monitor equipment performance to ensure optimal efficiency. Our staff are trained on efficient operating methods and preventive maintenance techniques with support from our suppliers.

We have a program to monitor regular servicing and preventive repair and maintenance at our camp workshops to minimize the downtime from equipment breakdown. The monitoring includes spare parts management and quality control.

Our vessel management team coordinates the logistics for delivery of logs from our forest resources to our nearby mills or transit locations or vessels for export.

Engineering services division

Our engineering services unit specializes in reconditioning and repairing our heavy equipment. We have a workshop for component repairs and other engineering services. Our engineering team prepares and installs new and rebuilt equipment and deploys equipment by barge to our camps.

Centralized processing and purchasing division

Our purchases of spare parts, fuel, oil and lubricant are centrally controlled, enabling us to negotiate bulk prices from our suppliers. This unit also manages the logistics of spare parts and fuel for distribution to our camps and workshops. We also enjoy economies of scale as a result of bulk and centralized purchasing of our logging equipment and vehicles. We also operate a scheduled replacement system for our equipment aimed at reducing maintenance and downtime through regular replacement.

Logistics management — downstream

For our downstream operations, we work with a large number of shipping and logistics providers to deliver our products to our customers. We have an in-house shipping and logistics department to coordinate the shipment schedule for our products with the aim of achieving timely and smooth delivery.

Plant, machinery and suppliers

We use heavy equipment for the extraction of logs, road and bridge construction and the transportation of logs. We operate one of the largest fleets of Caterpillar equipment of any single forestry company by number. For transportation of logs we use Mercedes Benz logging trucks. We have long-standing relationships with these suppliers thus affording us the opportunity to collaborate with them for equipment service, support and pricing. They also provide training to our engineers and mechanics on equipment maintenance and repairs. For riverine transportation, we have a fleet of tugs, barges and cranes. We buy our fuel and lubricant in Malaysia mainly from Shell and Petronas with whom we have a long-established relationship. We buy our fuel in Guyana from Shell and Esso.

In our downstream facilities, our machines are from internationally recognized manufacturers. In recent years, we have invested to upgrade our existing facilities, especially our plywood and veneer operations. We plan to continue this program to modernize our plants for improved efficiency and higher productivity.

In each of the three years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, the five largest suppliers of our Group in aggregate accounted for approximately 26%, 27%, 26% and 26%, respectively, of our Group's cost of sales. During the same period, our Group's largest supplier in each respective period accounted for approximately 9%, 8%, 9% and 9%, respectively, of our Group's cost of sales. Apart from Woodman Sdn. Bhd. and interests held through us in Sepangar Chemical Sdn. Bhd., none of our Directors, their associates, or any shareholders holding more than 5% of the issued share capital of our Company had any interest in any of our five largest suppliers for the three years ended June 30, 2006 and the three months ended September 30, 2006.

PRODUCTION FACILITIES

Our downstream production facilities are located in Malaysia, Guyana and China. The following table sets forth the locations, product type, rated production capacity and production for the three financial years ended June 30, 2006 and the three months ended September 30, 2005 and 2006 of each of our production facilities.

Production facility location	Product manufactured	Annual rated production capacity[1]	Production during the financial year ended June 30, 2004	2005	2006	Production during the three months ended September 30, 2005	2006	Logs consumed for the financial year ended June 30, 2006	Utilization for the financial year ended June 30, 2006[11]
Malaysia		m³ (in thousands)							
Bintulu, Sarawak	Plywood	252	239	244	222	59	60	508	88%
Miri, Sarawak[12]	Plywood	132	118	121	115	31	32	234	87%
(two facilities)		126	109	116	110	27	30	144	87%
Sibu, Sarawak[2]	Plywood	84	–	–	12	–	11	16	14%
Baram, Sarawak (three facilities)	Veneer	272	71	78	141	39	51	231	52%
Bintulu, Sarawak	Veneer	84	6	48	62	14	17	228	73%
Miri, Sarawak[3]	Sawn timber	24	19	20	19	6	6	40	79%
Lawas, Sarawak[3]	Sawn timber	30	20	22	19	6	6	48	63%
Miri, Sarawak[4]	MDF	100	102	99	89	24	23	–	89%

Production facility location	Product manufactured	Annual rated production capacity[1]	Production during the financial year ended June 30, 2004	2005	2006	Production during the three months ended September 30, 2005	2006	Logs consumed for the financial year ended June 30, 2006	Utilization for the financial year ended June 30, 2006[11]
		m³ (in thousands)							
Miri, Sarawak	Laminate flooring	1,500	446	339	286[5]	69	101	–	19%
	Engineered flooring	504	218	244	137	38	–	–	27%
		pieces (in thousands)							
Bintulu, Sarawak[6]	Door facings	8,000	4,318	7,562	8,165[10]	1,818	2,143	–	102%
Miri, Sarawak	Furniture components	6,172	4,739	5,269	5,460	1,686	916	–	88%
Selangor[7]	Solid/Engineered doors	27	15	8	1[8]	–	–	–	4%
	Skin doors	240	156	66	69	11	10	–	29%
Guyana		m³ (in thousands)							
Land of Canaan	Plywood	108	48	48	29	6	10	63	27%
Land of Canaan	Sawn timber	14	3	5	4	2	1	11	29%
Buckhall[9]	Sawn timber	50	–	–	1	–	1	3	2%
China		m³ (in thousands)							
Nantong[13]	Plywood	120	40	56	45	8	14	20	38%
Cangshan	LVL	40	12	32	26	12	6	–	65%

Notes:

(1) As the rated production capacity is estimated based on an assumed number of days of operations per year and for certain products, an assumed type of product, the actual production volume may vary from, and in certain circumstances, exceed the rated production capacity. The annual rated production capacity is based on the assumption that the relevant production facility operates 24 hours per day, with a half day shut down each week for maintenance and shut down during public holidays in the relevant countries in which the production facility is situated. The assumed operation days for each production facility are different and vary between approximately 323 to 329 days in Malaysia, 283 days in Guyana and 307 days in China. The annual rated capacity is based on the standard type of product manufactured which for plywood and veneer is based on a mix of product thicknesses, classified as thin, medium and thick, which varies between production facilities in different countries. The annual rated capacity for MDF and LVL assumes medium thickness product is produced.

(2) We acquired the plywood mill in Sibu in June 2005 and operation commenced in January 2006.

(3) Our sawn timber facility in Miri and Lawas, Sarawak is rented to, and operated by, an associate of our Group, Rimalco Sdn. Bhd., in which we hold a 40% interest.

(4) Our MDF facility is owned and operated by an associate of our Group, Daiken Miri Sdn. Bhd., in which we hold a 30% interest.

(5) For the financial year ended June 30, 2006, our production was less than in previous years due to our new product development efforts.

(6) Our door facings facility is owned by Magna-Foremost Sdn. Bhd. which is a 50:50 joint venture between Samling DorFoHom Sdn. Bhd. and Masonite.

(7) Our solid/engineered doors and skin doors facilities in Selangor, Malaysia have been owned and operated by Foremost Crest Sdn. Bhd. since June 14, 2005, which is a 50:50 joint venture between Grand Paragon Sdn. Bhd. and Masonite.

(8) For the financial year ended June 30, 2006, our production of solid and engineered doors reduced due to increased market demand for skin doors.

(9) Our sawn timber processing facility in Buckhall commenced operation in January 2006.

(10) For the financial year ended June 30, 2006, the production volume of our door facing facility in Bintulu exceeded the annual rated production capacity by approximately 165,000 pieces. The higher production volume was due to the utilization of the capacity reserve above the rated capacity.

(11) Equal to the percentage of actual production volume for the financial year ended June 30, 2006 over the annual rated production capacity.

(12) One of our plywood mills in Miri, Sarawak operated by our subsidiary, Samling Plywood (Baramas) Sdn. Bhd., with an annual rated production capacity of approximately 126,000 m^3, has achieved MTCC chain of custody certification for certain plywood produced from this facility. This facility consumed approximately 900 m^3 of MTCC certified logs and produced approximately 300 m^3 of plywood with MTCC chain of custody certification for the financial year ended June 30, 2006.

(13) Our plywood mill in Nantong, China has achieved FSC chain of custody certification for overlaid decorative plywood products produced from this facility. This facility consumed approximately 15,000 m^3 of FSC certified logs and produced approximately 2,600 m^3 of plywood with FSC chain of custody certification for the financial year ended June 30, 2006.

We use logs harvested from our concessions in Malaysia, including logs harvested by helicopter logging as well as salvage logs which are harvested with the purpose of clearing areas for tree plantations, together with logs sourced from third parties in our manufacturing facilities in Malaysia. For our manufacturing facilities in Guyana we use logs harvested from our concession and harvesting rights. In China, we utilize logs sourced from third parties.

Our sizeable rated production capacity allows us to produce a wide range of products. With the flexibility in production, we are able to service our customers depending on product demand. Depending on the needs of our downstream operations and the relative sale price and market for our logs, we have the flexibility to switch between selling our logs to third parties and processing them internally. Our actual production volumes vary from the rated production capacity as we plan our capacity utilization in our various processing facilities according to, among other things, varying demand for particular products and availability of different species and grades of logs at particular times. Our control of the production process enables us to achieve quality control and cost efficiencies.

Our plywood and door facing operations work closely with our glue suppliers to develop new glue formulations for better product performance. Our main suppliers in Malaysia for glue are our associated company, Sepangar Chemical Industries Sdn. Bhd. and Bintulu Adhesives & Chemical Sdn. Bhd. both of whom have been supplying glue to us for over 10 years.

We place emphasis on upgrading the skills and know-how of our staff in the use of new production systems and machinery through training.

We plan to expand our production facilities to widen our product range to meet market demand and to increase our production capacity in line with expected future increased woodflow from New Zealand and Guyana over the next five years. Our plans include the construction of additional production facilities in Malaysia, Guyana and New Zealand to add value to our expected future increase in woodflow. We intend to use part of the proceeds from the Global Offering for the following purposes. See also "Future Plans and Use of Proceeds — Use of Proceeds — Acquisition opportunities and expansion of operations".

In Malaysia, we plan to construct a sawmill within our forest in Sarawak, with a production capacity of approximately 36,000 m^3 per annum, for processing logs from areas being cleared for our plantation development. The construction is expected to be completed by December 31, 2007. The investment in the sawmill is expected to be approximately HK$10 million. We also plan to install a new log peeling and drying line in our plywood processing facilities in Miri which will be capable of processing smaller diameter logs. This will enable us to increase the recovery from our log by enabling us to peel smaller logs and reduce the size of the core of the log which can be peeled. In addition, we plan to install two new automated peeling lines in our plywood processing facility in Bintulu to increase the efficiency of our facility. The installation is expected to be completed by June 30, 2008. The combined investment in these two plywood projects is expected to be approximately HK$40 million and together is expected to increase capacity by approximately 30,000 m^3 per annum.

In Guyana, we plan to expand one of our sawmills for the production of decking and kiln dried timber and install other wood processing equipment, which are expected to increase capacity by approximately 36,000 m^3 per annum. This will enable us to expand our wood processing facilities and wood products in Guyana. The construction of this sawmill is expected to be completed by June 30, 2008. The investment in the expansion project is expected to be approximately HK$16 million.

In New Zealand, we plan to build a sawmill and/or veneer mill in Gisborne to process increased log volumes expected to be harvested from our New Zealand plantations. We are currently carrying out a feasibility study on the product mix to be produced in the New Zealand facility, however, it is expected that the processing facility in New Zealand will be able to process approximately 250,000 m^3 of logs per annum by the end of 2008. The installation is expected to be completed by June 30, 2008. The investment in the sawmill is expected to be approximately HK$136 million.

The actual increase in our production capacity as a result of the implementation of our expansion plans may vary from the estimated capacity depending on a number of factors, including the availability of wood resources, the wood products to be produced, the market conditions and production volumes during start up phases.

The exact timing and geographical focus of our expansion plans for our production capacity will also depend on a number of factors, including the success of our acquisition and expansion strategies. For a more detailed description of our strategies, see "Business — Our Future Plans".

Manufacturing joint ventures

Our door facings and door manufacturing operations (operating under Magna-Foremost Sdn. Bhd. and Foremost Crest Sdn. Bhd.) are joint ventures with Masonite in which we hold a 50% shareholding interest. The entities are managed jointly by both parties. We are responsible for the production and Masonite is responsible for the marketing of our door products.

Our fiberboard manufacturing operation is a joint venture with Daiken Corporation, Japan and Itochu Corporation, Japan in which we hold a 30% shareholding interest. This enables us to benefit from the marketing and production expertise of our joint venture partners.

Environmental protection measures

We have implemented various environmental protection measures in our processing facilities to control the discharge of emissions into the air and water.

Our mills are installed with dust collection systems designed to minimize dust emissions. These are regularly inspected by the relevant authorities to ensure compliance with applicable laws and regulations. Our door skin facility produces waste water which is treated in specially designed treatment plants where the water passes through various filters, sedimentation tanks and biological and chemical processes before the water is discharged. Again, we are subject to regular inspection to ensure our compliance.

We operate numerous storage tanks equipped with retention systems for diesel, oil and other liquids at designated areas to prevent overflow in the case of leakages. These are also inspected by the relevant authorities.

In addition, we convert a part of our wood waste into fuel for electricity in our wood waste fired power plant. The wood waste is used to create steam for turbine generation, resulting in less diesel fuel being used in power generation.

The costs associated with our environmental protection measures are part of the general operating costs of our business and have not historically been accounted for separately.

In relation to our expansion plans for our production facilities, prior to the installation of any new machinery or equipment in our processing facilities, we will consult with the supplier or contractor regarding the necessary permits for the equipment. We will also consult with the relevant authorities and will apply for and obtain the required permits and approvals prior to commencing operations. In addition, we are subject to periodic inspections of our processing operations by relevant authorities to ensure our compliance with laws and regulations.

COMPETITION

We are operating in a competitive environment. In addition to competitive pricing, buyers are increasingly looking for quality wood products manufactured from raw materials that are harvested from legal and sustainably managed forest resources. We principally compete with other log producers on price, quality, log species, reliability of supply and availability of forest management certifications. For our downstream products we principally compete on quality, price, specialty of product, product certifications and reliability of supply.

In relation to the tropical wood industry, we believe that the principal barriers to entry include the ability to secure concessions and/or plantations, forestry management know-how and the capital expenditure required to develop the infrastructure to carry out harvesting operations as well as equipment to carry out operation. As regards the manufacture of wood products, we believe the principal barriers to entry include the ability to source a regular and sustainable supply of quality timber for processing, customer base and technical know-how.

Our tropical hardwood log exports compete with other tropical log producers in Malaysia and other log producing countries including Papua New Guinea, Solomon Islands and countries in Africa and also temperate log producing countries such as Russia, Canada, the U.S. and countries in Europe.

Our wood products are subject to competition from other producers in China, Japan, Malaysia, Indonesia and Brazil. We also face competition from a variety of wood products and substitute products such as non-tropical wood products, non-wood and engineered wood-based composites. Our tropical hardwood plywood products face competition from other panel products such as softwood plywood and combination plywood products. Our other panel products also face competition from alternative types of panel product.

RESEARCH AND DEVELOPMENT

We regard our continual developments on sustainable forest management, where we collaborate with various third-party research and development institutes, as part of our research and development initiatives to improve on forest management. We plan to spend approximately US$1 million per annum on such collaboration with third-party research and development institutes. See "Business — Our Upstream Timber Operations Business — Forest management certification and collaboration with third party research and development institutes". In addition, we also conduct specific research and development concerning our tree plantation in relation to tree improvement, breeding, nursery propagation techniques, silviculture and genetics on plantation growth as well as cloning techniques.

For our tree plantations in Malaysia, we carry out research and development on tree improvement, breeding, nursery propagation techniques, growth monitoring, silvicultural operations including fertilizer trials and pest and disease control studies. Our research and development department in Malaysia comprises eight staff who hold university diplomas or degrees in science or forestry. The department was set up in 2003 with the objective of conducting research in tree breeding, site suitability assessment and silviculture, which we consider relevant to the future development of quality tree plantations. We also experiment with cloning techniques to produce better seedlings. We are currently developing the methodology of identifying proven species which have good genetic properties to broaden our species diversification pool. We engaged the Rubber Research Institute of Malaysia to conduct a feasibility studies in 1997 to improve our rubberwood clones as appropriate for timber application.

In New Zealand, we participate in various industry research co-operatives with the New Zealand Forest Research Institute Limited, a Crown research institute in New Zealand, since our acquisition of HFF in 1997. We are a member of a plantation management co-operative which enabled us to examine the practices and effects of site, silviculture and genetics on plantation growth, quality and value. We participate in a stand growth modeling co-operative to examine growth models and yields through trials and data projection. We are also a member of a site management co-operative for research and information transfer on site management techniques such as nutrition and vegetation management. Our research initiatives are mainly conducted through research undertaken by the staff of New Zealand Forest Research Institute Limited. We do not have a dedicated team responsible for research and development in New Zealand. The forest planning manager of HFF, who holds a degree in forestry, is responsible for matters relating to the various research co-operatives and reviewing the findings of their research. Each co-operative has a designated program manager appointed by New Zealand Forest Research Institute Limited which is responsible for implementing the work programme, which is an annual schedule of research work approved by members of the co-operative. As a member of the research co-operatives, we are required to make contributions and to provide access to the programme manager to our premises to perform the work program. Through participation in these co-operatives, we are also able to collect data on growth modeling and gain access to various proprietary software for resource planning. This is important in maintaining our FSC accreditation status in New Zealand.

As the scale of our tree plantation program in Malaysia has not been significant to date, our expenditure on research and development in this area has not been significant. We intend to use approximately HK$128 million of the net proceeds from the Global Offering to develop our plantations in Malaysia to increase our future woodflow. See "Future Plans and Use of Proceeds — Use of Proceeds". In addition, we currently pay membership fees of approximately US$14,000 annually for our participation in the various industry research co-operatives in New Zealand and for the use of proprietary software. We did not report our expenditure on sustainable forest management and expenses relating to our collaboration with third-party research and development institutes as expenditures on research and development.

REAL PROPERTIES

Owned properties

As at December 31, 2006, our Group had a total of 31 owned properties in Malaysia, 13 owned properties in New Zealand, one owned property in Guyana, and three owned properties in the PRC with an aggregate land area of approximately 337.04 million sq.m. and an aggregate gross floor area of approximately 524,228 sq.m. The properties held by our Group in Malaysia, New Zealand, Guyana and the PRC are either used as factories, offices, staff quarters, warehouses, industrial complexes, or for forestry purposes. For further details of our owned properties, please refer to Appendix V of this prospectus.

We have obtained the legal title to the land and buildings comprising the properties held by us in Malaysia, New Zealand, Guyana and the PRC referred to above except for the six ancillary structures in the PRC (being workshops and storage areas) with an aggregate gross floor area of approximately 2,968 sq.m. which are used as ancillary facilities for our plywood mill. We currently do not intend to apply for their building ownership certificates as they are not used as timber production facilities and, if required, the operations can be terminated or relocated to alternative comparable premises, and therefore are not material to our Group's business.

There are also other issues affecting our properties in Malaysia with regard to lack of occupation permits and use of properties not in accordance with specified land use conditions, none of which concerns the vesting of legal title to the properties. As at the Latest Practicable Date, we have not obtained occupation permits for certain of other properties in Malaysia. Amongst these properties:

- one is used as a plywood factory in Sibu, Sarawak (which contributed approximately 0.6% and 3.5% of our revenue for the financial year ended June 30, 2006 and the three months ended September 30, 2006, respectively), for which we have commenced the process of applying for occupation permit;

- nine are used as offices, staff quarters, quarry operation sites, log storage site, warehouse, rubber retread manufacturing facility and other ancillary facilities. We have made applications for occupation permits for two of these properties. We do not intend to make application for occupation permits for the remaining properties since they are not used as timber production facilities and they contributed only approximately 1.3% of our revenue for the financial year ended June 30, 2006 and the three months ended September 30, 2006, and, if required, the operations can be terminated or relocated to alternative comparable premises, and therefore are not material to our business operations.

In addition, three of our properties in Malaysia are not used in accordance with the land use conditions of the relevant land grant and we are in the process of applying for conversion of the use of one of these properties. We have not applied for conversion of the use of the other two properties as they are only used as office, staff quarters, log storage site and quarry operation site and therefore are only ancillary to our operations (as they contributed only approximately 0.3% of our revenue for the financial year ended June 30, 2006 and the three months ended September 30, 2006), and they are located in remote regions in Malaysia and various procedures are involved in applying for conversion of their use.

With regard to our affected properties in Malaysia which are located in various remote regions in Malaysia, there are considerable practical difficulties in obtaining occupation permits or applying for conversion of the use of these properties as we have to go through various procedures, including preparing various plans relating to the properties, engaging various professionals in the process, and liaising with various local authorities to obtain approval for the plans.

Regarding the six ancillary structures in the PRC, we have not applied for their building ownership certificates since the majority of them were built subsequent to the construction of the plywood mill (for which these six structures are used as ancillary facilities), the nature of these structures being ancillary only (with the aggregate net book value of these structures amounting to not more than US$80,000 as at September 30, 2006) and in view of the procedures required for obtaining building ownership certificates (which involve preparing various documents for submission to and obtaining approvals of or filing registrations with local city planning, land resources administration, construction administration and buildings registration authorities and other related authorities or parties). See "Risk Factors — Risks relating to Our Business — There are defects affecting our use of or title to certain of our properties".

We have already taken the necessary steps required for obtaining outstanding occupation permits for or applying for conversion of the use of some of the above properties, and we believe there are no legal impediments to our obtaining approvals from the relevant authorities. However, we expect that the permits will only be issued or approvals granted after our Listing.

Regarding our affected properties for which we have not made applications to rectify the defects, these defects give the relevant government authorities the rights to forfeit the land concerned and demolish the buildings on the land concerned. If we have to vacate the land or buildings concerned, in view of the fact that these properties are used as ancillary facilities (being workshops, storage areas, offices, staff quarters, quarry operation sites, log storage site, warehouse, rubber retread manufacturing facility and other ancillary facilities), and therefore that the operations thereon can be terminated or relocated to alternative comparable premises without any material adverse effect on our Group, we believe that these defects would not have any material adverse effect on our business activities.

The net book value of the affected properties together amounted to approximately US$7.7 million as at September 30, 2006. The above defects give the relevant government authorities the rights to forfeit the land concerned and demolish the buildings on the land concerned. If we are required by the relevant government authorities to vacate the land or buildings concerned, we may suffer losses and incur additional costs and expenses for suspension and/or relocation of our affected operations.

Our Directors believe that the likelihood of being compelled to relocate in view of such issues is remote and confirm that the operations on the affected properties can be suspended, terminated or relocated to alternative comparable premises without any material adverse effect on our business activities. In respect of the plywood factory in Sibu, Sarawak which lacks occupation permit, our Directors believe that there will not be any material adverse effect on our Group's business as a whole in the event that the operations at this factory have to be suspended, as our Group can expand the production capacity of other existing factories or acquire new land to take up its operations. In respect of the other properties, our Directors believe that these issues would not have any material adverse effect on our Group's business as these properties are ancillary to our Group's operations and can be relocated to alternative comparable premises.

Samling Strategic, one of our Controlling Shareholders, has provided an indemnity in favor of us in respect of the losses and liabilities, if any, arising from the above-mentioned issues affecting our properties.

Leased properties

As at December 31, 2006, our Group leased a total of 14 properties in Malaysia, one property in Guyana, two properties in New Zealand and one property in Hong Kong. The leased properties are mainly used as offices, staff quarters, workshop and factory complexes. For further details on our leased properties, please refer to Appendix V of this prospectus.

The letter, summary of values and the valuation certificates issued by Greater China Appraisal Limited in connection with its valuation are set out in Appendix V of this prospectus which shows properties owned and rented by our Group.

INTELLECTUAL PROPERTY

A wholly-owned subsidiary of our Company, Samling Trademark Inc ("STI"), entered into a deed of assignment dated July 7, 2006 with Samling Strategic, one of our Controlling Shareholders, whereby the trademarks comprising the word "Samling" (in Roman and Chinese characters) and the Samling diamond logos owned by Samling Strategic were assigned to Samling Trademark Inc. The applications for registration of the assignment of these trademarks and logos to Samling Trademark Inc have been submitted to the relevant trademark registries and it is expected that the registration in respect of the registered trademarks will take up to 18 months to complete.

STI has entered into arrangements for granting to our subsidiaries and associated corporations non-exclusive, non-transferable and royalty-free licenses to use these trademarks and logos.

Under the above-mentioned deed of assignment, Samling Strategic retains the right, title and interest to the "Samling" word mark as part of the trade and/or company name, "Samling Strategic", for the Samling Strategic Licensed Group in relation to the present and future businesses carried out by the Samling Strategic Licensed Group, other than forestry, timber and timber related business and products, tree plantations and such other activities ancillary to the timber business, quarry, building materials and rubber compound businesses.

Use of the Samling diamond logos by the Samling Strategic Licensed Group will eventually be phased out. Pending this, to cater for the need of the Samling Strategic Licensed Group to continue using the Samling diamond logos, Samling Trademark Inc also entered into an agreement dated July 7, 2006 with Samling Strategic for granting to the Samling Strategic Licensed Group non-exclusive, non-transferable and royalty-free licenses to use the Samling diamond logos for use in the course of their business for a term of five years. These license arrangements with the Samling Strategic Licensed Group will constitute our continuing connected transactions following Listing. Please refer to the section headed "Business — Connected Transactions" in this prospectus (see paragraph 24) for details of these license arrangements.

For details of these trademarks and logos, please refer to the section headed "Intellectual Property Rights" in Appendix VIII to this prospectus. A few of these trademarks are still pending applications due to the administrative delays at the relevant trademark registries.

OPERATIONAL COMPLIANCE

We have established a set of business and operational procedures for our upstream and downstream operational activities, which is prepared in line with relevant laws and regulations, for the purpose of providing guidance to our employees regarding continual compliance issues relating to our Group's operations.

Internal audits are undertaken annually or on more frequent intervals, as and when required, to ensure that our business and operational procedures are complied with, and to ensure that internal control systems operating in all key activities of our Group are effective, and to take the necessary corrective actions where any non-conformity of the procedures has been identified. The internal audit function comprises a mix of accredited accountants and personnel from various operational backgrounds who are independent of our Group's decision-making and management of day-to-day operations.

See “Business — Our upstream timber operations business — Sustainable forest management and environmental protection measures” and “Business — Our downstream timber operations business — Management and product certification and quality control” for details of the ongoing compliance measures taken by our Group for our upstream and downstream operating activities.

In order to promote and emphasize the importance of compliance with laws and regulations at our operational level, we provide regular seminars and training sessions to our staff in offices and camps on the relevant laws and regulations and reports of incidents that need to be drawn to attention. Regular training and seminars are also held by government agencies, such as the STIDC, in order to keep our staff and management abreast of the latest developments in the relevant laws and regulations. Our Directors believe that, on the basis that our principal licenses/permits/certificates have been renewed by the relevant government authorities in the past, our ongoing compliance measures are adequate and effective.

Our Directors, having made all reasonable enquiries, confirm that during the Track Record Period, other than as disclosed in the “Business — Real Properties” section of this prospectus, our Group has obtained all principal licenses, permits and certificates for our operations in the jurisdictions where our Group operates, and is in compliance in all material respects with all conditions contained in the principal licenses, permits and certificates as well as the import and export restrictions as set out in “Regulation of Our Industry”. In relation to the principal licenses, permits and certificates for our operations in the jurisdictions where our Group operates which have expired and yet to be renewed, our Directors are not aware of circumstances during the Track Record Period which would give rise to any material impediment for our Group to obtain renewal of such licenses, permits and certificates. There were no circumstances during the Track Record Period under which our forest concessions, harvesting rights, plantation licenses, forestry rights and timber titles were terminated or materially diminished, or our timber exports were rejected by the relevant government authorities.

INSURANCE AND RISK MANAGEMENT

We maintain a diverse range of insurance coverage on certain properties, fixed assets, vehicles and other assets owned or operated by us that we consider represent significant operating risks, covering fire, loss or damage to property caused by natural disasters, flood, explosion, riot and strikes, malicious acts, aircraft, vehicle and/or water damage. We also maintain heavy equipment insurance, burglary insurance, money insurance and marine cargo insurance. Our engineering equipment is typically covered by machinery all risks insurance. We also maintain machinery breakdown loss of profits policies for some of the major equipment. For the financial year ended June 30, 2006, our Group paid an aggregate of approximately US$2.6 million in insurance premiums and incurred an inventory loss of US$1.0 million as a result of a fire at one of our warehouses in Bintulu, Malaysia that was not fully covered by our insurance policies. Given the nature of our operations and business, the value of our assets and turnover may exceed the amount of our insurance coverage. Therefore, our insurance coverage may not adequately protect us against certain risks. See “Risk Factors — Risks Relating to Our Business — Our international operations subject us to various business, economic, political, regulatory and legal risks” and “Risk Factors — Risks Relating to Our Business — Our insurance coverage may not adequately protect us against certain risks and this may have a material adverse effect on our business” for details. However, having regard to the perceived risks and the level of premiums, as well as through consultations with our insurance agents, our Directors believe that the current insurance coverage of our Group is adequate. In order to maximize cost efficiency and appropriateness of our insurance programs, our risk management department reviews our insurance requirements on an annual basis in consultation with our insurance agents.

We recognize the importance of internal controls and risk management practices. We have also developed an ongoing process for identifying, evaluating and managing significant risks to our business. We have a risk management department which coordinates our policies and strategies for managing risks. Our risk management department has implemented monitoring and reporting processes to continuously monitor risks and to promote risk awareness throughout our Group. Our Directors are of the view that our Group's internal controls are effective and adequate as our Group has not experienced any material deficiencies in our internal control systems during the Track Record Period.

We are also in the process of upgrading our internal reporting controls and accounting and financial systems as part of our efforts to improve and strengthen our internal controls and management information systems. For example, we are further computerizing our record keeping systems and integrating certain data and processes of our Group into a unified system, improving processes and formalizing certain procedures to coordinate recordkeeping among our various departments and subsidiaries (including implementation of a new Enterprise Resource Planning (ERP) system to improve our management reporting systems), strengthening and formalizing certain of our internal sales procedures and inventory management systems and making further enhancements to our security policy and procedures on information technology.

We have not encountered any material operational problems, such as breakdown, failure or substandard performance of equipment, improper installation or operation of equipment and industrial accidents, nor have we encountered any material interruption to our business operations beyond our control during the Track Record Period.

We take a variety of measures to protect our workers and forest resources from fire and other natural disasters. We have a fire prevention strategy in place in our forest plantations including constructing fire watch-towers, fire breaks and providing water tanks for fire fighting. We provide fire fighting equipment and train our staff on our safety procedures.

LEGAL PROCEEDINGS AND PROTESTS

We are involved in certain legal proceedings arising from the ordinary course of our business, including as plaintiff or defendant in litigation or arbitration proceedings. As the governments in Malaysia and Guyana, in which we operate certain of our concessions and plantations, allow local indigenous communities to live on or near such concessions and plantations, in the regular course of our business we have been, and may continue to be subject to proceedings and claims brought by or on behalf of members of local indigenous communities contesting our rights, obtained through the issuance of relevant government licenses and permits, to carry out our business activities on our concessions and plantations in accordance with applicable law.

Two of our subsidiaries, SST and Samling Plywood (Baramas) Sdn. Bhd., together with the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses and settlements situated on forest concessions held by Samling Plywood (Baramas) Sdn. Bhd., parts of which relate to our Sela'an Linau Forest Management Unit which has received forest management certification from the MTCC, and where SST has been appointed as the contractor to harvest timber logs. The action commenced in 1998 and the plaintiffs are seeking a declaration that they have native customary rights over claimed land located within the relevant forest concession areas. Certain other inhabitants later joined the proceedings as defendants and made an application to stay the proceedings. As at the Latest Practicable Date, the above proceeding remained pending before the Malaysian courts.

Separately, another of our subsidiaries, Tamex Timber Sdn. Bhd., together with the Superintendent of Lands and Surveys Department (Bintulu Division) and the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses and settlements situated on planted forest licensed areas held by our subsidiary, Samling Reforestation (Bintulu) Sdn. Bhd. and where Tamex Timber Sdn. Bhd. has been appointed as the contractor to harvest timber logs in the area. The action commenced in 2003 and the plaintiffs are claiming various relief including a declaration that issuance of the land title and/or provisional lease of that parcel of land in so far as it impairs the plaintiffs' native customary land at and/or around the longhouse communities of that area was unconstitutional and wrongful. Tamex Timber Sdn. Bhd. denied the claim and also counterclaimed for damages, costs, interest and/or other relief. As at the Latest Practicable Date, the above proceeding also remained pending before the Malaysian courts.

The expenses incurred by our Group on these proceedings as at the Latest Practicable Date together amounted to approximately US$67,000. We believe that we have merit in our defence to the claims and have not experienced any material interference to our logging operations as a result of these claims. In the event that the Malaysian courts order a judgment against us, we may lose possession and use of such lands and may be ordered to terminate our operations on the relevant parcels of land claimed by the plaintiffs, remove our structures, machines and equipment from those areas and/or pay damages and costs incurred, and/or be made subject to such other relief as a court may consider just. The areas under dispute represent approximately 4% of our gross concession area in Malaysia, out of which approximately 1.9% involve areas which we have received forest management certification. We only derived a log production of approximately 15,000 m^3 from the two areas under dispute for the financial year ended June 30, 2006, comprising less than 1% of our total log production from Malaysia for the relevant year. We only derive a limited production of MTCC certified logs from the areas under dispute given that the quantity of MTCC certified logs produced from all of our Group's concession areas in Malaysia is only 1,500 m^3 for the financial year ended June 30, 2006. Pending the outcome of the above proceedings, we have kept our harvesting activities in the areas under dispute to a minimum, and expect to have a log production of less than 15,000 m^3 per annum from the areas under dispute. Accordingly, in the event that the Malaysian courts order a judgment against us in the above proceedings, we expect that the impact on our business, results of operations and financial condition will not be material. Whilst we believe that these proceedings will not have a material adverse impact on our business, results of operations and financial condition, the outcome of these litigations cannot be accurately ascertained at this stage, and may result in a reduction in the area we may harvest in our MTCC certified Sela'an Linau Forest Management Unit and of our plantations in Malaysia if decided against us.

Samling Strategic, one of our Controlling Shareholders, has provided an indemnity in favor of us in respect of the losses, liabilities, damages, costs and expenses, if any, directly arising from the above-mentioned legal proceedings. This indemnity does not cover losses to the extent that provision has been made in the audited financial statements of the Group for the three years ended June 30, 2006 and the three months ended September 30, 2006 or as a result of any retrospective change in the law or new law or regulations coming into force after the Listing Date, or losses after Samling Strategic, its associates and persons acting in concert with any of them ceasing to own or control the voting rights over at least 30% of our Company's entire issued share capital or the expiry of ten years from Listing if later. The indemnity will terminate if and when judgments have been made and ordered by any courts in favour of us in respect of these legal proceedings, provided that the plaintiffs shall not have filed and obtained leave to appeal against such judgments within the period prescribed by the rules of the Malaysian courts or no further right of appeal is available to the plaintiffs and we have been unconditionally released from all liability arising from those legal proceedings (including legal costs of the counterparties). No claim shall be made under this indemnity until all avenues of appeal have been exhausted by us in relation to any judgment on the above-mentioned legal proceedings made by the courts in Malaysia and the Court of Appeal of Malaysia or in the event of a further appeal, the Federal Court of Malaysia shall have made a judgment on these legal proceedings.

The timber industry has inherent exposure to criticisms from environmental groups, interested individuals, such as indigenous persons living in our forest concessions, and activist groups seeking to organize such persons from time to time to challenge or impair our ability to harvest timber. Groups and individuals may stage protests that physically prevent or delay our harvesting plans. See "Risk Factors — Risks Relating to Our Business — Our operations in some of our concessions and plantations may be adversely affected by activities, rights and claims of indigenous people living on or near such concessions and plantations" and "Risk Factors — Risks Relating to Our Business — Environmental groups and interested individuals may seek to delay or prevent us, or timber companies generally, from harvesting timber and may adversely affect demand for our product". However, we have not experienced any material interference to our logging operations as at the Latest Practicable Date. Our Directors do not believe that such disputes and protests will result in any material interference to our logging operations which would result in any material adverse impact on our business, results of operations or financial condition. See "Business — Our Upstream Timber Operations Business — Natural forest concessions — Malaysia — Relationship with indigenous people in our concessions" for details of the measures we take in working with the indigenous communities in our concessions in Malaysia.

Adverse publicity generated in connection with such events are beyond our control. In such circumstance, we provide explanation through the media and in public forums regarding the nature of the licenses and rights we have been granted by governmental authorities of competent jurisdiction and defend any legal proceeding or claim brought against us under applicable laws which allow us to engage in our business activities consistent with the licensed rights we have been granted by applicable governmental authorities. See "Risk Factors — Risks Relating to our Business — Our business may be adversely affected by activities, rights and claims of indigenous people living on or near such concessions and plantations" and also "Risk Factors — Risks Relating to our Industry — Environmental groups and interested individuals may seek to delay or prevent us, or timber companies generally, from harvesting timber and may adversely affect demand for our products".

Save as disclosed above, we are not involved in other material legal proceedings nor, to our knowledge, are any claims of material importance threatened against us.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders

We were established on June 27, 2005 with 100% interest in our share capital owned by Mr. Yaw Chee Ming, our Chief Executive Officer and Executive Director. Pursuant to the Reorganization, our Company became approximately 74.98% owned by Samling Strategic. Immediately following completion of the Global Offering, Samling Strategic will directly own and control approximately 55.99% of our issued share capital (taking no account of the exercise of the Over-allotment Option), and will be our immediate Controlling

Shareholder. Samling Strategic is 100% owned by Yaw Holding Sdn. Bhd., which is controlled by our ultimate Controlling Shareholders, being Datuk Yaw Teck Seng and Mr. Yaw Chee Ming. Samling Strategic's and our other shareholders' shareholding interests in our Company are set out in the section headed "Substantial Shareholders" of this prospectus.

Samling Strategic is an intermediate holding company and is 100% owned by Yaw Holding Sdn. Bhd. Yaw Holding Sdn. Bhd. is an investment holding company and directly controlled by Datuk Yaw Teck Seng and Mr. Yaw Chee Ming, our Chief Executive Officer and Executive Director. Samling Strategic was incorporated as an investment holding company in 1979. Other than the timber and timber product-related business carried out by our Company of which Samling Strategic is one of our Controlling Shareholders, Samling Strategic, through its subsidiaries, is currently principally engaged in property development and investment business. It currently focuses on property development and investment projects in Malaysia. The board of Samling Strategic comprises three directors, being Datuk Yaw Teck Seng, Mr. Yaw Chee Ming and Mr. Yaw Chee Chik. The day-to-day management of its property development and investment business is carried out by the senior management of Samling Strategic.

Remaining Businesses

Of the companies held by our Controlling Shareholders, only Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd., Hormat Saga Sdn. Bhd., Adat Mayang Sdn. Bhd., Anhui Hualin, Qianshan Hualin, Premier Woodworking, Anhui Tongling, Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited remain involved in timber and timber product-related businesses (the "Remaining Businesses") and are excluded from our Group following the Reorganization. A description of the Remaining Businesses and the reasons for not including them in our Group are set out below:

(i) Sale of logs by Limbang Trading (Bintulu) Sdn. Bhd.

Limbang Trading (Bintulu) Sdn. Bhd. is owned by Samling Strategic as to 60%. It (i) holds a monthly renewable license for a natural forest concession in Sarawak, Malaysia (which is not located in our Group's contiguous forest concessions) occupying an area of approximately 1,485 hectares and (ii) has the right to extract and sell timber from certain third party forest concession areas licensed to the STIDC. It is expected that the extraction of timber in the concession areas in (i) and (ii) above (out of which the remaining areas for harvesting are approximately 5,824 hectares) will cease in 2007.

The unaudited turnover of Limbang Trading (Bintulu) Sdn. Bhd. for the two years ended June 30, 2006 amounted to approximately US$10,000,000 and US$2,800,000, respectively. The unaudited profit attributable to shareholders of Limbang Trading (Bintulu) Sdn. Bhd. for the two years ended June 30, 2006 amounted to approximately US$2,000,000 and US$880,000, respectively, out of which approximately US$1,200,000 and US$530,000 was attributable to Samling Strategic respectively. The unaudited total assets of Limbang Trading (Bintulu) Sdn. Bhd. for the two years ended June 30, 2006 amounted to approximately US$3,390,000 and US$4,100,000, respectively. The financial statements of Limbang Trading (Bintulu) Sdn. Bhd. are prepared in accordance with generally accepted accounting principles in Malaysia.

Limbang Trading (Bintulu) Sdn. Bhd. has subcontracted SST to carry out the logging in these concessions. Please refer to "Business – Connected Transactions" for details of these transactions with Limbang Trading (Bintulu) Sdn. Bhd. Currently, Samling Strategic is entitled to appoint such number of directors as it considers appropriate, and has appointed one director, to the board of Limbang Trading (Bintulu) Sdn. Bhd., which comprises three directors. Samling Strategic is however not involved in the management and running of the day-to-day business of Limbang Trading (Bintulu) Sdn. Bhd., which is managed by Mr. John Yong Hock Thoo, who has more than 10 years of experience in the timber industry and is an Independent Third Party, and none of the senior management members of Limbang Trading (Bintulu) Sdn. Bhd. is appointed by Samling Strategic. The other shareholders of Limbang Trading (Bintulu) Sdn. Bhd. are Yayasan Sarawak (as to 15%) and PDT (as to 25%). Yayasan Sarawak, a government-linked body in Malaysia, is an Independent Third Party. PDT, a company incorporated under the laws of Malaysia, is an existing shareholder of our Company and is held as to 40% by Wan Morshidi Bin Tuanku Abdul Rahman, who is a director of certain of our subsidiaries.

Since the extraction of timber will cease in 2007, Samling Strategic is not involved in the management of the day-to-day business of Limbang Trading (Bintulu) Sdn. Bhd. and as SST has already been appointed as a subcontractor, our Directors have decided not to include Limbang Trading (Bintulu) Sdn. Bhd. into our Group.

(ii) Planting of timber by Grand Perfect Sdn. Bhd.

Grand Perfect Sdn. Bhd. is owned by Samling Strategic as to 35% and is a single project company established for acting as a contractor to plant trees in a reforestation project in Sarawak, Malaysia for the Government of the State of Sarawak. Grand Perfect Sdn. Bhd. has subcontracted SST to carry out the felling and extraction of timber in preparation of tree planting, tree planting, and maintenance of the tree plantation for this project. Please refer to "Business — Connected Transactions" for details of these transactions with Grand Perfect Sdn. Bhd. The remaining reforestation area is approximately 14,000 hectares and this project is expected to be completed in 2010.

The unaudited turnover of Grand Perfect Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US$13,820,000 and US$18,713,000 respectively. The unaudited profit attributable to shareholders of Grand Perfect Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US$60,000 and US$320,000 respectively, out of which approximately US$21,000 and US$112,000 was attributable to Samling Strategic respectively. The unaudited total assets of Grand Perfect Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US$7,007,000 and US$9,863,000 respectively. The financial statements of Grand Perfect Sdn. Bhd. are prepared in accordance with generally accepted accounting principles in Malaysia.

Currently, Samling Strategic is entitled to appoint one director, and has appointed a director (and his alternate director), to the board of Grand Perfect Sdn. Bhd., which comprises three directors and three alternate directors. Samling Strategic is however not involved in the management and running of the day-to-day business of Grand Perfect Sdn. Bhd., which is managed by KTS Timber

Industries Bhd., which is a major timber company in Sarawak and an Independent Third Party, and none of the senior management members of Grand Perfect Sdn. Bhd. is appointed by Samling Strategic. The management team of KTS Timber Industries Bhd. comprises only Independent Third Parties who have experience in managing timber business. The other shareholders of Grand Perfect Sdn. Bhd. are KTS Timber Industries Bhd. (as to 35%) and Gasijaya Sdn. Bhd. (as to 30%). KTS Timber Industries Bhd. and Gasijaya Sdn. Bhd., both based in Sarawak, are Independent Third Parties.

Accordingly, in view of the duration of the reforestation project, the management by KTS Timber Industries Bhd., our role as a passive investor and the fact that SST has already been appointed as a subcontractor, our Directors have decided not to include Grand Perfect Sdn. Bhd. into our Group.

(iii) Sale of logs by Hormat Saga Sdn. Bhd.

Hormat Saga Sdn. Bhd. is owned by Samling Strategic as to 50%. It has the right to extract and sell timber from a forest concession licensed to the STIDC in Sarawak, Malaysia. The total volume of logs sold amounted to approximately 61,000 m^3 and 18,000 m^3 for the two years ended December 31, 2005 respectively. The license of the STIDC in respect of the forest concession will expire in September 2007. Within the remaining nine months of the license, the remaining harvestable area of the forest concession occupies an area of approximately 3,100 hectares, and the total volume of logs to be extracted from such area is estimated to amount to approximately 60,000 m^3.

The unaudited turnover of Hormat Saga Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US$5,628,000 and US$1,423,000, respectively. The unaudited profit attributable to shareholders of Hormat Saga Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US$611,000 and US$55,000, respectively, out of which approximately US$305,000 and US$27,000 was attributable to Samling Strategic, respectively. The unaudited total assets of Hormat Saga Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US$912,000 and US$306,000, respectively. The financial statements of Hormat Saga Sdn. Bhd. are prepared in accordance with generally accepted accounting principles in Malaysia.

Hormat Saga Sdn. Bhd. sells its logs to our subsidiary, Samling Plywood (Bintulu) Sdn. Bhd. Please refer to "Business — Connected Transactions" for details of these transactions with Hormat Saga Sdn. Bhd. Currently, Samling Strategic is entitled to appoint, and has appointed, three directors to the board of Hormat Saga Sdn. Bhd., which comprises six directors. Samling Strategic is however not involved in the management and running of the day-to-day business of Hormat Saga Sdn. Bhd., which is managed by KTS Timber Industries Bhd., an Independent Third Party as referred to in paragraph (ii) above, and none of the senior management members of Hormat Saga Sdn. Bhd. is appointed by Samling Strategic. The other shareholder of Hormat Saga Sdn. Bhd. is KTS Timber Industries Bhd. (as to 50%).

In view of our role as a passive investor in Hormat Saga Sdn. Bhd., our Directors have decided not to include Hormat Saga Sdn. Bhd. into our Group.

(iv) Sale of logs by Adat Mayang Sdn. Bhd.

Adat Mayang Sdn. Bhd. is owned as to 70% by Grand Perfect Sdn. Bhd. which is owned by Samling Strategic as to 35%. It is engaged in trading of logs and purchase logs from certain third party forest concession owners in Sarawak, Malaysia for sale.

The unaudited turnover of Adat Mayang Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US$1,832,000 and US$1,386,000 respectively. The unaudited profit attributable to shareholders of Adat Mayang Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US$67,000 and US$162,000, respectively, out of which approximately US$16,000 and US$40,000 was attributable to Grand Perfect Sdn. Bhd., respectively. The unaudited total assets of Adat Mayang Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US$572,000 and US$656,000, respectively. The financial statements of Adat Mayang Sdn. Bhd. are prepared in accordance with generally accepted accounting principles in Malaysia.

Adat Mayang Sdn. Bhd. sells its logs in its raw form to the market. Our subsidiary, Samling Plywood (Bintulu) Sdn. Bhd., is one of its customers and buys logs from Adat Mayang Sdn. Bhd. at prevailing market prices. Please refer to "Business — Connected Transactions" for details of these transactions with Adat Mayang Sdn. Bhd. Currently, Samling Strategic, through its shareholding in Grand Perfect Sdn. Bhd., is entitled to appoint, and has appointed, one director to the board of Adat Mayang Sdn. Bhd., which comprises four directors. Samling Strategic is however not involved in the management and running of the day-to-day business of Adat Mayang Sdn. Bhd., which is managed by KTS Timber Industries Bhd., an Independent Third Party as referred to in paragraph (ii) above, and none of the senior management members of Adat Mayang Sdn. Bhd. is appointed by Samling Strategic. The remaining shareholder of Adat Mayang Sdn. Bhd. is Sinar Pegun Sdn. Bhd. (as to 30%). Sinar Pegun Sdn. Bhd., incorporated in Sarawak, is an Independent Third Party.

In view of our role as a passive investor in Adat Mayang Sdn. Bhd., our Directors have decided not to include Adat Mayang Sdn. Bhd. into our Group.

In relation to Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd., Hormat Saga Sdn. Bhd. and Adat Mayang Sdn. Bhd. as referred to in paragraphs (i) to (iv) above, Samling Strategic has not been involved in the management of the day-to-day businesses of these companies. In addition, for Limbang Trading (Bintulu) Sdn. Bhd. and Grand Perfect Sdn. Bhd. as referred to in paragraphs (i) to (ii) above, the remaining "life" of these businesses is short (less than one year and four years, respectively), and SST (our subsidiary) is already appointed as a subcontractor to carry out logging, felling, tree planting and maintenance of the tree plantation for them respectively and will earn revenues for the remaining periods in any event. In relation to Hormat Saga Sdn. Bhd. and Adat Mayang Sdn. Bhd. as referred to in paragraphs (iii) to (iv) above, we buy logs from these two companies in the same way as any other suppliers. In the light of these reasons and the reasons disclosed in each of the paragraphs (i) to (iv) above, these businesses have not been included as part of our Group.

(v) Manufacture and sale of MDF by Anhui Hualin, manufacture and sale of fingerjoint by Qianshan Hualin, and manufacture and sale of flooring, treadmill panel and flush doors by Premier Woodworking

Anhui Hualin is owned by SIL (which is wholly-owned by the Yaw Family) as to 53.5%. Anhui Hualin owns a 99% interest in Qianshan Hualin and a 75% interest in Premier Woodworking. Anhui Hualin manufactures and sells MDF in the PRC. Qianshan Hualin has a fingerjoint mill in the PRC which manufactures fingerjoint for sale. Premier Woodworking manufactures and sells flooring, treadmill panel and flush doors in the PRC.

The unaudited turnover of Anhui Hualin for the two years ended December 31, 2005 amounted to approximately US$24,000,000 and US$20,000,000 respectively. The unaudited profit attributable to shareholders of Anhui Hualin for the two years ended December 31, 2005 amounted to approximately US$1,900,000 and US$180,000 respectively. The unaudited total assets of Anhui Hualin amounted to approximately US$50,000,000 and US$49,000,000 for the two years ended December 31, 2005 respectively. The financial statements of Anhui Hualin are prepared in accordance with generally accepted accounting principles in the PRC. The production capacity per annum of Anhui Hualin's MDF facility is approximately 150,000 m^3.

The unaudited turnover of Qianshan Hualin for the year ended December 31, 2005 amounted to approximately US$77,000. Qianshan Hualin recorded loss of approximately US$24,000 for the year ended December 31, 2005. No turnover and profit/loss was recorded for the year ended December 31, 2004 as Qianshan Hualin had yet to start its operations in 2004. The unaudited total assets of Qianshan Hualin amounted to approximately US$2,300,000 and US$5,600,000 for the two years ended December 31, 2005, respectively. The financial statements of Qianshan Hualin are prepared in accordance with generally accepted accounting principles in the PRC. The production capacity per annum of Qianshan Hualin's fingerjoint facility is approximately 6,000 m^3.

The unaudited turnover of Premier Woodworking for the two years ended December 31, 2005 amounted to approximately US$2,000,000 and US$6,700,000 respectively. Premier Woodworking recorded loss of approximately US$270,000 and US$590,000 for the two years ended December 31, 2005, respectively. The unaudited total assets of Premier Woodworking amounted to approximately US$2,200,000 and US$3,200,000 for the two years ended December 31, 2005 respectively. The financial statements of Premier Woodworking are prepared in accordance with generally accepted accounting principles in the PRC. The production capacity per annum of Premier Woodworking's flooring facility is approximately 480,000 m^2, the production capacity per annum of its treadmill panel facility is approximately 5,400 m^3 and the production capacity per annum of its flush doors facility is approximately 12,000 units.

SIL is not involved in the management and running of the day-to-day business of Anhui Hualin, which is managed by its own management team, comprising only Independent Third Parties who have experiences in managing timber businesses. Qianshan Hualin and Premier Woodworking are managed by only Independent Third Parties.

The other shareholders of Anhui Hualin are Anqing Wood-based Panel Mill (as to 42.5%), China Forestry International Cooperation Company (as to 2%) and Anhui Province Yu Sen Forestry Company (as to 2%). Anqing Wood-based Panel Mill, China Forestry International Cooperation Company and Anhui Province Yu Sen Forestry Company, all incorporated in the PRC, are each an Independent Third Party. The remaining shareholder of both Qianshan Hualin and Premier Woodworking is Glory Winner Trading Limited (as to 1% in Qianshan Hualin and as to 25% in Premier Woodworking). Glory Winner Trading Limited, incorporated in the British Virgin Islands, is a shareholder of our Company and will hold approximately 1.56% in us immediately after completion of the Global Offering.

Anhui Hualin (together with its subsidiaries, Qianshan Hualin and Premier Woodworking are excluded from our Group due to issues affecting the shareholdings of Anhui Hualin. One of the shareholders of Anhui Hualin has not duly made its capital contribution to Anhui Hualin within the prescribed period. The shareholders of Anhui Hualin are currently in discussions with a view to resolving this.

The types of customers targeted by our Group in the PRC are different from those of Anhui Hualin, Qianshan Hualin and Premier Woodworking. Anhui Hualin sells pine/poplar MDF, Qianshan Hualin sells fingerjoint and Premier Woodworking sells flushdoors. These product types are different from those produced by our Group and are targeted at customers requiring products with different input materials, quality and pricing.

(vi) Planting of timber by Anhui Tongling

The entire registered capital of Anhui Tongling is owned by SIL which is wholly-owned by our Controlling Shareholders. Anhui Tongling carries out tree planting in a plantation in Anhui, the PRC, occupying an area of approximately 3,100 hectares. We consider that the plantation activities of Anhui Tongling are still at its early stage since it has only planted trees covering an area of approximately 1,000 hectares in total, representing approximately only one-third of the total area in this plantation.

The unaudited turnover of Anhui Tongling for the year ended December 31, 2005 amounted to approximately US$183,000. No turnover was recorded for the year ended December 31, 2004 as Anhui Tongling had yet to derive any revenue from its operations in 2004. Anhui Tongling recorded losses of approximately US$32,000 and US$10,000 for the two years ended December 31, 2005 respectively. The unaudited total assets of Anhui Tongling amounted to approximately US$910,000 and US$840,000 for the two years ended December 31, 2005 respectively. The financial statements of Anhui Tongling are prepared in accordance with generally accepted accounting principles in the PRC.

SIL is not involved in the management and running of the day-to-day business of Anhui Tongling, which is managed by its own management team comprising only Independent Third Parties who have experiences in managing tree planting businesses.

In light of the small size of the plantation, the early stage of the plantation activities and the insignificant amount of log sales from Anhui Tongling in the foreseeable future, our Directors have decided not to include Anhui Tongling into our Group.

(vii) Sales and marketing business of Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited

Interwil (Proprietary) Limited is wholly-owned by Interwil Holdings (Proprietary) Limited which is owned by SIL as to 16.7%. Interwil Holdings (Proprietary) Limited is an investment holding company and currently Interwil (Proprietary) Limited is its only operating subsidiary. Interwil (Proprietary) Limited is principally engaged in selling softwood products in South Africa, but it also purchases hardwood products from us for sale in South Africa.

The unaudited turnover of Interwil Holdings (Proprietary) Limited for the two years ended March 31, 2006 amounted to approximately US$42,226,000 and US$47,346,000, respectively. The unaudited profit attributable to shareholders of Interwil Holdings (Proprietary) Limited for the two years ended March 31, 2006 amounted to approximately US$2,875,000 and US$2,566,000 respectively, out of which approximately US$480,000 and US$423,000 was attributable to SIL respectively. The unaudited total assets of Interwil Holdings (Proprietary) Limited for the two years ended March 31, 2006 amounted to approximately US$10,867,000 and US$16,026,000, respectively. The financial statements of Interwil Holdings (Proprietary) Limited are prepared in accordance with generally accepted accounting principles in South Africa.

Currently, SIL is entitled to appoint, and has appointed, one director to the board of Interwil Holdings (Proprietary) Limited, which comprises three directors. SIL is not involved in the management and running of the day-to-day business of Interwil Holdings (Proprietary) Limited or Interwil (Proprietary) Limited, and none of the senior management members of Interwil Holdings (Proprietary) Limited or Interwil (Proprietary) Limited is appointed by SIL. The management team of Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited comprises only Independent Third Parties who have experiences in managing sales and marketing business. The other shareholders of Interwil Holdings (Proprietary) Limited are Wil Investments (Proprietary) Limited (as to 50.1%) and Standard Bank (as to 33.2%). Wil Investments (Proprietary) Limited and Standard Bank, both based in South Africa, are Independent Third Parties.

In view of our role as a passive investor in Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited and the principal business of Interwil (Proprietary) Limited of trading in South Africa which is regarded as peripheral to our Group's business, our Directors have decided not to include Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited into our Group.

As the Remaining Businesses are timber business or timber-product related business, they may compete with our Group's business.

Other than the Remaining Businesses as described above, Samling Strategic also held a 15.35% interest in Glenealy, in which Lingui, our subsidiary, held a 36.42% interest, as at the Latest Practicable Date.

Glenealy is listed on the Malaysia Stock Exchange and is principally engaged in the operation of oil palm plantations. As at June 30, 2006, Glenealy operated 19,000 hectares of land in the Sabah and Sarawak regions of Malaysia in which it has planted oil palm. This includes approximately 4,000 hectares of land in Sarawak, Malaysia which relates to a license for planted forests granted by the Sarawak state government. The license covers a gross area of approximately 82,000 hectares and a net plantable area of approximately 50,000 hectares, and Glenealy is permitted to plant up to approximately 9,300 hectares (which includes the 4,000 hectares noted above) of oil palm and approximately 40,700 hectares of trees. Glenealy has not commenced any tree planting in the relevant area. In view of this license, Glenealy's business may compete with our Group's business in the future.

For the three financial years ended June 30, 2006, Glenealy recorded profits of US$6.3 million, US$5.2 million and US$4.2 million respectively, and the amount of our profits attributed to Glenealy's business was profits of US$2.2 million, US$1.8 million and US$1.5 million respectively. For the three months ended September 30, 2005 and 2006, Glenealy recorded profits of US$0.9 million and US$1.2 million respectively, and the amount of our profits attributed to Glenealy's business was profits of US$0.3 million and US$0.4 million respectively. The financial statements of Glenealy are prepared in accordance with generally accepted accounting principles in Malaysia.

Samling Strategic is entitled to appoint directors, and has appointed two directors, to the board of Glenealy. Mr. Yaw Chee Ming, our Chief Executive Officer and Executive Director, and one of our Controlling Shareholders, is the Managing Director of Glenealy. Mr. Cheam Dow Toon, our Executive Director, is an executive director of Glenealy. They are only involved in the affairs of Glenealy in respect of key decisions regarding its affairs, and are not involved in the day-to-day management of the business of Glenealy. Mr. Chan Hua Eng, our Chairman and our non-executive Director, is the Chairman and an independent non-executive director of Glenealy. The day-to-day business of Glenealy is carried out by its own management team which comprises only Independent Third Parties.

Glenealy's oil palm plantation operations, which involve the production and sale of crude palm oil and palm kernel, differ from our Group's tree plantation operations which produce logs for sale or further processing. Furthermore, the acquisition of the 15.35% interest in Glenealy by Lingui will trigger a mandatory general offer on the part of Lingui to acquire the remaining shares in Glenealy under Malaysia laws and regulations, which will require substantial additional financial resources on the part of our Group. The acquisition will also be subject to approvals from various government authorities. We do not plan to use our financial resources for this purpose given the priority of using our financial resources for carrying out our timber and timber-related businesses and repaying the short term loan we have obtained for making the mandatory general offer of the remaining shares in Lingui pursuant to the Reorganization. In view of the different type of business carried out by Glenealy, and the additional financial resources required for making any mandatory general offer, our Directors have decided not to include Glenealy into our Group.

Other than Grand Perfect Sdn. Bhd., Hormat Saga Sdn. Bhd., Adat Mayang Sdn. Bhd., Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited, Samling Strategic or SIL (as the case may be) are entitled to take active management role in the day-to-day business of the Remaining Businesses and Glenealy in case they wish to do so. However, Samling Strategic or SIL (as the case may be) has no intention to take active management role in the day-to-day business of the Remaining Businesses and Glenealy.

Our Controlling Shareholders have no current intention to inject the above Remaining Businesses and the 15.35% interest in Glenealy into our Group. However, Samling Strategic has granted in favour of us call options to acquire its interests in Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd. (which holds interests in Adat Mayang Sdn. Bhd.) and Hormat Saga Sdn. Bhd., respectively, and our Controlling Shareholders, through SIL, have granted in favour of us call options to acquire SIL's interests in Anhui Hualin (which holds interests in Qianshan Hualin and Premier Woodworking), Anhui Tongling and Interwil Holdings (Proprietary) Limited (which holds interests in Interwil (Proprietary) Limited), respectively. Please see the paragraph headed "Call options in respect of the Remaining Businesses" for further details of the call option agreements.

Mr. Yaw Chee Ming, our Chief Executive Officer and our Executive Director, is one of our Controlling Shareholders, and therefore is interested in the above-mentioned Remaining Businesses. Mr. Yaw Chee Ming, our Executive Director, and Mr. Yaw Chee Chik, a member of the senior management of our Company and a director of certain of our subsidiaries, are directors of Samling Strategic. They have no involvement in the day-to-day management or affairs of Samling Strategic and they will only be involved in the affairs of Samling Strategic when it comes to making key decisions regarding its affairs. In addition, Mr. Tan Seng Hock, a member of the senior management of our Company, is a director of Interwil Holdings (Proprietary) Limited, one of the Remaining Businesses, but he is not involved in the day-to-day management or affairs of Interwil Holdings (Proprietary) Limited or Interwil (Proprietary) Limited. Another member of the senior management of our Company, Mr. Chia Ti Lin, Colin, is the President of Anhui Hualin, the Chairman and legal representative of Premier Woodworking and the Chairman of Anhui Tongling, three of the Remaining Businesses, but he is not involved in the day-to-day management or affairs of any of these companies. Other than disclosed above, none of our Directors and senior management of our Group is involved in the day-to-day management of the above-mentioned Remaining Businesses and Glenealy.

Our Controlling Shareholders have entered into a non-competition agreement with us, whereby each of them undertakes that, other than the Remaining Businesses, it or he shall not, and will procure that no company controlled by it or him and will use its or his reasonable endeavors to procure that none of its or his associates (as defined in Chapter 1 of the Listing Rules) (other than the companies which are controlled by any Controlling Shareholder only by virtue of its or his shareholding interests in our Company, including, but not limited to, Glenealy) shall, carry on or engage, invest, participate, or be interested in any timber and timber product-related business. Please see the paragraph headed "Non-Competition Agreement" for further details of the non-competition agreement.

Except as disclosed above, none of our Controlling Shareholders and any of our Directors is interested in a business which competes or is likely to compete, either directly or indirectly, with our Group's business.

Call options in respect of the Remaining Businesses

We have entered into a call option agreement dated February 12, 2007 with Samling Strategic, under which Samling Strategic has granted to us the rights to acquire Samling Strategic's 60% interest in Limbang Trading (Bintulu) Sdn. Bhd., 35% interest in Grand Perfect Sdn. Bhd. and 50% interest in Hormat Saga Sdn. Bhd. In addition, we have entered into three call option agreements dated February 12, 2007 with SIL, under which SIL has granted to us the rights to acquire SIL's 53.5% interest in Anhui Hualin, 100% interest in Anhui Tongling and 16.7% interest in Interwil Holdings (Proprietary) Limited, respectively.

The price at which the above-mentioned call options will be exercised will be the open market value as agreed between Samling Strategic or SIL (as the case may be) and us, or failing which, will be the value as determined by an independent internationally recognized firm of valuers agreed by the parties, or in the absence of an agreement, the average of two prices determined by valuers appointed by each party. The term for exercising each of the call options is indefinite.

The above-mentioned call options will terminate if (i) our Shares cease to be listed on any internationally recognized stock exchange following the Listing; or (ii) the acquisition of the relevant interests is rejected by our independent shareholders; or (iii) the acquisition of the relevant interests is not approved by government authorities.

The decision as to whether or not to exercise any of the above-mentioned call options will be made by the majority of our independent non-executive Directors, and will be subject to approval by our independent Shareholders if required by Chapter 14A of the Listing Rules. In the event that the above-mentioned call options are exercised, the acquisitions of Anhui Hualin and Anhui Tongling are subject to complying with pre-emptive rights and obtaining government approvals in the PRC, the acquisitions of Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd. and Hormat Saga Sdn. Bhd. are subject to obtaining government approvals in Malaysia, and the acquisition of Interwil Holdings (Proprietary) Limited is subject to compliance with pre-emptive rights. We will in good faith enter into negotiations with Samling Strategic or SIL (as the case may be) in relation to the terms of the acquisitions of the relevant interests. If required by the Listing Rules, we will also appoint an independent financial adviser to review the terms of the acquisition of the relevant interest and provide a letter of advice to our independent board committee and our independent Shareholders.

Independence from our Controlling Shareholders

Having considered the following factors, we are satisfied that we can conduct our business independently of our Controlling Shareholders after the Global Offering.

Operational Independence/Independence of our Board and management

We have full rights to make decisions on, and to carry out, our own business operations independently. We hold all relevant licenses necessary to carry on our business and we have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders.

Our operational decisions are made by our executive Directors and management. We have established our own organizational structure made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operations of our business.

All timber and timber product-related business will be carried out through our Group. Samling Strategic and its other subsidiaries will not be involved in timber and timber product-related business (other than the Remaining Businesses) and are primarily engaged in property development and investment.

The board of each of Samling Strategic and Yaw Holding Sdn. Bhd. comprises three directors, being Datuk Yaw Teck Seng, Mr. Yaw Chee Ming and Mr. Yaw Chee Chik. Only Mr. Yaw Chee Ming is on the board of our Company. Mr. Yaw Chee Ming, also as our Chief Executive Officer, is involved in making key executive decisions regarding our affairs and business operations. Mr. Yaw Chee Chik is a member of senior management of our Company and a director of certain of our subsidiaries. Although Mr. Yaw Chee Ming and Mr. Yaw Chee Chik are directors of Samling Strategic, they have no involvement in the day-to-day management or the affairs of Samling Strategic and do not spend any significant amount of time on the affairs of Samling Strategic. The day-to-day management of the property development and investment business of Samling Strategic, being its principal business, is carried out by the senior management of Samling Strategic which comprises Mr. Yaw Chee Siew, Mr. Yaw Chee Weng, Mr. Tham Kit Chong and Mr. Lee Liam Chye. Mr. Yaw Chee Ming and Mr. Yaw Chee Chik, as directors of Samling Strategic, will only be involved in making key decisions regarding the affairs of Samling Strategic. Although Mr. Yaw Chee Ming is a director of Yaw Holding Sdn. Bhd., he does not spend any significant amount of time on the affairs of Yaw Holding Sdn. Bhd. The management of Yaw Holding Sdn. Bhd., being an investment holding company, is principally carried out by Datuk Yaw Teck Seng. Irrespective of his position as director of each of Samling Strategic and Yaw Holding Sdn. Bhd., Mr. Yaw Chee Ming owes fiduciary duties as director of our Company. In case of potential conflict of interest, the bye-laws of our Company provides that directors shall not vote, nor be counted in the quorum, nor attend the board meeting or any relevant part thereof (unless his attendance is specifically invited by the disinterested directors) on any board resolution.

Other than disclosed above, our senior management is independent from the management of our Controlling Shareholders. All personnel involved in production and management of our operations were transferred into our Group at the time of Reorganization.

Our assets/Connected transactions with our Controlling Shareholders

Pursuant to the Reorganization, except for certain assets which remained with our Controlling Shareholders which are immaterial to our business as referred to above under the heading "Remaining Businesses", our Controlling Shareholders have transferred all their interests in timber and timber product-related businesses to us and we can function independently from our Controlling Shareholders.

We have entered into various connected transactions with our Controlling Shareholders and their respective associates.

As regards those non-timber related continuing connected transactions, they are on normal commercial terms.

In relation to those timber-related continuing connected transactions which are the Remaining Businesses, they are on normal commercial terms and Samling Strategic has granted call options to our Company over Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd. and Hormat Saga Sdn. Bhd. Please refer to the paragraph headed “Call Options in respect of the Remaining Businesses” for further details of the option agreements.

With reference to the licenses of Samling diamond logos to Samling Strategic group of companies, the license arrangement is in place because Samling Strategic has assigned such logos to our Company in preparation for the listing and Samling Strategic group of companies will still need to use such logos to carry on their businesses immediately after the assignment. This license arrangement has a term of only five years pending steps taken by Samling Strategic to discontinue use of such logos eventually.

Details of such transactions are set out in the section headed “Connected Transactions” below.

Independent access to suppliers and customers

We have independent access to our suppliers and customers, and do not rely on our Controlling Shareholders’ supplier and customer base. Our Controlling Shareholders do not assist our Company in gaining access to sources of supplies necessary for our Group’s operation. Our suppliers are appointed and selected by our Company based on its own sets of criteria, and prices of supplies purchased by our Group are determined after arm’s length negotiations between our Company and the relevant supplier without the involvement of any of our Controlling Shareholders in such negotiations. Similarly, we operate our own sourcing and distribution network with a team independent of our Controlling Shareholders, and source and distribute to our customers independently.

Financial independence

All the guarantees provided by our Controlling Shareholders to or for the benefit of our Group will be released before listing.

NON-COMPETITION AGREEMENT

Our Company has entered into a non-competition agreement with our Controlling Shareholders to govern the conduct of the following activities between our Controlling Shareholders and our Company:

- timber and timber product-related businesses; or
- acquisition, holding or dealing in any shares of, or interest in, any company, investment trust, joint venture or other entity which engages in timber and timber product-related businesses,

(together, the “Defined Business”).

Under this agreement, each of our Controlling Shareholders has undertaken that, other than the Remaining Businesses, it or he shall not, and will procure that no company controlled by it or him and will use its or his reasonable endeavors to procure that none of its or his associates (as defined in Chapter 1 of the Listing Rules) (other than those companies which are controlled by any Controlling Shareholder only by virtue of its or his shareholding interest in our Company, including, but not limited to, Glenealy) shall carry on, participate or be engaged, concerned or interested, or acquire, hold or deal in any shares of, or interest in, any company, investment trust, joint venture or other entity which engages in any Defined Business.

Each of our Controlling Shareholders has undertaken further that it or he shall first refer to our Company any investment or other commercial opportunity relating to the Defined Business that is identified by, or offered by a third party to, it or him or any company controlled by it or him (other than those companies which are controlled by any Controlling Shareholder only by virtue of its or his shareholding interest in our Company) in the following manner:

- the relevant Controlling Shareholder shall give a written offer notice to our Company of such opportunity identifying the nature of business, investment or acquisition costs and other details reasonably necessary for our Company to consider whether to pursue the opportunity;

- our Company is required to notify the relevant Controlling Shareholder within 30 business days (which, if our Company in its sole discretion decides, may be extended for another 30 business days by our Company notifying the relevant Controlling Shareholder of such extension) in writing of any decision taken to pursue or decline such opportunity. Our Company will seek approval from its board committee, comprising independent non-executive Directors who do not have a material interest in the matter, as to whether to pursue or decline such opportunity;

- the relevant Controlling Shareholder will be entitled to pursue such opportunity if (i) it or he has received a notice from our Company declining the opportunity or (ii) it or he has not received any notice from our Company within 30 business days (which, if our Company in its sole discretion decides, may be extended for another 30 business days by our Company notifying the relevant Controlling Shareholder of such extension); and

- if there is a material change in the nature of the opportunity pursued by the relevant Controlling Shareholder, it or he will refer the opportunity as so revised to our Company in the manner as outlined above.

Each of our Controlling Shareholders has acknowledged that our Company may be required by law, regulatory bodies or the rules and regulations of the stock exchange(s) on which our Company may be listed from time to time to disclose information on such opportunities, including but not limited to disclosure in public announcements or in our Company's annual report of decisions made by our Company to pursue or decline such opportunities, and they have agreed to such disclosure to the extent necessary to comply with any such requirement.

The non-competition agreement will terminate upon the earlier of:

- the date when our Controlling Shareholders cease to control, directly or indirectly, 30% or more of our Shares; or

- the date when our Shares cease to be listed on the Stock Exchange.

Corporate governance measures relating to the non-competition agreement, the transactions with our Controlling Shareholders, the transactions with the Lingui Group, and the transactions with Glenealy

The decision-making process in relation to the non-competition agreement, the transactions with any company (other than us) in which any of our Controlling Shareholders is a controlling shareholder (as defined in the Listing Rules) and any company (other than us) which is an associate (as defined in Chapter 1 of the Listing Rules) of any of our Controlling Shareholders (the "Controlled Companies"), the transactions with the Lingui Group, and the transactions with Glenealy will be governed and monitored as follows:

- Our independent non-executive Directors will review the terms of any of our transactions with our Controlling Shareholders and their Controlled Companies on a quarterly basis with a view to ensuring that the terms of the transactions are in the best interest of our Company and our shareholders as a whole.

- We intend to adopt the following measures in respect of matters which require consideration by the board at our board meetings:

  - Mr. Chan Hua Eng and Mr. Cheam Dow Toon, and any Director with duties in our Controlling Shareholders, currently being Mr. Yaw Chee Ming, shall not vote (nor be counted in the quorum) on any resolutions relating to our transactions with our Controlling Shareholders and their Controlled Companies;

  - any Director who is also a director of Glenealy, currently being Mr. Yaw Chee Ming, Mr. Chan Hua Eng and Mr. Cheam Dow Toon, shall not vote (nor be counted in the quorum) on any resolutions relating to any transactions between our Group and Glenealy and its subsidiaries;

  - any Director who is also a director of Lingui, currently being Mr. Yaw Chee Ming, Mr. Chan Hua Eng and Mr. Cheam Dow Toon, shall not vote (nor be counted in the quorum) on any resolutions relating to any transactions between our Group (excluding the Lingui Group) and the Lingui Group; and

  - any Director who shall not vote (nor be counted in the quorum) on any resolutions as mentioned above shall not attend the board meeting or the relevant part of the board meeting nor participate in the discussions on the relevant resolutions unless his attendance and participation are specifically invited by the disinterested Directors, but subject to the aforesaid restrictions on his voting and being counted in the quorum on the relevant resolutions.

- Our auditors will provide to our independent non-executive Directors a confirmation letter on any of our transactions with our Controlling Shareholders and their Controlled Companies on a quarterly basis, confirming that, on the basis of the unaudited accounts of the Group for each quarter, the amounts for the relevant transactions have not exceeded the proposed annual caps and other matters set out under rule 14A.38 of the Listing Rules. However, if and when all transactions with our Controlling Shareholders and their Controlled Companies in respect of the Remaining Businesses have ceased, our auditors will provide to our independent non-executive Directors such confirmation on a yearly basis or otherwise as required by the Listing Rules.

- Each of our Controlling Shareholders has undertaken to us to provide to us all information necessary for the quarterly review by our independent non-executive Directors and the enforcement of the non-competition agreement entered into with our Controlling Shareholders. Our independent non-executive Directors will review the compliance by our Controlling Shareholders with the non-competition agreement on a quarterly basis.

- Each of our Controlling Shareholders has undertaken to us to make an annual declaration on compliance with the non-competition agreement in our annual report.

- Our independent non-executive Directors, who do not have a material interest in the matter, will form a board committee to consider and decide whether to pursue or decline any investment or other commercial opportunity relating to the Defined Business referred to us by our Controlling Shareholders under the non-competition agreement. Where this board committee considers necessary, we will facilitate the appointment by this board committee of an independent industry expert of its choice to consider and evaluate the merits of any opportunity referred to us by the Controlling Shareholders, and to make recommendations to this board committee with regard to any such opportunity. We will, by way of announcements and in our interim and annual reports and in a timely manner, make disclosure of any decisions of this board committee to pursue or decline any such investment or other commercial opportunity referred to us by our Controlling Shareholders under the non-competition agreement.

- Our independent non-executive Directors, who do not have a material interest in the matter, will form a board committee to review and consider whether to exercise any of the call options granted to us in respect of the Remaining Businesses on a quarterly basis. We will, by way of announcements and in our interim and annual reports and in a timely manner, make disclosure of the decisions of this board committee to exercise or not to exercise such call options. In the circumstances where this board committee decides to exercise any of such call options, we will complete the acquisitions of the relevant interests as soon as practicable, and, in the event that the acquisitions are subject to pre-emptive rights and/or government approvals as referred to in the section "Call options in respect of the Remaining Businesses" above, after pre-emptive rights are complied with and/or government approvals are obtained.

- We shall disclose in our annual report the details of the mechanisms in place to protect our independent shareholders, with a discussion of how those mechanisms have operated during the relevant period.

CONNECTED TRANSACTIONS

Overview

Following the completion of the Global Offering, we will continue to have certain transactions which will constitute connected transactions under the Listing Rules. Although Glenealy has been accounted for as an associated company of our Group under IFRS, the Stock Exchange has requested that, as a condition to our listing on the Stock Exchange, Glenealy be treated in a manner consistent with the regulation of subsidiaries of a listed group for the purposes of application of the Listing Rules to our Company, including the requirements on connected transactions applicable to our subsidiaries under the Listing Rules. See "Appendix VIII — Statutory and General Information — 8. Treatment of Glenealy for the purpose of our compliance with the Listing Rules". Accordingly, for the purpose of this section, we have treated Glenealy as if it were our subsidiary for the purpose of our compliance with the Listing Rules. Further, Glenealy will be treated as our connected person since Samling Strategic, one of our Controlling Shareholders, holds an approximate 15.35% interest in and is a substantial shareholder of Glenealy, and therefore any transaction between Glenealy (together with its subsidiaries) and us will constitute connected transactions for us under the Listing Rules. Set out below is a summary of each of these transactions.

	Connected Person	Nature of Transaction
Non-exempt Continuing Connected Transactions		
1.	Sojitz Corporation and its subsidiaries	Sale of logs, plywood and LVL by us
2.	Sojitz Building Materials Corporation (previously known as Sun Building Materials Corporation)	Sale of housing products by us
3.	Si Khiong Industries Sdn. Bhd.	Purchases of transportation vehicles and parts by us
4.	SUS Company, LLC	Sale of plywood, sawn timber and flooring products by us
Continuing Connected Transactions Exempt From Independent Shareholders' Approval Requirements		
5.	Limbang Trading (Bintulu) Sdn. Bhd.	Provision of timber extraction, transportation and agency services, and purchase of logs by us
6.	Grand Perfect Sdn. Bhd.	Provision of services on timber extraction, establishment and maintenance of tree plantations by us
7.	Rimalco Sdn. Bhd.	Rental of our sawmill and equipment and sale of logs and parts by us
8.	Yong Joo Sawmill Sdn. Bhd.	Sale of logs by us
9.	Pi Zhou Yanglin Woodware Co., Ltd.	Purchase of veneer by us
10.	Pacific Plywood Corporation	Purchase of plywood and sale of veneer by us
11.	Samling Plantation Sdn. Bhd.	Sale of fuel and parts by us
12.	Dainippon Ink & Chemicals, Inc.	Provision of products marketing and agency services, grant of license to use technical information and supply of consumables to us
13.	Doyon Development Sdn. Bhd.	Lease of properties in Sarawak to us
14.	Hornbill Travel Agency Sdn. Bhd.	Provision of ticket sales agency services to us
15.	Hap Seng Sasco Fertilizers Sdn. Bhd.	Purchase of fertilizers and agro-chemicals by us

Connected Person		Nature of Transaction
Continuing Connected Transactions Exempt from Reporting, Announcement and Independent Shareholders' Approval Requirements		
16.	Hormat Saga Sdn. Bhd.	Purchase and transportation of logs by us
17.	Adat Mayang Sdn. Bhd.	Purchase and transportation of logs by us
18.	Sojitz Corporation	Provision of marketing services to us
19.	Adtec Sdn. Bhd.	Charter of helicopters to us
20.	Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd.	Provision of hotel accommodation to us
21.	Subsidiaries and associated companies of Samling Strategic	Provision of insurance agency services by us
22.	Sarawak Land (Kemena Park) Sdn. Bhd.	Lease arrangements relating to properties in Sarawak
23.	3D Networks Sdn. Bhd.	Lease of our property in Kuala Lumpur
24.	Samling Strategic	Licenses of Samling diamond logos to Samling Strategic group of companies
Connected Transaction Exempt from Reporting, Announcement and Independent Shareholders' Approval Requirements		
25.	Our Controlling Shareholders	Non-competition undertaking given to us

Each of the above transactions is described in detail below.

Details of the Connected Transactions

Non-exempt Continuing Connected Transactions

(1) Sale of logs, plywood and LVL to Sojitz Corporation and its subsidiaries

Sojitz Corporation, a company listed on the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co., Ltd., owns a 17% interest in our subsidiary, Samling Housing Products Sdn. Bhd. Sojitz Corporation and its subsidiaries are therefore our connected persons.

Sojitz Corporation and its subsidiaries are engaged in, amongst others, trading of plywood, logs, LVL and/or other wood products. Sojitz Corporation is a long term customer and business partner of our Group. Our subsidiary, Kayuneka Sdn. Bhd., as agent on behalf of our various subsidiaries, regularly sells logs to Sojitz Corporation and its subsidiaries. Two of our subsidiaries, Samling Plywood (Miri) Sdn. Bhd. and Samling Plywood (Baramas) Sdn. Bhd., regularly sell plywood and other wood products to Sojitz Corporation and its subsidiaries. Our other subsidiary, Foothill, regularly sells LVL to Sojitz Corporation and its subsidiaries. Our Company and Sojitz Corporation entered into an agreement dated January 16, 2007, whereby our Company and our subsidiaries, including Kayuneka Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., Samling Plywood

(Baramas) Sdn. Bhd. and Foothill, sell logs, plywood, LVL and other wood products to Sojitz Corporation and its subsidiaries. The term of the agreement will expire on June 30, 2009. The Sojitz group of companies is a long-term customer of our Company in Japan. By selling our products to Sojitz Corporation and its subsidiaries, we could obtain access to the logs, plywood and LVL market in Japan. Sales of logs by Kayuneka Sdn. Bhd. to Sojitz Corporation and its subsidiaries, sales of plywood and other wood products by Samling Plywood (Miri) Sdn. Bhd. and Samling Plywood (Baramas) Sdn. Bhd. to Sojitz Corporation and its subsidiaries and sales of LVL by Foothill to Sojitz Corporation and its subsidiaries, are based on prevailing market prices and are on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total sales of logs by Kayuneka Sdn. Bhd. to Sojitz Corporation and its subsidiaries, total sales of plywood and other wood products by Samling Plywood (Miri) Sdn. Bhd. and Samling Plywood (Baramas) Sdn. Bhd. to Sojitz Corporation and its subsidiaries, and total sales of LVL by Foothill to Sojitz Corporation and its subsidiaries, together amounted to approximately US$33,600,000, US$33,200,000, US$30,900,000 and US$11,200,000, respectively. We estimate that total sales of logs by Kayuneka Sdn. Bhd. to Sojitz Corporation and its subsidiaries, total sales of plywood and other wood products by Samling Plywood (Miri) Sdn. Bhd. and Samling Plywood (Baramas) Sdn. Bhd. to Sojitz Corporation and its subsidiaries, and total sales of LVL by Foothill to Sojitz Corporation and its subsidiaries, together will not exceed US$62,000,000 for each of the three years ending June 30, 2009. The estimates are based on the highest volumes of logs, plywood and LVL sold to Sojitz Corporation and its subsidiaries for the last three years and these wood products' prevailing prices. The proposed caps are significantly higher than the historical amounts because (i) we anticipate that the sales of our wood products in Japan through the Sojitz group of companies will increase significantly due to an expected increase in demand for wood products following a recent improvement in the housing starts in Japan; and (ii) the prices for wood products are expected to increase as such prices have already been increasing over the year ended June 30, 2006.

(2) Sale of housing products to Sojitz Building Materials Corporation

Sojitz Building Materials Corporation (previously known as Sun Building Materials Corporation) is a subsidiary of Sojitz Corporation. As Sojitz Corporation is a connected person as discussed in paragraph (1) above, Sojitz Building Materials Corporation is a connected person by virtue of it being an associate of Sojitz Corporation.

Sojitz Building Materials Corporation is a trading company based in Japan engaged in the sale of construction materials, lumber and residential-related equipment and building interior finish works. Our subsidiary, Samling Housing Products Sdn. Bhd., regularly sells housing products to Sojitz Building Materials Corporation. Our Company and Sojitz Corporation entered into an agreement dated January 16, 2007, whereby our Company and our subsidiaries, including Samling Housing Products Sdn. Bhd., sell housing products to Sojitz Corporation and its subsidiaries. The term of the agreement will expire on June 30, 2009. By selling our products to Sojitz Building Materials Corporation, we could obtain access to the Japanese housing products market. Sales by Samling Housing Products Sdn. Bhd. of housing products to Sojitz Building Materials Corporation are based on prevailing market prices and are on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total sales of housing products by Samling Housing Products Sdn. Bhd. to Sojitz Building Materials Corporation amounted to approximately US$9,500,000, US$11,400,000, US$11,200,000 and US$2,400,000, respectively. Sojitz Building Materials Corporation purchased from Samling Housing Products Sdn. Bhd. approximately 4,400,000, 4,300,000 and 4,300,000 units of housing products, respectively, for the three financial years ended June 30, 2006. We estimate that approximately 4,900,000 units of housing products will be purchased by Sojitz Building Materials Corporation from Samling Housing Products Sdn. Bhd. and total sales of housing products will not exceed US$12,000,000 for each of the three years ending June 30, 2009. The projected figures are calculated primarily based on (i) the expected increase in sales of our housing products in Japan by volume through Sojitz Building Materials Corporation, and (ii) the fact that Sojitz Building Materials Corporation has expanded its customer base.

(3) Purchases of transportation vehicles and parts from Si Khiong Industries Sdn. Bhd.

Si Khiong Industries Sdn. Bhd. is a subsidiary of Hap Seng Consolidated Berhad, a company listed on the Malaysia Stock Exchange. Datuk Lau Cho Kun, who is the father in law of Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 30% of Si Khiong Industries Sdn. Bhd. Therefore, Si Khiong Industries Sdn. Bhd. is an associate of Mr. Yaw Chee Ming and thus a connected person.

Si Khiong Industries Sdn. Bhd. is a distributor of Mercedes Benz vehicles in Malaysia. As our operations involve extensive use of transportation vehicles, we enter into transactions with Si Khiong Industries Sdn. Bhd. to operate and maintain our fleet of vehicles and parts for transportation of logs. Three of our subsidiaries, Tamex Timber Sdn. Bhd., Miri Parts Trading Sdn. Bhd. and SST, buy Mercedes Benz logging trucks and other transportation vehicles and parts from Si Khiong Industries Sdn. Bhd. on a regular basis. Tamex Timber Sdn. Bhd., SST, Miri Parts Trading Sdn. Bhd. and Si Khiong Industries Sdn. Bhd. entered into an agreement dated January 12, 2007, whereby Tamex Timber Sdn. Bhd., SST and Miri Parts Trading Sdn. Bhd. purchase vehicles and parts from Si Khiong Industries Sdn. Bhd. The term of the agreement will expire on June 30, 2009. Sales of transportation vehicles and parts by Si Khiong Industries Sdn. Bhd. to Tamex Timber Sdn. Bhd., Miri Parts Trading Sdn. Bhd. and SST are based on prevailing market prices and are on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total purchases by Tamex Timber Sdn. Bhd., Miri Parts Trading Sdn. Bhd. and SST of logging trucks, transportation vehicles and parts from Si Khiong Industries Sdn. Bhd. amounted to approximately US$12,300,000, US$8,500,000, US$15,200,000 and US$3,500,000, respectively. We estimate that total purchases by Tamex Timber Sdn. Bhd., Miri Parts Trading Sdn. Bhd. and SST of logging trucks, transportation vehicles and parts from Si Khiong Industries Sdn. Bhd. will not exceed US$15,000,000, respectively, for each of the three years ending June 30, 2009. The projected figures are based on the current forecast of our business development plans in the relevant years and the prevailing market prices of the logging trucks, transportation vehicles and parts.

(4) Purchase of plywood, sawn timber and flooring products by SUS Company, LLC

SUS Company, LLC is a company controlled by Mr. Chia Ti Lin, Colin, a director of our subsidiaries, Riverside and Foothill. SUS Company, LLC is therefore a connected person by virtue of being an associate of Mr. Chia Ti Lin, Colin.

SUS Company, LLC is engaged in trading of wood products. Each of our subsidiaries, Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside, entered into an agreement dated September 15, 2006 with SUS Company, LLC, whereby Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside sell plywood and sawn timber, flooring products and plywood, respectively, to SUS Company, LLC. The agreement was entered into with SUS Company, LLC because our Group does not have a sales and distribution network in the United States and therefore engages SUS Company, LLC as an intermediate seller to purchase our plywood and sawn timber, flooring products and plywood for sales in the United States. The term of the agreements will expire on June 30, 2009. Sales of plywood and sawn timber, flooring products and plywood by Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside respectively to SUS Company, LLC are based on prevailing market rates and on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, sales of plywood and sawn timber, flooring products and plywood by Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside to SUS Company, LLC amounted to approximately US$18,250,000, US$24,250,000, US$20,650,000 and US$4,900,000, respectively. We estimate that total sales of plywood and sawn timber, flooring products and plywood by Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside to SUS Company, LLC will not exceed US$23,000,000 for the year ending June 30, 2007. The estimates are based on the historical trends of our sales of plywood and sawn timber, flooring products and plywood to SUS Company, LLC and the prevailing prices of these products. We anticipate that sale of our wood products to SUS Company, LLC will cease in 2007 since the Group intends to sell its wood products in the United States through Samling Global USA, Inc., our newly established wholly-owned subsidiary, in the second half of 2007.

Continuing Connected Transactions Exempt From Independent Shareholders' Approval Requirements

(5) Provision of timber extraction, transportation and agency services to, and sale of logs by, Limbang Trading (Bintulu) Sdn. Bhd.

Limbang Trading (Bintulu) Sdn. Bhd. is held as to 60% by Samling Strategic, one of our Controlling Shareholders. Limbang Trading (Bintulu) Sdn. Bhd. is therefore a connected person by virtue of being an associate of one of our Controlling Shareholders.

Limbang Trading (Bintulu) Sdn. Bhd. has the right to extract and sell timber from certain third party forest concession areas licensed to the STIDC in Sarawak, Malaysia. Please also refer to the section headed

"Relationship with our Controlling Shareholders — Remaining Businesses". Limbang Trading (Bintulu) Sdn. Bhd. entered into transactions with our following subsidiaries as evidenced by the following:

(a) logging agreement dated January 13, 2006 with SST;

(b) transportation agreement dated May 24, 2006 with Tinjar Transport Sdn. Bhd.;

(c) agency agreement dated May 24, 2006 with Kayuneka Sdn. Bhd.; and

(d) purchase agreement dated July 1, 2006 with Samling Plywood (Bintulu) Sdn. Bhd.

Under the above agreements, we act as contractors of Limbang Trading (Bintulu) Sdn. Bhd. to fell, extract and transport timber in forest concession areas in Sarawak, Malaysia on an exclusive basis, we act as its agent to sell logs on an exclusive basis, and we also purchase logs from Limbang Trading (Bintulu) Sdn. Bhd. For the agreements referred to in paragraphs (a) to (c) above, Limbang Trading (Bintulu) Sdn. Bhd. pays to SST, Tinjar Transport Sdn. Bhd. and Kayuneka Sdn. Bhd. prescribed fees or commissions as specified under the respective agreements. Samling Plywood (Bintulu) Sdn. Bhd. purchases logs from Limbang Trading (Bintulu) Sdn. Bhd. under the agreement referred to in paragraph (d) above at prevailing market prices.

Each of the above agreements is on normal commercial terms and has a term not exceeding three years, commencing on the date they were entered into and expiring on January 12, 2009 in the case of the agreement referred to in paragraph (a) above and June 30, 2009 in the case of the other agreements. Each party to the above agreements has the right to terminate the respective agreement by giving the other party one month's written notice. It is expected that the extraction of timber in the relevant areas will cease in 2007 and there will no longer be any transactions under the respective agreements after June 30, 2007.

The approximate historical figures and the proposed caps for each of the agreements are illustrated in the table below:

		For the financial year ended June 30, 2004	**For the financial year ended June 30, 2005**	**For the financial year ended June 30, 2006**	**For the three months ended September 30, 2006**	**For the financial year ending June 30, 2007 Proposed Caps**
		(US$)	*(US$)*	*(US$)*	*(US$)*	*(US$)*
(a)	Logging agreement (we receive)	2,200,000	4,300,000	900,000	600,000	3,000,000
(b)	Transportation agreement (we receive)	290,000	660,000	150,000	80,000	400,000
(c)	Agency agreement (we receive)	2,500	6,600	4,000	1,000	13,000
(d)	Purchase agreement (we pay)	2,200,000	5,200,000	900,000	900,000	3,200,000

The historical volume of logs extracted during each year in the Track Record Period are different as: (i) the annual quotas issued by the Sarawak Forest Department varied during each year; (ii) the density of timber in different areas of the forest concessions varied and therefore the volume of timber extracted would differ accordingly; and (iii) the felling and extraction of timber was affected by adverse weather conditions. The basis of the proposed caps for the above logging agreement referred to in (a) is the area of the forest concessions to be logged and the prescribed logging fees which are based on prevailing market rate. The proposed caps are higher than the historical figures for the financial year ended June 30, 2006 due to the higher density of timber in the areas of the forest concessions to be logged by SST, resulting in the expected higher volume of logs to be extracted by SST from the remaining forest concession areas, currently estimated to be approximately 75,000 m^3 for the year ending June 30, 2007, as compared to approximately, 67,000 m^3, 118,000 m^3 and 25,000 m^3 for the three years ended June 30, 2006.

The volume of timber transported by our Group amounted to approximately 59,000 m^3, 130,000 m^3 and 28,000 m^3 for each of the three years ended June 30, 2006, respectively, and the volume of timber to be transported by the Group is estimated to be approximately 75,000 m^3 for the year ending June 30, 2007. The basis of the proposed caps is the projected higher volume of timber to be transported from the relevant forest areas (due to the projected higher volume of logs to be logged by SST) and the prescribed transportation fees which are based on prevailing market rate.

The volume of logs sold by our Group as agent amounted to approximately 3,800 m^3, 10,200 m^3 and 6,000 m^3 for each of the three years ended June 30, 2006, respectively, and the volume of timber to be sold by the Group as agent is expected to be approximately 17,000 m^3 for the year ending June 30, 2007. The basis of the proposed caps is the projected higher sales by Kayuneka Sdn. Bhd. for and on behalf of Limbang Trading (Bintulu) Sdn. Bhd. (due to the projected higher volume of logs to be logged by SST) and the prescribed commission rate which is based on prevailing market rate.

The volume of logs purchased by our Group amounted to approximately 31,000 m^3, 66,000 m^3 and 11,000 m^3 for each of the three years ended June 30, 2006, respectively, and the volume of logs to be purchased by our Group is expected to be approximately 36,000 m^3 for the year ending June 30, 2007. The basis of the proposed caps is the projected higher volume of log purchases by Samling Plywood (Bintulu) Sdn. Bhd. (due to the projected higher volume of logs to be logged by SST) and the projected average price per m^3 of logs (in accordance with prevailing market prices).

(6) Provision of services on timber extraction, establishment and maintenance of tree plantations to Grand Perfect Sdn. Bhd.

Grand Perfect Sdn. Bhd. is a joint venture company in which Samling Strategic owns a 35% interest. Grand Perfect Sdn. Bhd. is therefore a connected person as an associate of one of our Controlling Shareholders.

Grand Perfect Sdn. Bhd. is a single project company established for acting as a contractor to plant trees in a reforestation project in Sarawak, Malaysia for the Government of the State of Sarawak. Please also refer to the section headed "Relationship with our Controlling Shareholders — Remaining Businesses". Grand Perfect Sdn. Bhd. has been engaged by the Sarawak Government for the project for a term up to 2010. Our subsidiary, SST, entered into transactions with Grand Perfect Sdn. Bhd. as evidenced by the following:

(a) two timber extraction agreements both dated October 6, 2003;

(b) agreement for establishment of tree plantations dated December 5, 2002 (as amended by an agreement dated May 17, 2006); and

(c) agreement for maintenance of tree plantations dated December 5, 2002 (as amended by an agreement dated May 17, 2006).

Under the above agreements, Grand Perfect Sdn. Bhd. subcontracted SST to fell and extract timber in preparation of tree planting, establish tree plantations and carry out maintenance works in tree plantations in Sarawak, Malaysia. For each of the above agreements, Grand Perfect Sdn. Bhd. pays to SST prescribed fees as specified under the respective agreements based on terms negotiated between Grand Perfect Sdn. Bhd. and the Sarawak Government.

Each of the above agreements is on normal commercial terms. The agreements referred to in (a) above will expire when all timber in the tree plantations has been extracted or upon expiry of the forest timber licenses covering the tree plantations, whichever is the earlier. The term of each of the agreements referred to in (b) and (c) above will expire on December 31, 2010. Therefore, the above agreements will each have a term exceeding three years. Our Directors, including our independent non-executive Directors, are of the view that there are special circumstances requiring a duration longer than three years and they are:

(i) the tree plantations establishment and maintenance work involves planting of trees and the duration of such work is usually of a longer term;

(ii) the establishment and maintenance of tree plantations requires substantial capital investment in the initial stage of the project and it is therefore in the commercial interest of SST to have a long term contract;

(iii) the agreements referred to in (b) and (c) above were entered into for this particular project and it is therefore in the commercial interest of SST to have the same term for these agreements as the term of engagement between Grand Perfect Sdn. Bhd. and the Sarawak Government; and

(iv) the agreements referred to in (a) above are in relation to the extraction of existing standing timber in the reforestation area, and it is in the commercial interest of SST to have the same term for these agreements as the term of the forest timber licenses covering the reforestation area, or alternatively when all timber in the reforestation area has been extracted, whichever is the earlier.

Our Directors, including our independent non-executive Directors, confirm that it would be normal business practice for contracts of a similar nature to the above agreements to be entered into for more than three years. Our Company will comply with the applicable requirements under Chapter 14A of the Listing Rules following the expiry of the three years ending June 30, 2009.

The approximate historical figures and the proposed caps for each of the agreements are illustrated in the table below:

	For the financial year ended June 30, 2004	For the financial year ended June 30, 2005	For the financial year ended June 30, 2006	For the three months ended September 30, 2006	For the financial year ending June 30, 2007 Proposed Caps	For the financial year ending June 30, 2008 Proposed Caps	For the financial year ending June 30, 2009 Proposed Caps
	(US$)	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*
(a) Timber extraction agreements (we receive)	58,000	150,000	87,000	43,000	320,000	–	–
(b) Agreement for establishment of tree plantations (we receive)	650,000	2,800,000	2,600,000	540,000	4,000,000	4,000,000	3,500,000
(c) Agreement for maintenance of tree plantations (we receive)	600	130,000	440,000	100,000	1,000,000	800,000	800,000
Total	708,600	3,080,000	3,127,000	683,000	5,320,000	4,800,000	4,300,000

The bases of the proposed caps for the above agreements are based on the estimated work pursuant to our current plan for the tree plantations and forest area in the relevant financial years. The volume of timber to be extracted is currently estimated to be approximately 10,000 m^3 for the year ending June 30, 2007, as compared to approximately 3,000 m^3 for the financial year ended June 30, 2006. This increase is due to the higher density of timber in the areas of the forest concessions to be logged resulting in the expected higher volume of timber to be extracted from the relevant areas. The timber extraction works of SST in the remaining area will be completed during the financial year ending June 30, 2007.

The areas for which planting work under the agreement for establishment of tree plantations will be carried out are determined by the Sarawak Government on a yearly basis and are currently estimated to be approximately 4,800 hectares, 4,800 hectares and 4,000 hectares for each of the three financial years ending June 30, 2009, respectively, as compared to approximately 3,600 hectares for the financial year ended June 30, 2006. Such areas for carrying out planting work is estimated on the basis of the remaining areas being available for carrying out planting work. The area for planting work in the financial year ending June 30, 2009 is expected to decrease as compared to the two financial years ending June 30, 2008 because the size of the remaining areas will decrease closer to the expiry of the term of the agreement for establishment of tree plantations. The proposed caps are higher than the historical figures for the financial year ended June 30, 2006 due to the expected increase in the size of the areas in which tree plantations will be established and the revised higher contract rates under the agreement.

The area for which maintenance work under the agreement for maintenance of tree plantations will be carried out is currently estimated to be approximately 19,000 hectares, 18,000 hectares and 18,000 hectares for each of the three financial years ending June 30, 2009, respectively, as compared to approximately 9,600 hectares for the financial year ended June 30, 2006. The maintenance work carried out by SST under the agreement for maintenance of tree plantations is determined according to the maintenance program agreed by the contracting parties annually and the scope of maintenance work will be determined based on various factors, such as the condition of the tree plantations and maintenance work required for the relevant year, and according to the schedule for the establishment of the tree plantations. The amount of maintenance work to be carried out by SST may not necessarily correspond to the total area of tree plantations resulting from newly planted trees under the agreement for establishment of tree plantations given that SST is a subcontractor of Grand Perfect Sdn. Bhd. engaged to perform maintenance work only for a certain period of time after planting, and does not perform all the maintenance work required for the relevant tree plantations on a continuing basis. The proposed caps are higher than the historical figures for the financial year ended June 30, 2006 due to the expected increase in the size of the areas in which tree plantations will be maintained and the revised higher contract rates under the agreement. In the financial year ending June 30, 2007, the size of the area for which maintenance of tree plantations will be carried out is larger than that of the area in each of the two financial years ending June 30, 2009 as part of the maintenance work expected to be performed in 2006 will be carried out through to the financial year ending June 30, 2007.

The revised higher contract rates under agreements referred to in (b) and (c) are based on the terms of the new agreement negotiated and entered into between Grand Perfect Sdn. Bhd. and the Sarawak Government, whereby higher contract rates were agreed on the basis of increases in costs. The contract rates under agreements referred to in (b) and (c) have increased by approximately 11% and approximately 30% respectively. The aggregate amount of the agreements referred to in (a), (b) and (c) above for the financial year ended June 30, 2004 was lower than the other years as the agreements referred to in (b) and (c) above were only entered into in December 2002 and the agreements referred to in (a) above were only entered into in October 2003.

(7) Rental of sawmill and equipment and sale of logs and parts to Rimalco Sdn. Bhd.

Rimalco Sdn. Bhd. is owned by Samling Wood Industries Sdn. Bhd. as to 40%, one of our wholly-owned subsidiaries, and Titimas Global Agencies Sdn. Bhd. as to 60%. Titimas Global Agencies Sdn. Bhd. is 70% owned by Mr. Pui Kian Onn, a director of our subsidiary, Riverside. Rimalco Sdn. Bhd. is therefore a connected person by virtue of being an associate of Mr. Pui Kian Onn.

Rimalco Sdn. Bhd. is engaged in sawmilling business. Rimalco Sdn. Bhd. entered into transactions with our following subsidiaries as evidenced by the following:

(a) two rental agreements dated July 31, 2003 (as renewed by an agreement dated April 24, 2006) and June 10, 2003 (as renewed by an agreement dated April 1, 2006), respectively, with Samling Wood Industries Sdn. Bhd. and Ravenscourt Sdn. Bhd., respectively;

(b) a log purchase agreement dated September 20, 2006 with each of our following subsidiaries, namely, KTN Timor Sdn. Bhd., Majulaba Sdn. Bhd., Merawa Sdn. Bhd., Ravenscourt Sdn. Bhd., Samling Plywood (Baramas) Sdn. Bhd., Samling Plywood (Bintulu) Sdn. Bhd., Samling Plywood (Lawas) Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., Samling Reforestation (Bintulu) Sdn. Bhd., Samling Wood Industries Sdn. Bhd., Sertama Sdn. Bhd., SIF Management Sdn. Bhd. and Syarikat Reloh Sdn. Bhd.; and

(c) a part purchase agreement dated September 20, 2006 with Miri Parts Trading Sdn. Bhd.

Under the above agreements, we lease to Rimalco Sdn. Bhd. various sheds, logyards and compounds together with sawmill equipment and motor vehicles in Miri, Sarawak, Malaysia and we sell logs and parts to Rimalco Sdn. Bhd. For the agreements referred to in paragraph (a) above, Rimalco Sdn. Bhd. pays to Samling Wood Industries Sdn. Bhd. and Ravenscourt Sdn. Bhd. prescribed rent, based on prevailing market rates, as specified under the respective agreement. Rimalco Sdn. Bhd. purchases logs and parts from our subsidiaries referred to in (b) above and Miri Parts Trading Sdn. Bhd., respectively, under the agreements referred to in paragraphs (b) and (c) above at prevailing market prices.

Please refer to Appendix V to this prospectus for details of these leasehold interests under the rental agreements (see properties numbered 2 and 5).

Each of the above agreements is on normal commercial terms and has a term not exceeding three years, commencing on May 1, 2006 and June 15, 2006, respectively and expiring on April 30, 2009 and June 14, 2009, respectively for the agreements referred to in paragraph (a) above, and commencing on the date they were entered into and expiring on June 30, 2009 for each of the agreements referred to paragraphs (b) and (c) above. Each party to the above agreements has the right to terminate the respective agreement by giving the other party one month's written notice.

The approximate historical figures and the proposed caps for each of the agreements are illustrated in the table below:

	For the financial year ended June 30, 2004	For the financial year ended June 30, 2005	For the financial year ended June 30, 2006	For the three months ended September 30, 2006	For the financial year ending June 30, 2007 Proposed Caps	For the financial year ending June 30, 2008 Proposed Caps	For the financial year ending June 30, 2009 Proposed Caps
	(US$)	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*
(a) Rental agreements (we receive)	250,000	250,000	260,000	65,000	270,000	270,000	270,000
(b) Log purchase agreement (we receive)	4,000,000	4,000,000	4,300,000	1,400,000	5,900,000	5,900,000	5,900,000
(c) Part purchase agreement (we receive)	190,000	370,000	390,000	80,000	450,000	450,000	450,000

The basis of the proposed caps for the rental agreements referred to in (a) is the rental income payable by Rimalco Sdn. Bhd. to Samling Wood Industries Sdn. Bhd. and Ravenscourt Sdn. Bhd. under the rental agreements. Greater China Appraisal Limited, an independent property valuer, has reviewed the rental agreements (as amended) and confirmed that the amounts of rent payable by Rimalco Sdn. Bhd. to us thereunder are currently in line with market rates.

Under the log purchase agreement referred to in (b), the volume of logs sold by us amounted to approximately 56,000 m^3, 55,000 m^3 and 52,000 m^3 for each of the three years ended June 30, 2006, respectively, and the volume of logs to be sold by us is expected to be approximately 60,000 m^3 for each of the three years ending June 30, 2009, respectively. The basis for the proposed caps under the log purchase agreement is the projected volume of log sales by our subsidiaries which entered into the log purchase agreement and the projected average price per cubic metre of logs (in accordance with prevailing market prices). The proposed caps are higher in comparison to the historical amounts due to the anticipated increase in the demand for logs.

The bases for the proposed caps under the part purchase agreement referred to in (c) are the historical figures and the projected sales by Miri Parts Trading Sdn. Bhd. Under the part purchase agreement, the proposed caps are marginally higher in comparison to the historical amounts due to the anticipated increase in prices of parts.

(8) Sale of logs to Yong Joo Sawmill Sdn. Bhd.

Yong Joo Sawmill Sdn. Bhd. is owned by Titimas Global Agencies Sdn. Bhd. (as to 36%) and Mr. Pui Kian Onn (as to 11%). As mentioned in paragraph (7) above, Titimas Global Agencies Sdn. Bhd. is 70% owned by Mr. Pui Kian Onn. Accordingly, Yong Joo Sawmill Sdn. Bhd. is a connected person by virtue of being an associate of Mr. Pui Kian Onn, a director of our subsidiary, Riverside.

Yong Joo Sawmill Sdn. Bhd., which is engaged in manufacturing of sawn timber, is our customer and buys logs from us from time to time. Our subsidiaries referred to in (b) in paragraph (7) above entered into an agreement dated September 20, 2006 with Yong Joo Sawmill Sdn. Bhd., whereby we sell logs to Yong Joo Sawmill Sdn. Bhd. The term of the agreement will expire on June 30, 2009. Sales of logs by these subsidiaries to Yong Joo Sawmill Sdn. Bhd. are based on prevailing market rates and are on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total sales of logs by these subsidiaries to Yong Joo Sawmill Sdn. Bhd. amounted to approximately US$1,200,000, US$720,000, US$980,000 and US$250,000, respectively. The historical figures of sales by these subsidiaries to Yong Joo Sawmill Sdn. Bhd. varied as our sales depend on the demand of Yong Joo Sawmill Sdn. Bhd. for logs from us which may vary from time to time. Yong Joo Sawmill Sdn. Bhd. purchased from these subsidiaries approximately 21,200 m^3, 9,300 m^3 and 12,400 m^3 of logs, respectively, for the three financial years ended June 30, 2006. We estimate that approximately 14,000 m^3 of logs will be purchased by Yong Joo Sawmill Sdn. Bhd. from these subsidiaries for each of the three financial years ending June 30, 2009. We estimate that total sales of logs by these subsidiaries to Yong Joo Sawmill Sdn. Bhd. will not exceed US$1,400,000 for each of the three years ending June 30, 2009. The estimates are based on the historical sales of logs by these subsidiaries to Yong Joo Sawmill Sdn. Bhd. and the expected increase in the prices of logs.

(9) Sale of veneer by Pi Zhou Yanglin Woodware Co., Ltd.

Pi Zhou Yanglin Woodware Co., Ltd. is indirectly wholly-owned by Mr. Chia Ti Lin, Colin, a director of our subsidiaries, Riverside and Foothill. Pi Zhou Yanglin Woodware Co., Ltd. is therefore a connected person by virtue of being an associate of Mr. Chia Ti Lin, Colin.

Pi Zhou Yanglin Woodware Co., Ltd. is engaged in veneer manufacturing. Our subsidiary, Riverside, entered into an agreement dated September 15, 2006 with Pi Zhou Yanglin Woodware Co., Ltd., whereby Pi Zhou Yanglin Woodware Co., Ltd. sells veneer to Riverside. Riverside purchases the veneer for its manufacturing purposes. The term of the agreement will expire on June 30, 2009. Sales of veneer by Pi Zhou Yanglin Woodware Co., Ltd. to Riverside are based on prevailing market rates and on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total sales of veneer by Pi Zhou Yanglin Woodware Co., Ltd. to Riverside amounted to approximately US$530,000, US$4,600,000, US$7,300,000 and US$1,100,000, respectively. Riverside purchased from Pi Zhou Yanglin Woodware Co., Ltd. approximately 2,900 m^3, 23,000 m^3 and 31,000 m^3 of veneer, respectively, for the three financial years ended June 30, 2006. We estimate that approximately 34,000 m^3 of veneer will be purchased by Riverside from Pi Zhou Yanglin Woodware Co., Ltd. for each of the three financial years ending June 30, 2009. Riverside commenced its commercial production in 2003. Accordingly, Riverside has been ramping up its production capacity since 2004 and is therefore able to purchase an increasing volume of veneer from Pi Zhou Yanglin Woodware Co., Ltd. due to its higher production volume. We estimate that total sales of veneer by Pi Zhou Yanglin Woodware Co., Ltd. to Riverside will not exceed US$8,000,000 for each of the three years ending June 30, 2009. The estimates are based on the expected increase in purchases of veneer by Riverside from Pi Zhou Yanglin Woodward Co., Ltd. and the prevailing prices of veneer.

(10) Sale of plywood and purchase of veneer by Pacific Plywood Corporation

Pacific Plywood Corporation is indirectly wholly owned by Mr. Chia Ti Lin, Colin. Pacific Plywood Corporation is therefore a connected person by virtue of being an associate of Mr. Chia Ti Lin, Colin.

Pacific Plywood Corporation is engaged in plywood manufacturing. Our subsidiary, Riverside, entered into two agreements both dated September 15, 2006 with Pacific Plywood Corporation, whereby Pacific Plywood Corporation sells plywood to Riverside and Riverside sells veneer to Pacific Plywood Corporation, respectively. Pacific Plywood Corporation purchases veneer from Riverside for its manufacturing of plywood, whilst Riverside purchases plywood from Pacific Plywood Corporation to complement our plywood sales when necessary. Riverside sells veneer to Pacific Plywood Corporation to be processed into plywood by Pacific Plywood Corporation. Riverside buys from Pacific Plywood Corporation a significant portion of Pacific Plywood Corporation's plywood production. The term of both agreements will expire on June 30, 2009. Sales of plywood by Pacific Plywood Corporation to Riverside and sales of veneer by Riverside to Pacific Plywood Corporation are based on prevailing market rates and on normal commercial terms.

For the year ended June 30, 2006 and the three months ended September 30, 2006, sales of plywood by Pacific Plywood Corporation to Riverside amounted to approximately US$2,100,000 and US$640,000, respectively, and sales of veneer by Riverside to Pacific Plywood Corporation amounted to approximately US$300,000 and US$60,000, respectively. There were no transactions between the parties for each of the two years ended June 30, 2005. Pacific Plywood Corporation purchased from Riverside approximately 1,100 m^3 of veneer for the year ended June 30, 2006, and sold to Riverside approximately 6,600 m^3 of plywood in the same period. We estimate that approximately 1,600 m^3 of veneer will be purchased by Pacific Plywood Corporation from Riverside in each of the three financial years ending June 30, 2009, and approximately 8,600 m^3 of plywood will be sold by Pacific Plywood Corporation to Riverside in the same periods. We estimate that total sales of plywood by Pacific Plywood Corporation to Riverside will not exceed US$3,000,000 and sales of veneer by Riverside to Pacific Plywood Corporation will not exceed US$750,000 for each of the three years ending June 30, 2009. The proposed caps are based on (i) the increase in prices of plywood and veneer; (ii) the expected higher volume of plywood to be purchased by Riverside from Pacific Plywood Corporation due to its plan to expand its business; and (iii) the fact that following (ii), Riverside will sell more veneer to Pacific Plywood Corporation.

(11) Sale of fuel and parts to Samling Plantation Sdn. Bhd.

Samling Plantation Sdn. Bhd. is held as to 30% by Arif Hemat Sdn Bhd, which is 99.99% owned by Mr. Wan Morshidi Bin Tuanku Abdul Rahman. Mr. Wan Morshidi Bin Tuanku Abdul Rahman is a director of certain of our subsidiaries. Samling Plantation Sdn. Bhd. is therefore a connected person by virtue of being an associate of Mr. Wan Morshidi Bin Tuanku Abdul Rahman.

Samling Plantation Sdn. Bhd. is engaged in oil palm plantation business. Our subsidiary, Miri Parts Trading Sdn. Bhd., sells fuel and parts to Samling Plantation Sdn. Bhd. from time to time. Miri Parts Trading Sdn. Bhd. and Samling Plantation Sdn. Bhd. entered into an agreement dated January 12, 2007, whereby Miri Parts Trading Sdn. Bhd. sells fuel and parts to Samling Plantation Sdn. Bhd. The term of the agreement will expire on June 30, 2009. Sale of fuel and parts by Miri Parts Trading Sdn. Bhd. to Samling Plantation Sdn. Bhd. is based on prevailing market rates and on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total sales of fuel and parts by Miri Parts Trading Sdn. Bhd. to Samling Plantation Sdn. Bhd. together amounted to approximately US$164,000, US$218,000, US$210,000 and US$57,000, respectively. We estimate that total sales of fuel and parts by Miri Parts Trading Sdn. Bhd. to Samling Plantation Sdn. Bhd. together will not exceed US$280,000 for each of the three years ending June 30, 2009. The estimates are arrived at following discussions with Samling Plantation Sdn. Bhd. on its expected increase in its plantation harvesting activities for the three years ending 30 June, 2009 thereby leading to projected higher volume of purchases of fuel and parts.

(12) Provision of products marketing and agency services, grant of license to use technical information and supply of consumables by Dainippon Ink & Chemicals, Inc.

Dainippon Ink & Chemicals, Inc., a company listed on the Tokyo Stock Exchange, Inc., the Osaka Securities Exchange Co., Ltd. and the Nagoya Stock Exchange, Inc., holds a 29% interest and is a substantial shareholder of Samling Housing Products Sdn. Bhd., our subsidiary, and therefore is a connected person.

Dainippon Ink & Chemicals, Inc. is a diversified group in Japan engaged in the sale of graphic arts materials, packaging materials, electronics and information materials, industrial materials and performance chemicals.

Samling Housing Products Sdn. Bhd. enters into transactions with Dainippon Ink & Chemicals, Inc. as evidenced by the following:

(a) agreement for housing products marketing services dated November 7, 1996 (as renewed by a memorandum dated October 30, 2003);

(b) technical license agreement dated February 5, 1996 (as renewed by two agreements dated October 12, 2005 and September 12, 2006, respectively);

(c) agreement for purchase of laminated paper and consumables dated January 16, 2007; and

(d) agency agreement dated December 6, 2005.

Under the above agreements, Dainippon Ink & Chemicals, Inc. provides products marketing services, grants a license to use technical information relating to manufacturing of laminated decorative boards in Sarawak, Malaysia, sells laminated paper and other consumables to Samling Housing Products Sdn. Bhd. and acts as agent of Samling Housing Products Sdn. Bhd. for the marketing and sales of its housing products to certain buyers in Japan. For each of the above agreements, Samling Housing Products Sdn. Bhd. pays to Dainippon Ink & Chemicals, Inc. prescribed fee or commission, negotiated and agreed upon between Samling Housing Products Sdn. Bhd. and Dainippon Ink & Chemicals, Inc., as specified under the respective agreements.

Each of the above agreements is on normal commercial terms and has a term not exceeding three years. The agreements referred to in paragraphs (b), (c) and (d) will expire on December 31, 2007, June 30, 2009 and June 30, 2008, respectively. The agreement for housing products marketing services referred to in paragraph (a) above is automatically renewed for additional terms of one year each until either party gives prior termination notice, and our Company will comply with the applicable requirements under Chapter 14A of the Listing Rules following the expiry of the three years ending June 30, 2009.

The approximate historical figures and the proposed caps for each of the agreements are illustrated in the table below:

	For the financial year ended June 30, 2004	For the financial year ended June 30, 2005	For the financial year ended June 30, 2006	For the three months ended September 30, 2006	For the financial year ending June 30, 2007 Proposed Caps	For the financial year ending June 30, 2008 Proposed Caps	For the financial year ending June 30, 2009 Proposed Caps
	(US$)	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*	*(US$)*
(a) Agreement for housing products marketing services (we pay) . .	140,000	145,000	140,000	35,000	155,000	155,000	155,000
(b) Technical license agreement (we pay)	150,000	150,000	150,000	40,000	155,000	155,000	155,000
(c) Agreement for purchase of laminated paper and consumables (we pay)	1,700,000	2,150,000	2,440,000	350,000	2,800,000	3,000,000	3,300,000
(d) Agency agreement (we pay)	8,500	8,000	4,000	2,000	10,000	10,000	10,000
Total	1,998,500	2,453,000	2,734,000	427,000	3,120,000	3,320,000	3,620,000

The proposed caps for the above agreements in respect of (a) and (b) above, are based on the fixed amount payable under the relevant agreements.

The changes in the historical values of purchases of laminated paper and other consumables are due to (i) the increase in prices of these products, and (ii) the increase in volumes of products sold by Samling Housing Products Sdn. Bhd. in the relevant years. The proposed caps for the purchase orders in respect of (c) are based on the increase in demand for laminated paper and other consumables required by Samling Housing Products Sdn. Bhd. according to our current business development plans in the relevant years which are in line with an improving housing market in Japan, and the expected increases in prices for laminated paper and other consumables which have already been increasing over the year ended June 30, 2006.

The changes in the agency fees paid during the Track Record Period are the result of varying volumes sold to customers in Japan for housing products. The proposed caps for the agency fees in relation to the agency agreement in (d) are based on the significant increase in demand for housing products from our buyers in Japan as a result of a recently improving housing starts market in Japan.

(13) Leases of properties in Sarawak by Doyon Development Sdn. Bhd.

Doyon Development Sdn. Bhd. is an indirect wholly-owned subsidiary of Yaw Holding Sdn. Bhd., which is the holding company of Samling Strategic, one of our Controlling Shareholders. Doyon Development Sdn. Bhd. is therefore a connected person by virtue of it being an associate of our Controlling Shareholders.

Doyon Development Sdn. Bhd. is engaged in property development, property holding and provision of construction and related services.

Various of our subsidiaries have entered into various tenancy agreements with Doyon Development Sdn. Bhd. as landlord in relation to two properties containing various lease terms with the latest expiry date being June 30, 2009. These properties are:

(1) a building known as Wisma Samling situated at Lot 296, Block 11, Miri Concession Land District, Miri, Sarawak, Malaysia; and

(2) the Brighton Condominium situated at Lot 901, Block 11, Miri Concession Land District, Jalan Temenggong Datuk Oyong Lawai Jau, 98000 Miri, Sarawak, Malaysia.

Please refer to Appendix V to this prospectus for details of these leasehold interests (see properties numbered 32 and 40).

The aggregate rent paid by our subsidiaries to Doyon Development Sdn. Bhd. under these tenancy agreements amounted to approximately US$760,000, US$760,000, US$740,000 and US$200,000 for each of the three years ended June 30, 2006 and the three months ended September 30, 2006, respectively. The maximum aggregate amount of rent payable by us to Doyon Development Sdn. Bhd. under these agreements is estimated to be US$800,000 for each of the three years ending June 30, 2009.

Each of these tenancy agreements (as amended) is on normal commercial terms and has a term not exceeding three years. Greater China Appraisal Limited, an independent property valuer, has reviewed these tenancy agreements (as amended) and confirmed that the amounts of rent payable by us to Doyon Development Sdn. Bhd. thereunder are currently in line with market rates.

(14) Provision of ticket sales agency services by Hornbill Travel Agency Sdn. Bhd.

Hornbill Travel Agency Sdn. Bhd. is a connected person by virtue of it being an indirect wholly-owned subsidiary of Yaw Holding Sdn. Bhd., which is the holding company of Samling Strategic, one of our Controlling Shareholders.

Hornbill Travel Agency Sdn. Bhd. provides ticket sales agency services to our subsidiaries in Miri. Our subsidiaries, SST and Lingui, entered into an agreement dated September 20, 2006 with Hornbill Travel Agency Sdn. Bhd. for the purchase of air tickets on behalf of their respective subsidiaries through Hornbill Travel Agency Sdn. Bhd. as agent. Prices for air tickets sold by Hornbill Travel Agency Sdn. Bhd. are based on prevailing market prices of air tickets, plus a fixed commission rate of 7% and 10% of the air fare for domestic and international air tickets, respectively, and a charge of RM25 for domestic flights and RM50 for international flights for air tickets of other airlines. The commission paid by our subsidiaries has been determined on an arm's length basis and is on normal commercial terms. The agreement for purchase of air tickets will expire on June 30, 2009.

The aggregate amount (inclusive of commission) paid by our subsidiaries to Hornbill Travel Agency Sdn. Bhd. for ticket sales agency services amounted to approximately US$400,000, US$350,000, US$470,000 and US$56,000 respectively for each of the three years ended June 30, 2006 and the three months ended September 30, 2006. We estimate that total amount (inclusive of commission) to be paid by our subsidiaries to Hornbill Travel Agency Sdn. Bhd. for ticket sales agency services will not exceed US$560,000 for each of the three years ending June 30, 2009. The proposed caps are primarily based on the increase in airfares and the increasing demand for airtravel by our staff as the business operations of our Group in New Zealand and Guyana ramp up, and as a result of our Company becoming a listed company which is expected to increase international air travel costs.

(15) Sale of fertilizers and agro-chemicals by Hap Seng Sasco Fertilizers Sdn. Bhd.

Hap Seng Sasco Fertilizers Sdn. Bhd. is a subsidiary of Hap Seng Consolidated Berhad. Datuk Lau Cho Kun, who is the father in law of Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 30% of Hap Seng Sasco Fertilizers Sdn. Bhd. Therefore, Hap Seng Sasco Fertilizers Sdn. Bhd. is an associate of Mr. Yaw Chee Ming and thus a connected person.

Hap Seng Sasco Fertilizers Sdn. Bhd. is engaged in the fertilizers and agro-chemicals business. Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd., subsidiaries of Glenealy, purchase fertilizers and agro-chemicals from Hap Seng Sasco Fertilizers Sdn. Bhd. from time to time for application in the oil palm plantations. Amalania Koko Berhad, Timor Enterprises Sdn. Bhd., Samling Plantation Sdn. Bhd. and Hap Seng Sasco Fertilizers Sdn. Bhd. entered into an agreement dated January 29, 2007, whereby Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd. purchase fertilizers and agro-chemicals from Hap Seng Sasco Fertilizers Sdn. Bhd. The term of the agreement will expire on June 30, 2009. Purchases of fertilizers and agro-chemicals by Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd. from Hap Seng Sasco Fertilizers Sdn. Bhd. are based on prevailing market prices and are on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total purchases of fertilizers and agro-chemicals by Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd. from Hap Seng Sasco Fertilizers Sdn. Bhd. amounted to approximately US$150,000, US$2,400,000, US$2,600,000 and US$780,000, respectively. We estimate that total purchases of fertilizers and agro-chemicals by Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd. from Hap Seng Fertilizers Sdn. Bhd. will not exceed US$3,600,000 for each of the three years ending June 30, 2009. The estimates are based on: (i) an expected increase in usage of fertilizers and agro-chemicals as more areas in the oil palm plantations operated by Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd. continue to mature; and (ii) the current business development plans of Timor Enterprises Sdn. Bhd. in the relevant years whereby it is able to plant oil palm of up to approximately 5,300 hectares of plantable area. Timor Enterprises Sdn. Bhd. planted a total area of approximately 3,000 hectares of oil palm in 2006.

Continuing Connected Transactions Exempt from Reporting, Announcement and Independent Shareholders' Approval Requirements

(16) Purchase and transportation of logs from Hormat Saga Sdn. Bhd.

Hormat Saga Sdn. Bhd. is an associate of Samling Strategic, one of our Controlling Shareholders, by virtue of being 50% owned by it, and is therefore a connected person.

Hormat Saga Sdn. Bhd. has the right to extract and sell timber from certain forest concession areas licensed to the STIDC in Sarawak, Malaysia. Our subsidiary, Samling Plywood (Bintulu) Sdn. Bhd., purchases logs from Hormat Saga Sdn. Bhd. Hormat Saga Sdn. Bhd. also engages Tinjar Transport Sdn. Bhd., our subsidiary, as its contractor for transportation of logs. Please also refer to the section headed "Relationship with our Controlling Shareholders — Remaining Businesses".

Prices for logs sold to Samling Plywood (Bintulu) Sdn. Bhd., and transportation fees payable to Tinjar Transport Sdn. Bhd., by Hormat Saga Sdn. Bhd. are based on prevailing market prices and are on normal commercial terms.

For each of the two years ended June 30, 2005, total sales of logs by Hormat Saga Sdn. Bhd. to Samling Plywood (Bintulu) Sdn. Bhd. amounted to approximately US$460,000 and US$300,000, respectively, and total transportation fees paid to Tinjar Transport Sdn. Bhd. by Hormat Saga Sdn. Bhd. amounted to approximately US$16,000 and US$10,000, respectively. There were no transactions between Hormat Saga Sdn. Bhd. and our subsidiaries, Samling Plywood (Bintulu) Sdn. Bhd. and Tinjar Transport Sdn. Bhd., for the year ended June 30, 2006 and the three months ended September 30, 2006.

(17) Purchase and transportation of logs from Adat Mayang Sdn. Bhd.

Adat Mayang Sdn. Bhd. is a connected person by virtue of being an associate of Samling Strategic, one of our Controlling Shareholders. Adat Mayang Sdn. Bhd. is 70% owned by Grand Perfect Sdn. Bhd., which is a connected person as referred to in paragraph (6) above in this section.

Adat Mayang Sdn. Bhd. purchases timber from certain third party forest concession owners in Sarawak, Malaysia for sale. Our subsidiary, Samling Plywood (Bintulu) Sdn. Bhd., purchases logs from Adat Mayang Sdn. Bhd. Adat Mayang Sdn. Bhd. also engages, Tinjar Transport Sdn. Bhd., as its contractor for transportation of logs. Please also refer to the section headed "Relationship with our Controlling Shareholders — Remaining Businesses".

Prices for logs sold to Samling Plywood (Bintulu) Sdn. Bhd., and transportation fees payable to Tinjar Transport Sdn. Bhd., by Adat Mayang Sdn. Bhd. are based on prevailing market prices and are on normal commercial terms.

For each of the three years ended June 30, 2006, total sales of logs by Adat Mayang Sdn. Bhd. to Samling Plywood (Bintulu) Sdn. Bhd. amounted to approximately US$29,000, US$164,000 and US$130,000, respectively. There were no transactions between Adat Mayang Sdn. Bhd. and Samling Plywood (Bintulu) Sdn. Bhd. for the three months ended September 30, 2006. For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total transportation fees paid to Tinjar Transport Sdn. Bhd. by Adat Mayang Sdn. Bhd. amounted to approximately US$4,000, US$33,000, US$7,000 and US$5,000, respectively.

(18) Provision of marketing services by Sojitz Corporation

As described in paragraph (1) above, Sojitz Corporation is a connected person by virtue of being a substantial shareholder of Samling Housing Products Sdn. Bhd., our subsidiary.

By an agreement dated April 1, 1995, our subsidiary, Samling Plywood (Miri) Sdn. Bhd., engaged Sojitz Corporation as an independent contractor to advise and assist it on marketing of its plywood business for a fee of US$5,000 per month. The fee payable by Samling Plywood (Miri) Sdn. Bhd. to Sojitz Corporation has been determined on an arm's length basis and is on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total amount of fees paid by Samling Plywood (Miri) Sdn. Bhd. to Sojitz Corporation under the above agreement amounted to approximately US$60,000, US$57,000, US$57,000 and US$30,000, respectively.

(19) Charter of helicopters from Adtec Sdn. Bhd.

Adtec Sdn. Bhd. is a connected person by virtue of being 70% owned by Mr. Yong Nyan Siong, a director of our various subsidiaries, being Bedianeka Sdn. Bhd., Dayalaba Sdn. Bhd., Majulaba Sdn. Bhd. and Sorvino Holdings Sdn. Bhd., and 30% owned by Mr. Wan Morshidi Bin Tuanku Abdul Rahman, a director of certain of our subsidiaries.

Adtec Sdn. Bhd. provides helicopter charter services to our subsidiaries. Charter services are charged on a fixed hourly rate based on prevailing market rates of such services.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total charges paid by our subsidiaries for helicopter charter services provided by Adtec Sdn. Bhd. amounted to approximately US$134,000, US$176,000, US$168,000 and US$44,000, respectively.

(20) Provision of hotel accommodation by Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd.

Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. are our connected persons, both by virtue of being indirectly held as to 51% by Samling Strategic, one of our Controlling Shareholders, and as to 49% by Arif Hemat Sdn. Bhd., which is held as to 99.99% by Mr. Wan Morshidi Bin Tuanku Abdul Rahman, a director of certain of our subsidiaries.

Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. own Parkcity Everly Hotel, Miri, and Parkcity Everly Hotel, Bintulu, respectively. Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. provide short term accommodation for our staff in Parkcity Everly Hotel, Miri, and Parkcity Everly Hotel, Bintulu, respectively. Hotel charges payable by our subsidiaries to Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. are arrived at following arm's length negotiation and are on normal commercial terms.

The aggregate amount of hotel charges paid by our subsidiaries to Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. amounted to approximately US$61,000, US$37,000, US$92,000 and US$11,000, respectively, for each of the three years ended June 30, 2006 and the three months ended September 30, 2006.

(21) Provision of insurance agency services to subsidiaries and associated companies of Samling Strategic

Samling Strategic, which will own approximately 55.99% of our share capital immediately following completion of the Global Offering, will be one of our Controlling Shareholders and therefore is a connected person.

Our subsidiary, Miri Parts Trading Sdn. Bhd., is an insurance agent which sells insurance policies as agent to external parties as part of its trading business and Samling Strategic is one of its customers. Samling Strategic engages Miri Parts Trading Sdn. Bhd. to arrange insurance policies for its subsidiaries and associated companies. Prices for insurance policies purchased by Samling Strategic through Miri Parts Trading Sdn. Bhd. are arrived at following arm's length negotiation and such purchases are on normal commercial terms.

We were informed by Samling Strategic that it intends to continue to purchase insurance policies through Miri Parts Trading Sdn. Bhd. after the Global Offering. Value of commission fees paid to Miri Parts Trading Sdn. Bhd. amounted to approximately US$91,000, US$129,000, US$125,000 and US$64,000, respectively, for each of the three years ended June 30, 2006 and the three months ended September 30, 2006.

(22) Lease arrangements relating to properties in Sarawak, Malaysia with Sarawak Land (Kemena Park) Sdn. Bhd.

Sarawak Land (Kemena Park) Sdn. Bhd. is 51% owned by Perdana Park City Sdn. Bhd., which in turn is approximately 45% owned by Samling Strategic, and approximately 25% owned by Yaw Holding Sdn. Bhd., both being our Controlling Shareholders. Sarawak Land (Kemena Park) Sdn. Bhd. is therefore a connected person by virtue of being an associate of Samling Strategic.

By a tenancy agreement dated June 30, 2000 (as amended by two agreements dated April 1, 2005 and September 1, 2006, respectively) between our subsidiary, SST, and Sarawak Land (Kemena Park) Sdn. Bhd., SST leased to Sarawak Land (Kemena Park) Sdn. Bhd. commercial premises situated in Lot 2302 Bintulu Town District, Bintulu, Sarawak, Malaysia. The term of the tenancy agreement is effective from September 1, 2006 to June 30, 2009.

By a tenancy agreement dated March 15, 2006 between our subsidiary, Tamex Timber Sdn. Bhd. and Sarawak Land (Kemena Park) Sdn. Bhd., Sarawak Land (Kemena Park) Sdn. Bhd. leased to Tamex Timber Sdn. Bhd. residential premises situated in Lot 4756, Block 31 Kemena Land District, Bintulu, Sarawak, Malaysia. The term of the tenancy agreement is effective from March 15, 2006 until March 14, 2008.

By a tenancy agreement dated January 17, 2000 (as extended by a deed of extension dated March 17, 2005), between Samling Plantation Sdn. Bhd., a subsidiary of Glenealy, and Sarawak Land (Kemena Park) Sdn. Bhd., Sarawak Land (Kemena Park) Sdn. Bhd. leased to Samling Plantation Sdn. Bhd. a three-storey shop office situated in Lot 3455 Bintulu Town District, Bintulu, Sarawak, Malaysia. The term of the tenancy agreement is effective from November 1, 1999 to October 31, 2009.

The amount of monthly rental of each of the above tenancy agreements was arrived at following arm's length negotiation and each of the agreements is on normal commercial terms. Please refer to Appendix V to this prospectus for details of the first two properties (see properties numbered 8 and 41).

The aggregate rent paid by Sarawak Land (Kemena Park) Sdn. Bhd. to SST amounted to approximately US$16,000, respectively, for each of the three years ended June 30, 2006, and US$4,000 for the three months ended September 30, 2006. The aggregate rent paid by Tamex Timber Sdn. Bhd. to Sarawak Land (Kemena Park) Sdn. Bhd. amounted to approximately US$5,000 and US$3,000 for the year ended June 30, 2006 and the three months ended September 30, 2006, respectively. As the tenancy agreement between Tamex Timber Sdn. Bhd. and Sarawak Land (Kemena Park) Sdn. Bhd. was entered into in 2006, there were no rent paid by Tamex Timber Sdn. Bhd. to Sarawak Land (Kemena Park) Sdn. Bhd. for each of the two years ended June 30, 2005. The aggregate rent paid by Samling Plantation Sdn. Bhd. to Sarawak Land (Kemena Park) Sdn. Bhd. amounted to approximately US$15,000 and US$4,000 for each of the three years ended June 30, 2006 and the three months ended September 30, 2006, respectively.

(23) Lease of property in Kuala Lumpur to 3D Networks Sdn. Bhd.

Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 30% of 3D Networks Sdn. Bhd. Therefore, 3D Networks Sdn. Bhd. is a connected person by virtue of being an associate of Mr. Yaw Chee Ming.

3D Networks Sdn. Bhd. is engaged in the computer business. By a tenancy agreement and two letter agreements dated March 28, 2000, January 5, 2004 and September 16, 2006, respectively, entered into between Lingui and 3D Networks Sdn. Bhd., Lingui leases to 3D Networks Sdn. Bhd. a commercial premises situated in Unit No. C-10-3A & Unit No. C-10-5, 10th Floor, Block C, Megan Phileo Avenue, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia. The term of the tenancy agreement is effective from April 1, 2005 until March 31, 2007. The monthly rental was agreed between 3D Networks Sdn. Bhd. and Lingui following arm's length negotiation and is on normal commercial terms. Please refer to Appendix V to this prospectus for details of such property (see property numbered 31).

The aggregate value of rental paid by 3D Networks Sdn. Bhd. to Lingui amounted to approximately US$33,000 for each of the three years ended June 30, 2006 and US$12,000 for the three months ended September 30, 2006.

(24) Licenses of Samling diamond logos to Samling Strategic group of companies

Samling Strategic is one of our Controlling Shareholders and therefore a connected person.

By a license agreement dated July 7, 2006 entered into between Samling Strategic and our subsidiary, Samling Trademark Inc, non-exclusive, non-transferable and royalty-free licenses to use the Samling diamond logos were granted by Samling Trademark Inc to the Samling Strategic Licensed Group for a term of five years. Prior to the Reorganization, these Samling diamond logos were owned by Samling Strategic and used by the Samling Strategic Licensed Group.

As part of the Reorganization, these Samling diamond logos were assigned to Samling Trademark Inc pursuant to a deed of assignment dated July 7, 2006 entered into between Samling Strategic and Samling Trademark Inc. The Samling Strategic Licensed Group will still need to use the Samling diamond logos to carry on their businesses immediately after the assignment, but pending steps to discontinue use of the said logos eventually. This license is only granted for a term of five years and for use in the business of the Samling Strategic Licensed Group which is, at present, substantially non-timber related. Please refer to "Business — Intellectual Property" for more details.

Connected Transaction Exempt from Reporting, Announcement and Independent Shareholders' Approval Requirements

(25) Non-competition agreement between our Company and our Controlling Shareholders

Our Company has entered into a non-competition agreement with our Controlling Shareholders pursuant to which our Controlling Shareholders have undertaken not to compete with the business of our Company. See the section entitled "Business — Non-Competition Agreement" for details.

No consideration is payable in respect of the non-competition agreement and it will remain in effect with respect to our Controlling Shareholders until they cease to be our controlling shareholder as defined under the Listing Rules. Our Company will comply with the applicable requirements under Chapter 14A of the Listing Rules when there is a material change to the terms of the non-competition agreement.

Directors' View on the Connected Transactions

Our Directors (including the independent non-executive Directors) are of the view that all the connected transactions described in this section have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of our Group, are fair and reasonable and in the interests of our Company and our shareholders as a whole.

Continuing Connected Transactions

We will continue to enter into or carry out the transactions under paragraphs (1) to (24) above and these transactions will constitute continuing connected transactions for us under the Listing Rules once our Shares are listed on the Stock Exchange. Under the Listing Rules, such transactions may, depending on the nature and value of the transactions, require disclosure and prior approval by our independent shareholders.

Non-exempt Continuing Connected Transactions under the Listing Rules — Application for Waiver

Under the Listing Rules, the continuing connected transactions under paragraphs (1) to (4) above are considered to be non-exempt continuing connected transactions under Rule 14A.16(5) of the Listing Rules and would require compliance with the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the independent shareholders' approval requirements set out in Rules 14A.48 to 14A.54 of the Listing Rules.

For the continuing connected transactions under paragraphs (5) to (15) above, each applicable percentage ratio set out in Rule 14.07 of the Listing Rules under these agreements is, on an annual basis, expected to be less than 2.5% under Rule 14A.34 of the Listing Rules. Such transactions are exempt from the independent shareholders' approval requirements but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

As the above continuing connected transactions are expected to continue on a recurring basis, our Directors consider that compliance with the announcement and/or the independent shareholders' approval requirements would be unduly burdensome, impractical and would add additional administrative costs to our Company. Accordingly, our Directors have requested the Stock Exchange to grant a waiver from compliance with such requirements under Rule 14A.42(3) of the Listing Rules. We have requested the Stock Exchange, and the Stock Exchange has agreed, to grant a waiver to our Company from compliance with the announcement and/or independent shareholders' approval requirements relating to continuing connected transactions under the Listing Rules. In addition, we will comply with the applicable provisions under Rules 14A.35(l), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

De Minimis Exemption under the Listing Rules

For the continuing connected transactions under paragraphs (16) to (24) above, each applicable percentage ratio calculated by reference to Rule 14.07 of the Listing Rules is, on an annual basis, less than 0.1% and accordingly will qualify as continuing connected transactions under Rule 14A.33(3) of the Listing Rules which will be exempt from reporting, announcement and independent shareholders' approval requirements.

In the event of any future amendment to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the connected transactions set out in this section, including, but not limited to, a requirement that these transactions be made conditional on approval by our independent shareholders, we will take immediate steps to ensure compliance with such requirements within a reasonable period.

No waivers applied for certain categories of connected transactions

We have notified the Stock Exchange in relation to paragraphs (16) to (24) above that no waivers are applied for.

Confirmation from the Joint Sponsors

As stated in paragraph (6) above, each of the four agreements entered into by our subsidiary, SST, with Grand Perfect Sdn. Bhd. will expire on December 31, 2010, exceeding the three year term set out under Rule 14A.35(1) of the Listing Rules. Our Directors and the Joint Sponsors have confirmed that they consider that the terms of the agreement for establishment of tree plantations, the agreement for maintenance of tree plantations and the timber extraction agreements are appropriate because (i) the nature of the planting of trees and the subsequent tree plantations establishment and maintenance work normally involves a longer time frame; (ii) it is in the commercial interest of SST to enter into a long term contract as the establishment and maintenance of tree plantations requires substantial initial capital investment; (iii) the agreement for establishment of tree plantations and the agreement for maintenance of tree plantations, were entered into specifically for the relevant project and it is therefore in the commercial interest of SST to match the terms for these agreements with the terms of engagement between Grand Perfect Sdn. Bhd. and the Sarawak government; and (iv) the timber extraction agreements are related to the extraction of existing standing timber in the reforestation area, and it is therefore in the commercial interest of SST to match the terms for the timber extraction agreements with the terms of the forest timber licenses covering the reforestation area, or alternatively when all timber in the reforestation area has been extracted, whichever is the earlier.

The Joint Sponsors consider that it is normal business practice for tree plantations agreements of this type to be of such duration.

The Joint Sponsors are of the view that the continuing connected transactions under paragraphs (1) to (15) above for which waivers are sought have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable and in the interests of the shareholders as a whole, and that the proposed annual caps set out above are fair and reasonable so far as our shareholders, taken as a whole, are concerned.

DIRECTORS

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. At each annual general meeting, one-third of our Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election.

EXECUTIVE DIRECTORS

Yaw Chee Ming, 47, has been a director of our Company since June 29, 2005 and has been appointed the Chief Executive Officer and an Executive Director of our Company since August 20, 2006. He is also the Managing Director of both Lingui and Glenealy, where he was appointed as an executive director on July 4, 1989 and June 22, 1995, respectively. He is also the Chief Executive Officer and an Executive Director of Samling Strategic, one of our Controlling Shareholders. Mr. Yaw has over 20 years of extensive knowledge and experience in the timber industry. Under his leadership, our Group has established an international presence with highly integrated business operations. He spearheaded the commitment of our Group towards responsible forest management and has led our Group to various internationally recognized certifications for forest management and downstream operations. Mr. Yaw graduated from the University of Southern California in the United States with a Master of Business Administration degree.

Cheam Dow Toon, 52, has been a director of our Company since June 29, 2005 and has been appointed the Chief Finance Officer and an Executive Director of our Company since August 20, 2006. He is also the Finance Director of both Lingui and Glenealy, where he was appointed as an executive director on March 7, 1994 and July 24, 1995, respectively. He has been with our Group since 1987. He has over 17 years of experience in the timber industry and over 10 years in the oil palm industry. Mr. Cheam is an associate member of The Chartered Institute of Management Accountants, a graduate of The Institute of Chartered Secretaries and Administrators in the United Kingdom, and a member of the Malaysian Institute of Accountants. Prior to returning to Malaysia in 1981, he was trained in the United Kingdom with a multinational company in management accounting and served as a Divisional Accountant in one of its operating divisions. Subsequently, he served in a few public listed companies in Malaysia. He was the Financial Controller and Company Secretary of Dunlop Estates Berhad from 1983 to 1987, and the Group Company Secretary of Multi-Purpose Holdings Berhad from 1986 to 1987. He completed the Wharton Advanced Management Programme at Wharton Business School of the University of Pennsylvania.

NON-EXECUTIVE DIRECTOR

Chan Hua Eng, 78, has been the Chairman of the Board and a director of our Company since October 17, 2005 and has been appointed a Non-Executive Director of our Company since August 20, 2006. He was appointed to the Board of Lingui as an Independent Non-Executive Director on March 28, 1990 and has been the Chairman since November 8, 1990. He was also appointed the Chairman of the board and an Independent Non-Executive Director of Glenealy on September 28, 1995 and has held these positions since then. Mr. Chan is also currently a director of other public listed companies in Malaysia, namely Lafarge Malayan Cement Berhad, Pacific & Orient Berhad and Rohas-Euco Industries Berhad, and was a director of Carlsberg Brewery

Malaysia Berhad, a public listed company in Malaysia, from December 1971 to April 2006. He is an associate member of the Chartered Institute of Taxation in the United Kingdom. Mr. Chan is also a barrister of the Middle Temple and was called to the Bar in the United Kingdom. He was admitted as a partner of Shearn Delamore & Co, Advocates & Solicitors in Malaysia in 1960 and retired as its senior partner in 1987. He is an advocate and solicitor of the High Court of Malaya. He graduated from the University of Bristol with a Bachelor of Law (Honours) degree.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Fung Ka Pun (alias K. B. Fung), 61, has been a director of our Company since October 17, 2005 and has been appointed an Independent Non-Executive Director and Deputy Chairman of our Company since August 20, 2006. Mr. Fung is the Executive Co-chairman of E2-Capital (Holdings) Limited, a company listed on the Stock Exchange. He is also the founder and Chairman of Goodwill International (Holdings) Limited, a substantial shareholder (as defined in the Listing Rules) of E2-Capital (Holdings) Limited. Mr. Fung has over 30 years of experience in finance, securities and commodities trading and corporate finance. He is a member of the Association of International Accountants. Mr. Fung worked for Deloitte Touche Tohmatsu from 1970 to 1972, and has extensive experience in dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements of public companies. He is also a member of the Institute of Chartered Secretaries and Administrators. Mr. Fung is also a director of a number of other listed companies in Hong Kong. He is an Independent Non-Executive Director of GZI Transport Limited, Lei Shing Hong Limited, Lee Hing Development Limited and Denway Motors Limited. He was a director and Co-chairman of Capital Publications Limited from August 2002 to November 2006. Mr. Fung is the Chairman of the audit committee of Lei Shing Hong Limited, and was a member of the audit committee of Denway Motors Limited, Lee Hing Development Limited and GZI Transport Limited. Our Directors consider that Mr. Fung has appropriate professional qualifications or accounting or related financial management expertise pursuant to rule 3.10(2) of the Listing Rules.

David William Oskin, 64, has been a director of our Company since October 17, 2005 and has been appointed an Independent Non-Executive Director of our Company since August 20, 2006. He is currently an Independent Director of Pacific Millennium Investment Company, an Independent Director of Goodman Global Inc., an Independent Director of Verso Paper Holdings, a Director of Big Earth Publishing and was a member of the Komatsu International Advisory Board. Mr. Oskin has more than 25 years of experience in the forest, wood, paper and packaging industries. He is also the President of Four Winds Ventures LLC. From 1975 to 1992, he took up various managerial positions at International Paper Company, responsible for managing world-wide human resources, quality management, the forest and wood products businesses and paper distribution. From 1992 to 1996, he was the Chief Executive Officer and a Director of Carter Holt Harvey Limited, a paper, packaging and forest products company listed on the New Zealand and the Australian Stock Exchanges. From 1996 to 2003, he served as the Executive Vice President of International Paper Company. From 2003 to present, he served as advisor to various other companies in the paper, packaging and publishing industries. Mr. Oskin graduated from the Widener University in the United States with a Bachelor of Arts. He also currently chairs the Board of Trustees of Widener University.

Tan Li Pin, Richard, 51, has been a director of our Company since October 17, 2005 and has been appointed an Independent Non-Executive Director of our Company since August 20, 2006. Mr. Tan is the founder and has been the Chief Executive Officer of various companies under the Pacific Millennium group since 1990. He served as the Chief Executive Officer and an Executive Director of Yong Fong Yu Paper Company, Taiwan in 1999. He was also an Executive Director of Millennium Bank, N.A., in San Francisco from 1994 to 2000, during which he served as the Chairman of its board of directors from 1996 to 1999. Mr. Tan also participates actively in public services. He is the Vice Chairman of the Chamber of International Commerce Shanghai, the Vice Chairman of the World Trade Center Association Shanghai, an advisor to the Shanghai Modern Management Center, an elected member of the Anhui Province Political Consultative Committee, the Vice Chairman of the Anhui International Hui-Merchants Association, and an appointed member of the Joint Venture Policy Advisory Board of the State of California Government in the United States. He graduated from the University of Southern California in the United States with a Master of Business Administration degree.

SENIOR MANAGEMENT

Malaysian operations — Upstream

James Ho Yam Kuan, 60, has been with our Group since 1993. He is currently the Vice President of the Forest Resource Division of our upstream operations in Malaysia, responsible for managing its various operational requirements. He joined the Log Marketing Division of our Group in 1993 and served as its Vice President (Marketing) until 1997. In 1997, the scope of his responsibilities in the upstream operations expanded to include managing various operational requirements, from human resources, management of the fleet of machinery and equipment, to transportation and logistics management of logs and spare parts and fuel. Mr. Ho has in-depth industry knowledge and over 12 years of operational and managerial experience in the timber industry. He graduated from the University of Strathclyde in the United Kingdom with a Master of Business Administration degree. Mr. Ho also qualified as a barrister-in-law in the United Kingdom.

Chin That Thong, 57, has been with our Group since 1987. He is currently the Assistant General Manager of Forest Operations in the Forest Resource Division of our upstream operations in Sarawak, Malaysia. Mr. Chin has served as the Camp Manager and the Regional Manager of our Forest Resource Division since 1987 and 1998, respectively, prior to assuming the current position in 2002. He has over 30 years of experience in forest operations, including eight years of working in various companies in the forestry industry in Indonesia and seven years working in a Malaysian timber company prior to joining our Group.

Tan Jin Kiat, 47, has been with our Group since 1995. He is currently the Assistant General Manager of the Log Marketing Division of our upstream operations in Malaysia, responsible for overall strategic planning and overseas marketing of logs. Between 1995 and 2003, he worked as Finance Manager and Assistant General Manager (Finance) of our Forest Resources Division. Mr. Tan is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He graduated from the University of Hull in the United Kingdom with a Master of Business Administration degree.

Malaysian operations — Downstream

Yaw Chee Chik, 46, has been with our Group since 1988. He is currently the Vice President of our downstream operations in Malaysia, responsible for overseeing the operations of our downstream division. Mr. Yaw has over 17 years of experience in the timber industry. He has held various managerial positions within our Group. Upon joining our Group in 1988, Mr. Yaw served as a Camp Manager of our Forest Operations Division in Sarawak, Malaysia. Subsequently, he was transferred to our Log Marketing Division in Sarawak, Malaysia, working as its Marketing Manager, overseeing the logistics and the export of logs. In 1993, he was appointed as the General Manager of our sawmill operations, and then, the Vice President of our Plywood Division, responsible for management of our plywood manufacturing facilities in Sarawak, Malaysia. Mr. Yaw graduated from City of London Polytechnic (currently known as the London Metropolitan University) and the University of Salford in the United Kingdom with a Bachelor of Arts degree and a Master of Science degree, respectively. He is a brother of Mr. Yaw Chee Ming, an Executive Director and the Chief Executive Officer of our Company.

Tan Seng Hock, 54, has been with our Group since 1993. He is currently the Vice President of Marketing (Plywood) of our downstream operations in Malaysia. Prior to joining our Group, Mr. Tan has held various senior marketing and management positions in several leading companies, including Harrisons & Crossfield Malaysia, Citibank Berhad and Dunlop Estates Berhad. He is currently an Executive Committee Member of the Malaysia Panel Products Manufacturers' Association. In 2003, he was appointed as a Project Consultant by ITTO to undertake a market study on global tropical hardwood plywood trade. He is also the co-author of the 2004 ITTO Publication Technical Series 20 — "Reviving Tropical Plywood". Mr. Tan graduated from the University of Malaya in Malaysia with an Honors Bachelor's degree in Economics and completed an Advanced Management Program at the University of Hawaii in the United States.

Dr. Kai Kruse, 43, has been with our Group since 1998. He is currently the General Manager of Samling Plywood (Baramas) Sdn. Bhd., a subsidiary of Lingui, responsible for production and management of plywood and other wood-based panels for our downstream operations in Malaysia. Dr. Kruse was the general manager of Daiken Miri Sdn. Bhd., our associated company, from 2002 to 2005, responsible for the production and management of our fiberboard plant in Sarawak, Malaysia. Prior to this, he worked part-time for our Group from 1998 to 2001 as a lecturer in our educational institute which we run in collaboration with the University of Hamburg. Dr. Kruse has been working in the wood and forestry industry since 1984. Prior to joining our Group, he worked as a scientist and subsequently a lecturer in the Wood Technology Department at the University of Hamburg in Germany from 1993 to 1998. During the same period, Dr. Kruse also carried out consultancy work, specializing in wood-based panel production, for various companies in the forestry products industry, including panel manufacturers, machine suppliers and resin producers. He was also a Senior Researcher at the German Federal Research Centre for Forestry and Forest Products from 1998 to 2001. Dr. Kruse graduated from the University of Hamburg with a Bachelor and Master's degree and a Doctorate in Wood Science and Technology.

Guyana operations

Girwar Lalaram, 50, has been with our Group since 1995. He is currently the General Manager of Barama Company Limited, our wholly-owned subsidiary in Guyana, responsible for its corporate affairs and administration. He has served as the General Affairs Manager and the Senior Manager of Barama Company Limited respectively, before assuming the current position in 2002. Prior to joining our Group, Mr. Lalaram has served as the Divisional Manager, the Planning and Project Manager and the Economist respectively, of Guyana National Engineering Corporation from 1988 to 1993. Mr. Lalaram graduated from the University of Guyana with a Bachelor of Social Science degree.

Sim Poh Yong, 63, is one of the co-founders of our Group and has been with our Group since 1966. He is currently the Head of Forest Operations of Barama Company Limited, our wholly-owned subsidiary in Guyana, responsible for overseeing our forest operations in Guyana, and an adviser of overseas projects in the Forest Resource Division of our Group. Previously, Mr. Sim worked in Malaysia as the Regional Manager and the Overseas Project Coordinator of the Forest Resource Division for our Group from 1969 to 1992, and from 1992 to 1998, respectively. Mr. Sim specializes in forest surveys and has extensive knowledge and experience in different types of forests gained through working in various countries in South America and the Asia-Pacific region. He is primarily responsible for conducting strategic surveys and planning for new forest areas for our Group, and currently oversees the forest certification program in Guyana.

Emmery Song Yih, 34, has been with our Group since 1998. He is currently the finance manager of Barama Company Limited in Guyana, responsible for overseeing the finance of our operations in Guyana. He was a manager of the internal audit division of our operations in Malaysia from 1998 to 2000. Subsequently, he assumed his current position in Guyana. Prior to joining our Group, he worked as an auditor in an established audit firm in Malaysia. He is a member of CPA Australia. He graduated from Curtin University in Australia with a Bachelor of Business degree majoring in accounting.

New Zealand operations

Norman Robert Hunter, 56, has been with our Group since 1995. He is currently the General Manager of our New Zealand operations and the Managing Director of Hikurangi Forest Farms Limited, our wholly-owned subsidiary in New Zealand. Mr. Hunter has worked in the forest industry for 36 years and has extensive forest industry experience gained throughout North, South and Central America, Africa, Australasia, the Asia-Pacific region, Eastern and Western Europe and Russia. Prior to joining our Group, he worked for 2 years as the Regional Manager, Papua New Guinea and the Pacific at Acil Australia Pty Ltd., a consulting company in Australia, from 1992 to 1994, and within the H.A. Simons Group of companies, a forest industry consulting group based in Canada, for 21 years from 1971 to 1992, with his last position there being the Deputy Director of South East Asian Operations. Mr. Hunter graduated from the University of Southern California with a Master of Business Administration degree and the University of Alberta with a Bachelors Degree in Forest Science, and obtained a Diploma in Forestry at the British Columbia Institute of Technology. He is a brother-in-law of Mr. Yaw Chee Ming, an Executive Director and the Chief Executive Officer of our Company.

United States and PRC operations

Chia Ti Lin, Colin, 48, has been with our Group since 1992. He is currently the President of Riverside and the Senior Vice President of our PRC and United States operations, and is responsible for developing our downstream processing operations in the PRC. He is also responsible for establishing our distribution network for the marketing of our products in the United States, building supply chain alliances with end-user customers and developing key strategies and creating a brand identity for our products in the United States. Mr. Chia served in various capacities in our downstream wood-based operations in Malaysia for 9 years from 1994 to 2002, with the position of Senior Vice President of our downstream operations in Sarawak from 1997 to 2002. He has held numerous directorships in our Group companies since 1992, including Samling Plywood (Bintulu) Sdn. Bhd., Samling Plywood (Baramas) Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., Barama Company Limited, Riverside and Foothill.

Finance

Goh York Pooi, 44, is our General Manager (Finance). He joined our Group in 1993 and is currently responsible for our financial reporting, corporate finance, treasury, tax and other related finance matters. Prior to joining our Group, from 1982 to 1988, he worked at Price Waterhouse (currently known as PricewaterhouseCoopers) where he acquired auditing experience in various industries, including manufacturing and banking. Subsequently, in 1989 to 1993, he joined the Malaysian Sime Darby Group as its Finance Manager. He is a member of Malaysian Institute of Certified Public Accountants. He has a Master of Finance from RMIT University, Melbourne, Australia. In January 2007, Mr. Goh tendered his resignation from our Company, effective in April 2007. He resigned due to personal reasons unconnected with the affairs of the Group. We are currently seeking a replacement for Mr. Goh as our General Manager (Finance). Mr. Goh has confirmed that there were no matters that would need to be brought to the attention of investors in connection with his resignation.

Tan Foong Ching, **Katherine**, 32, is our Assistant General Manager (Finance). She joined our Group in 2002 and is currently responsible for our financial reporting, corporate finance, treasury, tax and other related finance matters. Prior to joining our Group, from 1996 to 2002, she worked at PricewaterhouseCoopers where she acquired auditing experience in various industries, including manufacturing, property and financial services industries, with a focus on the oil and gas industry. She is a member of CPA Australia, the Malaysian Institute of Accountants and the Malaysian Institute of Corporate Governance. She graduated from the Monash University in Australia with a Bachelor of Commerce (Accounting and Econometrics) degree. Ms. Tan is our "Qualified Accountant" for the purpose of Rule 3.24 of the Listing Rules.

JOINT COMPANY SECRETARIES

Yau Chung Fat, 42, is our joint Company Secretary. Mr. Yau has over 15 years of experience in company secretarial matters, finance, management and administration. Prior to joining our Company, Mr. Yau has held management positions in a certified public accountants firm and a multi-national company in Hong Kong. He is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Veronica Lin Siu Mui, 42, is our joint Company Secretary. Ms Lin graduated from the Hong Kong Polytechnic University in 1987. She is an associate member and a fellow of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. She has over 19 years of experience in the company secretarial area with major international accounting firms including Coopers & Lybrand and Ernst & Young and has been providing corporate secretarial services to various listed companies since 1990. Ms Lin is currently a director of Corporate Services Department of Tricor Services Limited which is a non-listed company incorporated in Hong Kong.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong, including that normally at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since the majority of our operations are situated overseas, including Malaysia, Guyana, China and New Zealand, our Company does not and will not, for the foreseeable future, have a significant management presence in Hong Kong. Accordingly, the Stock Exchange has granted to us a waiver under Rule 8.12 of the Listing Rules. One of our independent non-executive Directors and alternate authorized representatives, Mr. Fung Ka Pun, and one of our joint company secretaries and the other alternate authorized representative, Mr. Yau Chung Fat, are ordinarily resident in Hong Kong and will be the principal channel of communication between the Stock Exchange and our Company. In addition, Ms. Veronica Lin Siu Mui, the other joint company secretary of our Company, is ordinarily resident in Hong Kong and will be readily contactable. Our Directors who are not ordinarily resident in Hong Kong will be readily contactable by the Stock Exchange through any one of them. We have also appointed CIMB-GK Securities (HK) Limited as our Compliance Adviser to enhance further the communication with the Stock Exchange.

AUDIT COMMITTEE

We established an audit committee on August 20, 2006 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The audit committee comprises four members, namely Mr. Fung Ka Pun, Mr. David William Oskin and Mr. Tan Li Pin, Richard, who are our independent non-executive Directors, and Mr. Chan Hua Eng, who is our non-executive Director. The chairman of the audit committee is Mr. Fung Ka Pun. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Company, nominate and monitor external auditors and provide advice and comments to our Directors.

REMUNERATION COMMITTEE

We established a remuneration committee on August 20, 2006 with written terms of reference in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The remuneration committee comprises three members, namely Mr. David William Oskin and Mr. Fung Ka Pun, who are our independent non-executive Directors, and Mr. Yaw Chee Ming, who is an executive Director. The chairman of the remuneration committee is Mr. David William Oskin. The primary duties of the remuneration committee are to evaluate the performance and determine the remuneration packages of our executive Directors and senior management and make recommendations on the remuneration of non-executive Directors.

NOMINATION COMMITTEE

We established a nomination committee on August 20, 2006 with written terms of reference in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The nomination committee comprises three members, namely, Mr. Tan Li Pin, Richard, who is our independent non-executive Director, Mr. Chan Hua Eng, who is our non-executive Director, and Mr. Fung Ka Pun, who is our independent non-executive Director. The chairman of the nomination committee is Mr. Tan Li Pin, Richard. The primary duties of the nomination committee are to review structure, size and composition of our Board on a regular basis, and make recommendations to our Board regarding nomination of suitable candidates to fill vacancies on our Board.

EMPLOYEES

As at September 30, 2006 we had 13,103 full time employees. Approximately 84.93% of our employees, are located in Malaysia, 10.83% are located in Guyana, 4.11% are located in China, and 0.13% are located in New Zealand. The following table sets forth the approximate number of our employees by division as at September 30, 2006.

	As at September 30, 2006	
	Number of employees	Approximate % of total number of employees
Management	46	0.4
Forest Operation	4,774	36.4
Manufacturing	7,573	57.8
Sales and marketing	173	1.3
Administration, finance, and group services	537	4.1
Total	**13,103**	**100.0**

Employee benefits

All of our employees are either on individual employment contracts which specify the terms of their employment or on standard appointment letters which refer to manuals of terms and conditions of service. Our Group also has employees who are members of unions of certain industries and these employees are covered by collective agreements with their respective unions.

Our employees' remuneration comprises basic salaries and incentive bonuses. Our remuneration expenses were approximately US$52.7 million, US$59.2 million, US$63.5 million and US$19.8 million for the three years ended June 30, 2006 and the three months ended September 30, 2006, respectively. Our Group's compensation and benefits policy is to firstly comply with all necessary employment laws of the various countries that we have business investment and secondly to introduce benefits that help to attract and retain quality staff. We participate frequently in salary surveys and studies to ensure that our practices are constantly being reviewed and that they keep up with time.

We provide our employees with a range of benefits which differ between category of employees, including staff quarters, medical and hospitalization benefits, employees provident fund contributions, educational assistance and group personal accident and term life insurance.

Training and development

We invest in continuing education and training programs for our management staff and factory and forest workers with a view to constantly upgrading their skills and knowledge. Our Group has in place comprehensive performance management system and competency framework to assess employees' competency levels and skills required for the various jobs available within our Group. We also continuously monitor and evaluate our employee training and development program for succession planning purposes to ensure that our Group has sufficient competent workforce to manage its businesses.

Our Group's relationship with our employees

Our Group maintains good working relations with its employees although we have had various employment issues such as demand for wage increments and employee dismissal issues from time to time during the ordinary course of our business. Our Group has not experienced any significant problems with the recruitment and retention of experienced employees. We have not suffered from any material disruption to our normal business operations as a result of any labor dispute, strike or employee dispute.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of director's fees, salaries, discretionary bonuses, housing allowances, retirement scheme contribution, other allowances and benefits in kind.

The aggregate amount of director's fees, salaries, discretionary bonuses, housing allowances, retirement scheme contributions, other allowances and benefits in kind paid/payable to our Directors which is attributable to services provided for the benefit of our Group for the three years ended June 30, 2006 and the three months ended September 30, 2006 was approximately US$249,000, US$296,000, US$538,000 and US$208,000, respectively.

The five highest paid individuals of our Group include one Director for the financial year ended June 30, 2004, two Directors for the financial year ended June 30, 2005 and one Director for the financial year ended June 30, 2006, whose aggregate compensation has been included in the aggregate compensation of our Directors above. Excluding the compensation of such Directors, the aggregate amount of salaries, discretionary bonuses, housing allowances, retirement scheme contributions, other allowances and benefits in kind paid by our Group to them which is attributable to services provided for the benefit of our Group during the three financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006 was approximately US$456,000, US$450,000, US$808,000 and US$146,000, respectively.

Save as disclosed above, no other payments which are attributable to services provided for the benefit of our Group have been paid or are payable, in respect of the three years ended June 30, 2006 and the three months ended September 30, 2006 by our Group to our Directors and the remaining highest paid individuals of our Group.

Under the arrangements currently in force, the aggregate remuneration payable to, and benefits in kind receivable by, our Directors which is attributable to services provided for the benefit of our Group for the year ending June 30, 2007, but excluding discretionary management bonuses, are estimated to be approximately US$1.0 million.

COMPLIANCE ADVISER

We have appointed CIMB-GK Securities (HK) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to us. We will consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

(i) before our publication of any regulatory announcement (whether required by the Listing Rules or requested by the Stock Exchange or otherwise), circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated by us, including share issues and share repurchases;

(iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimates, or other information in this Prospectus; and

(iv) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

So far as our Directors are aware, the following persons will, immediately following completion of the Global Offering (taking no account of any exercise of the Over-allotment Option), have interests or short positions in our Shares or underlying shares of our Company which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or, (other than our Company) who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries:

Our Company

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholdings
Yaw Chee Ming(1)	Interest of a controlled corporation	2,320,290,260	55.99%
Datuk Yaw Teck Seng(2)	Beneficial owner/Interest of a controlled corporation	2,592,291,280	62.55%
Yaw Holding Sdn. Bhd.(3)	Interest of a controlled corporation	2,320,290,260	55.99%
Samling Strategic	Beneficial owner	2,320,290,260	55.99%
Ahmad Bin Su'ut(4)	Interest of a controlled corporation	225,592,070	5.44%
Tapah	Beneficial owner	225,592,070	5.44%
Abdul Hamed Bin Sepawi(5)	Interest of a controlled corporation	207,334,280	5.00%
Wan Morshidi Bin Tuanku Abdul Rahman(6)	Interest of a controlled corporation	207,334,280	5.00%
PDT	Beneficial owner	207,334,280	5.00%

Notes:

(1) As at the Latest Practicable Date, Yaw Chee Ming was interested in approximately 39.6% of the issued share capital of Yaw Holding Sdn. Bhd., which owns the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the Shares owned by Samling Strategic.

(2) As at the Latest Practicable Date, Datuk Yaw Teck Seng was interested in approximately 39.6% of the issued share capital of Yaw Holding Sdn. Bhd., which owns the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the Shares owned by Samling Strategic. Datuk Yaw Teck Seng also owns 99.9% of the issued share capital of SIL and is deemed to be interested in 203,764,310 Shares, representing approximately 4.91% of our issued share capital, owned by SIL. He is also directly beneficially interested in 68,236,710 Shares, representing approximately 1.65% of our issued share capital.

(3) As at the Latest Practicable Date, Yaw Holding Sdn. Bhd. was interested in the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the Shares owned by Samling Strategic.

(4) As at the Latest Practicable Date, Ahmad Bin Su'ut was interested in 99.998% of the issued share capital of Tapah and is deemed to be interested in all the Shares owned by Tapah.

(5) As at the Latest Practicable Date, Abdul Hamed Bin Sepawi was interested in 60% of the issued share capital of PDT and is deemed to be interested in all the Shares owned by PDT.

(6) As at the Latest Practicable Date, Wan Morshidi Bin Tuanku Abdul Rahman was interested in 40% of the issued share capital of PDT and is deemed to be interested in all the Shares owned by PDT.

Our subsidiaries

Our subsidiary	Substantial shareholder in this subsidiary	Approximate percentage of shareholdings/ registered capital
Dayalaba Sdn. Bhd.	Binabadi Sdn. Bhd.	30%
Majulaba Sdn. Bhd.	Binabadi Sdn. Bhd.	30%
Samling Housing Products Sdn. Bhd.	(i) Sojitz Corporation	(i) 17%
	(ii) Dainippon Ink & Chemicals Inc.	(ii) 29%
Samling Manufacturing Plantation Sdn. Bhd.	PDT	30%
Grand Paragon Sdn. Bhd.	(i) Yeoh Keat Hin	(i) 10%
	(ii) John William Smith	(ii) 10%

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering (taking no account of any exercise of the Over-allotment Option), have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries.

Immediately after the Global Offering (assuming the Over-allotment Option is not exercised), our issued share capital will be US$414,423,683 divided into 4,144,236,830 Shares. Particulars of the approximate shareholding percentages are as follows:

Shareholder	Percentage
Samling Strategic	55.99%
SIL	4.91%
Datuk Yaw Teck Seng	1.65%
Wong Lee Ung	0.04%
Yong Nyan Siong	0.07%
PDT	5.00%
Tapah	5.44%
Glory Winner Trading Limited	1.56%
Public	25.34%
Total:	**100.00%**

Upon completion of the Global Offering and assuming that none of the Offer Shares is taken up by Malaysian citizens or Bumiputera interests, approximately 73.1% and 10.44% of our issued share capital will be effectively held by Malaysian citizens (including Bumiputera interests) and Bumiputera interests respectively (assuming no exercise of the Over-allotment Option), and approximately 70.4% and 10.06% of our issued share capital will be effectively held by Malaysian citizens (including Bumiputera interests) and Bumiputera interests respectively (assuming full exercise of the Over-allotment Option) based on the information available as at the Latest Practicable Date.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking account of any Shares which may be taken up under the Global Offering), Samling Strategic will be directly interested in approximately 55.99% of the total issued share capital of our Company. Samling Strategic is an intermediate holding company and is 100% owned by Yaw Holding Sdn. Bhd. Yaw Holding Sdn. Bhd. is directly controlled by Datuk Yaw Teck Seng and Mr. Yaw Chee Ming, our Chief Executive Officer and Executive Director. In addition, Datuk Yaw Teck Seng will be indirectly interested in approximately 4.91% of the total issued share capital of our Company through SIL which is owned as to 99.9% by Datuk Yaw Teck Seng. Samling Strategic, Yaw Holding Sdn. Bhd., Datuk Yaw Teck Seng and Mr. Yaw Chee Ming are therefore the Controlling Shareholders of our Company as defined under the Listing Rules.

The following is a description of the authorized and issued Share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option).

	US$
Authorized Share capital:	
5,000,000,000 Shares of US$0.10 each	500,000,000
Issued Share capital:	
3,094,236,830 Shares in issue as at the date of this prospectus	309,423,683
Shares to be issued:	
1,050,000,000 Shares to be issued pursuant to the Global Offering	105,000,000
Total issued and to be issued Share capital:	
4,144,236,830 Shares	414,423,683

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and does not take into account the Shares which may be issued pursuant to any exercise of the Over-allotment Option, any exercise of any options granted or to be granted under the Share Option Scheme referred to in paragraph headed "Share Option Schemes" below or which may be issued or repurchased pursuant to the general mandate referred to in the paragraph headed "General mandate to issue Shares" or the repurchase mandate referred to in the paragraph headed "General mandate to repurchase Shares" below, as the case may be. If the Over-allotment Option is exercised in full, then 157,500,000 additional Shares will be issued resulting in a total enlarged issued share capital of 4,301,736,830 Shares with a nominal value of US$0.10 each.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in "Structure of the Global Offering — Conditions of the Hong Kong Public Offering", our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our shareholders) shall not exceed:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding the Over-allotment Option); and

(b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any).

This general mandate to issue Shares will remain in effect until:

(i) the conclusion of our Company's next annual general meeting;

(ii) the expiration of the period within which our Company's next annual general meeting is required by any applicable law or the Bye-laws to be held; or

(iii) it is varied or revoked by an ordinary resolution of our Company's shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the section headed "Further Information about our Company — Resolutions of Shareholders of our Company" in Appendix VIII to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in "Structure of the Global Offering — Conditions of the Public Offering", our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering (excluding the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Repurchase of our Securities" in Appendix VIII to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

(i) the conclusion of our Company's next annual general meeting;

(ii) the expiration of the period within which our Company's next annual general meeting is required by any applicable law or the Bye-laws to be held; or

(iii) it is varied or revoked by an ordinary resolution of our Company's shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the section headed "Further Information about our Company — Resolutions of Shareholders of our Company" in Appendix VIII to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in the section headed "Share Option Scheme" in Appendix VIII to this prospectus.

SELECTED COMBINED FINANCIAL INFORMATION

The following tables set forth selected combined financial information for our Company for the three financial years ended June 30, 2006 and the three months ended September 30, 2005 and 2006, which have been derived from our combined financial statements included in Appendix I to this prospectus prepared in accordance with IFRS. Our historical combined income statement, balance sheet and cash flow information set forth below as at and for the three financial years ended June 30, 2006 and the three months ended September 30, 2006 have been audited by our independent reporting accountants, KPMG. Our historical combined income statement, balance sheet and cash flow information set forth below as at and for the three months ended September 30, 2005 have not been audited. Historical results are not necessarily indicative of results for any future period. For further information regarding the basis of presentation of our selected combined financial information, see "Financial Information — Basis of Presentation" and Appendix I to this prospectus.

Combined Income Statements Information

	Financial year ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005 (unaudited)	2006
	(US$ in millions, except per share data)				
Turnover	364.3	409.1	388.7	98.0	144.9
Cost of sales	(304.0)	(339.8)	(341.8)	(85.2)	(100.0)
Gross profit	60.3	69.3	46.9	12.8	44.9
Other operating income	6.6	14.7	2.8	0.5	1.7
Distribution costs	(3.9)	(4.5)	(4.5)	(1.1)	(2.0)
Administrative expenses	(15.4)	(16.9)	(17.2)	(4.2)	(5.4)
Other operating expenses	(0.2)	(0.5)	(1.5)	(0.1)	(0.0)
Gain/(Loss) from changes in fair value of plantation assets less estimated point-of-sale costs	10.4	(14.8)	(15.3)	1.8	1.2
Profit from operations	57.9	47.4	11.2	9.8	40.4
Financial income	7.3	9.1	6.9	1.7	3.9
Financial expenses	(16.7)	(16.6)	(22.4)	(3.8)	(5.8)
Net financing costs	(9.3)	(7.6)	(15.5)	(2.0)	(1.9)
Share of profits less losses of associates	5.5	2.3	1.3	(0.9)	1.0
Share of profits less losses of jointly controlled entities	—	2.4	2.8	0.5	0.7
Profit/(Loss) before taxation	54.1	44.6	(0.2)	7.4	40.1
Income tax	(8.8)	(1.3)	1.7	(3.2)	(7.7)
Profit for the year/period	45.2	43.3	1.5	4.2	32.4
Attributable to:					
Equity holders of the Company	23.5	23.1	5.1	1.4	22.3
Minority interests	21.7	20.1	(3.6)	2.8	10.1
Profit for the year/period	45.2	43.3	1.5	4.2	32.4
Dividend attributable to the year/period:					
Interim dividend declared during the year/period	1.3	—	2.4	2.4	—
Final dividend proposed after the balance sheet date	1.3	2.5	—	—	—
	2.5	2.5	2.4	2.4	—
Earnings per share (US cents)					
Basic	0.76	0.75	0.17	0.05	0.72

Combined Balance Sheet Information

	June 30,			September 30,
	2004	2005	2006	2006
	(US$ in millions)			
Non-current assets				
Property, plant and equipment, net				
– Investment properties	9.7	9.5	9.6	9.5
– Other property, plant and equipment	317.0	321.8	381.5	385.6
Construction in progress	2.5	4.8	2.0	1.4
Lease prepayments	23.4	22.9	26.5	26.3
Timber concessions	18.4	16.6	31.8	30.7
Goodwill	0.6	0.6	0.6	0.6
Plantation assets	178.1	193.8	165.3	182.0
Interest in associates	45.4	42.8	44.9	45.9
Interest in jointly controlled entities	–	18.1	15.3	14.5
Other investment	0.0	0.0	0.0	0.0
Deferred tax assets	4.5	3.4	3.6	3.9
Total non-current assets	599.6	634.4	681.2	700.4
Current assets				
Inventories	73.4	69.0	83.5	92.1
Trade and other receivables	206.7	218.8	97.3	79.9
Tax recoverable	8.6	8.5	9.4	6.1
Cash and cash equivalents	19.7	26.5	21.1	30.8
Total current assets	308.4	322.8	211.2	208.9
Total assets	907.9	957.1	892.5	909.4
Current liabilities				
Bank overdrafts, loans and borrowings	110.8	91.9	121.8	117.2
Loans from shareholders	2.2	–	–	–
Finance lease liabilities	11.4	15.1	22.8	25.5
Bonds[(1)]	–	39.5	–	–
Trade and other payables	194.8	137.6	186.3	154.3
Tax payable	9.9	2.5	1.8	2.8
Total current liabilities	329.2	286.6	332.7	299.9
Net current (liabilities)/assets	(20.8)	36.2	(121.4)	(90.9)

Combined Balance Sheet Information (cont'd)

	June 30,			September 30,
	2004	2005	2006	2006
	(US$ in millions)			
Total assets less current liabilities	578.8	670.5	559.8	609.5
Non-current liabilities				
Bank loans and borrowings	80.7	83.1	129.2	129.7
Loans from shareholders	39.7	–	–	–
Finance lease liabilities	26.8	39.8	55.5	61.9
Bonds[1]	78.5	39.3	40.8	40.8
Deferred tax liabilities	47.4	53.4	47.9	51.1
Total non-current liabilities	273.0	215.6	273.5	283.6
Total liabilities	602.2	502.2	606.1	583.4
Equity				
Share capital	49.0	50.4	1.0	1.0
Reserves	75.5	197.3	166.4	193.1
Total equity attributable to equity holders of the Company	124.5	247.8	167.4	194.1
Minority interests	181.3	207.2	118.9	131.9
Total equity	305.7	455.0	286.3	325.9
Total liabilities and equity	907.9	957.1	892.5	909.4

Note:

(1) On April 26, 2001, Lingui issued 5-year 8% per annum fixed rate bonds amounting to RM150 million (approximately US$40.8 million) and 7-year 8.5% per annum fixed rate bonds amounting to RM150 million (approximately US$40.8 million). The proceeds from the bonds were used to refinance bank borrowings of the Lingui Group and for working capital purposes. The bonds are secured by debt service reserve accounts which are maintained for coupon payments and principal repayments. Lingui has also covenanted to maintain certain gearing ratios and interest coverage ratios under the terms of the bonds.

Combined Cash Flow Information

	Financial year ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005 (unaudited)	2006
	(US$ in millions)				
Operating activities					
Net cash generated from operations	93.7	100.3	91.7	15.5	31.7
Net income tax refunded/(paid)	2.0	(8.7)	(7.9)	(2.2)	(2.0)
Net cash generated from operating activities	95.7	91.6	83.8	13.3	29.8
Investing activities					
Payment for purchase of property, plant and equipment	(25.8)	(36.5)	(54.8)	(3.5)	(1.0)
Capital expenditure in construction in progress	(2.2)	(4.2)	(4.0)	(7.2)	(0.1)
Capital expenditure in lease prepayments	(3.8)	(0.1)	(1.9)	(1.0)	—
Capital expenditure in plantation assets	(3.4)	(4.2)	(5.0)	(1.6)	(1.3)
Proceeds from sale of property, plant and equipment	2.0	50.8	8.3	0.3	5.7
Proceeds from sale of plantation licence	3.0	—	—	—	—
Dividends received from associate	0.4	0.8	0.7	—	—
Deemed disposal of a subsidiary, net of cash disposed of	—	(0.5)	—	—	—
Acquisition of additional interests in a subsidiary	—	—	(35.9)	—	—
Acquisition of subsidiaries, net of cash acquired	—	—	0.1	—	—
Investment in associates	(0.1)	(3.8)	—	—	—
Investment in jointly controlled entities	—	(12.9)	—	—	—
(Advances and repayment to)/repayment from jointly controlled entity	—	(15.0)	6.2	2.5	1.6
Advances and repayments to related parties	(30.9)	(27.5)	(15.5)	(8.8)	(16.4)
Repayment from related parties	9.9	4.9	25.5	0.8	9.9
Proceeds from disposal of interest in associate	—	8.5	—	—	—
Deposits pledged	(0.5)	0.0	0.3	—	(0.2)
Interest received	3.2	4.1	4.4	1.0	0.2
Net cash used in investing activities	(48.1)	(35.6)	(71.5)	(17.5)	(1.7)
Financing activities					
Capital element of finance lease rentals paid	(10.2)	(13.5)	(20.3)	(4.0)	(6.9)
Proceeds from the issue of shares, net of issue expenses	2.8	—	72.3	—	—
Acquisition of subsidiary from our Controlling Shareholders	—	—	(72.3)	—	—
Dividends paid	(2.5)	(1.3)	(5.0)	(2.4)	—
Proceeds from bank loans and other borrowings	120.5	105.7	223.7	23.7	31.8
Repayment of bank loans and other borrowings	(132.8)	(125.3)	(203.6)	(23.2)	(32.7)
Interest paid on bank loans and financial lease rentals	(17.6)	(16.5)	(20.7)	(2.4)	(5.1)
Proceeds of loans from shareholders	—	4.8	—	—	—
Net cash (used in)/generated from financing activities	(39.9)	(46.1)	(25.9)	(8.3)	(12.9)
Net increase/(decrease) in cash and cash equivalents	7.6	9.9	(13.6)	(12.5)	15.1
Cash and cash equivalents at beginning of the year/period	(22.0)	(14.4)	(4.4)	(4.4)	(17.1)
Effect of foreign exchange rate changes	0.1	0.1	0.9	(0.1)	(0.5)
Cash and cash equivalents at end of the year/period	(14.4)	(4.4)	(17.1)	(17.0)	(2.5)

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our historical combined financial statements and the notes related thereto included in Appendix I to this prospectus. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this prospectus. Our combined financial statements are included in Appendix I to this prospectus and were prepared in accordance with IFRS. References below to the "2004 financial year", the "2005 financial year" and the "2006 financial year", unless otherwise noted, are references to our financial years ended as at June 30, 2004, 2005 and 2006, respectively. Unless otherwise stated or the context otherwise requires, all financial information of our Company presented herein comprises combined financial information of the Group, meaning our Company and its subsidiaries on a combined basis and, in respect of the period before our Company became the holding company of such subsidiaries, the entities which carried out the business of the Group. References to financial information of the "Company" and "our Company" in this section should be construed accordingly.

OVERVIEW

We are a well established, integrated forest resource and wood products company with approximately 4 million hectares of forest resources situated in different regions around the world. We also own one of the world's largest hardwood plywood manufacturing capacities. Most of our revenues come from the sale of logs, plywood and veneer. We also process and sell other value-added wood products such as door facings, doors, fiberboard, housing products and sawn timber. We divide our business into five segments:

- Sale of logs;
- Production and sale of plywood and veneer;
- Upstream support services for the log extraction operations of other companies;
- Other timber operations, including the production and sale of flooring, chipboard, door facings, doors, fiberboard, housing products and sawn timber; and
- Non-timber operations, including the production and sale of granite aggregates and rubber compounds, glue, logistical services, investment properties and other investments.

Our operations are vertically integrated in order to ensure a consistent supply of wood to our downstream operations to meet our customers' needs.

BASIS OF PRESENTATION

Our Company was incorporated on June 27, 2005. Our Group is primarily comprised of various timber-related and other businesses that were transferred to us by our Controlling Shareholders and various timber-related businesses that were acquired from various third parties as part of the Reorganization which we underwent for the purposes of the Global Offering. The first asset transferred into our Company was our Controlling Shareholders' 39.87% interest in Lingui, of which such transfer occurred on April 18, 2006. Our acquisition of our Controlling Shareholders' interest in Lingui triggered under Malaysian law an obligation for us to make a mandatory general offer for Lingui shares, as a result of which we acquired an additional 19.82% interest in Lingui from third parties on May 24, 2006, resulting in our holding a 59.69% interest in Lingui. On June 29 and 30, 2006, our Controlling Shareholders subsequently transferred to us their interests in certain of their timber businesses. On June 29, 2006, we also acquired controlling interests in various timber-related businesses in Malaysia and the PRC that were owned prior thereto by third parties. See "Our History and Corporate Structure" for further information.

As our Controlling Shareholders were for the three financial years ended June 30, 2006 (i) the controlling shareholders of Lingui on account of their 39.87% interest in Lingui and (ii) the controlling shareholder of the various privately held timber businesses they transferred to us on June 29 and 30, 2006, we have in accordance with IFRS prepared combined income statements, statements of equity and statements of cash flows for the three financial years ended June 30, 2006 and the three months ended September 30, 2005 and 2006, and combined balance sheets at June 30, 2004, 2005 and 2006 and at September 30, 2006, combining these businesses with ours for such periods and as at such dates for purposes of our combined financial statements.

As we acquired the additional 19.82% interest in Lingui on May 24, 2006, we attributed 59.69% of Lingui's profits and losses since the date of this acquisition to the equity holders of our Company. As neither we nor our Controlling Shareholders controlled any of the various Malaysian and PRC businesses that we acquired from third parties on June 29, 2006, such businesses were accounted for in our historical combined financial statements, since the respective date of each acquisition, on a purchase accounting basis under IFRS.

FACTORS AFFECTING RESULTS OF OPERATIONS

Our financial results and the period-to-period comparability of our financial results are affected by a number of factors, the most important of which are:

(1) Market demand and supply conditions for logs

Logs are one of our major products and sales of logs are a major contributor to our turnover. Revenue from sales of logs amounted to approximately 31.1%, 32.0% and 31.2% of our turnover for the financial years ended June 30, 2004, 2005 and 2006, respectively, and approximately 31.1% and 29.4% of our turnover for the three months ended September 30, 2005 and 2006, respectively. In addition, logs are the main raw material used in manufacturing our downstream products, including plywood, veneer, sawn timber and other wood products. The following table shows selected operating and financial data with respect to our sales volume, weighted average price and revenue of logs sold, including intercompany log sales.

	Financial year ended June 30,									Three months ended September 30,					
	2004			2005			2006			2005			2006		
	Sales Volume	Weighted Average Price(1)	Revenue	Sales Volume	Weighted Average Price(1)	Revenue	Sales Volume	Weighted Average Price(1)	Revenue	Sales Volume	Weighted Average Price(1)	Revenue (unaudited)	Sales Volume	Weighted Average Price(1)	Revenue
	m^3 '000	*US\$/m^3*	*US\$ m*	*m^3 '000*	*US\$/m^3*	*US\$ m*	*m^3 '000*	*US\$/m^3*	*US\$ m*	*m^3 '000*	*US\$/m^3*	*US\$ m*	*m^3 '000*	*US\$/m^3*	*US\$ m*
Hardwood logs — export sales	732.5	104.79	76.7	782.2	123.14	96.3	595.0	143.39	85.3	154.5	134.06	20.7	210.6	162.42	34.2
Hardwood logs — local sales(2)	453.0	64.25	29.1	380.4	70.38	26.8	377.8	78.37	29.6	123.0	61.00	7.5	80.4	86.79	7.0
Softwood logs — export sales	72.2	48.09	3.5	68.0	50.43	3.4	67.8	55.98	3.8	25.0	54.75	1.4	16.1	58.63	0.9
Softwood logs — local sales(2)	63.8	61.69	4.0	62.1	71.56	4.4	33.9	71.05	2.4	11.8	74.78	0.9	7.1	65.80	0.5
Total external log sales	1,321.5		113.3	1,292.7		130.9	1,074.5		121.1	314.3		30.5	314.2		42.6
Internal log sales(3)	587.1	74.07	43.5	697.1	76.57	53.4	755.4	73.77	55.7	181.1	70.55	12.8	275.9	84.45	23.3
Total log sales	1,908.6		156.8	1,989.8		184.3	1,829.9		176.9	495.4		43.2	590.1		65.9

Notes:

(1) Our historical weighted average log sales prices indicated in the table above are weighted averages of log sales prices we obtained during each relevant financial year or three month period indicated above during the Track Record Period. IAS 41 on accounting for biological assets requires us to account for our tree plantations based on the fair value of our plantation assets less estimated point-of-sale costs as of each balance sheet date. We retain independent valuers to make such calculations. In estimating the fair value of our plantations, our independent valuers make a number of key assumptions, including with regards to changes in log prices. Our independent valuers in New Zealand, CFK, utilize the market sales price prevailing as of each relevant balance sheet date for each grade of softwood logs produced by

our Company in New Zealand, rather than weighted averages of softwood log sales prices obtained throughout each financial year or three month period ending on such balance sheet date, for purposes of calculating changes in fair value of our plantation assets in New Zealand. As a result, increases or decreases from period to period in weighted average softwood log sales prices evident in the table above, which are calculated as a weighted average across each financial year or three month period, may not accord with increases or decreases in the softwood log prices utilized by our independent valuers in New Zealand for IAS 41 purposes for such periods, which are determined by reference to market sales prices for softwood logs prevailing as of each relevant balance sheet date. See "Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" and "Factors Affecting Results of Operations — Change in fair value of plantation assets less estimated point-of-sale costs" for further information.

(2) Local sales includes sales to customers located in Malaysia from our operations in Malaysia, sales to customers located in Guyana from our operations in Guyana and sales to customers located in New Zealand from our operations in New Zealand.

(3) Internal log sales reflects the sales value of our own logs consumed by us for purposes of manufacturing wood products such as sawn timber, plywood and veneer. Such sales are subject to intercompany elimination for purposes of our combined financial statements. However, internal log sales do not include logs consumed by our downstream mills where the mill and forest concession from which the logs were extracted are held by the same subsidiary.

Log prices fluctuate according to the supply and demand of logs on the open market, which is affected by the overall condition of the world economy, among other factors. Since 2002, log prices have generally increased due, in large part, to strong demand for raw materials from the PRC and a tight supply environment for logs. Rapid economic growth in the PRC and India has led to greater demand for raw materials from the construction and building sectors of those countries. We also believe that a decline of log exports from Indonesia, resulting in part from government policies in Indonesia requiring all logs to be processed locally and in part from a decline in illegal logging in Indonesia, has contributed during the Track Record Period to a shortage of logs in the Asia-Pacific region. As a result, the weighted average price per m^3 of our hardwood log exports increased to US$104.79, US$123.14 and US$143.39 for the financial years ended June 30, 2004, 2005 and 2006, respectively, and to US$134.06 and US$162.42 for the three months ended September 30, 2005 and 2006, respectively. The weighted average price of our logs is also affected by the mix of species, sizes, quality and grade of logs extracted and the demand for wood from such species, sizes, quality and grade at any given time.

(2) Weather conditions at our forest areas

The amount of logs we are able to extract in any given period is dependent on, among other things, the prevailing weather conditions at our forest areas during that period. In particular, in order to log timber from our concessions and transport them by logging trucks to our riverbank log ponds, we require roads that are generally dry. While we plan our logging operations to minimize our exposure to the usual rainy seasons affecting our forest areas, abnormally prolonged periods of rainfall beyond the usual rainy season adversely impacts on the volume of logs we are able to extract. During the financial year ended June 30, 2006, a prolonged rainy season in Sarawak, Malaysia, impacted the total production volume of logs we extracted during such financial year, which decreased to approximately 1.9 million m^3 during the financial year ended June 30, 2006 from approximately 2.0 million m^3 for the financial year ended June 30, 2005. As a result, for the first time in the past three financial years, during the 2006 financial year we did not extract volumes of timber nearing the maximum volume of timber permitted by quotas for logs permitted to be assessed for royalties from our concessions set by the Sarawak Forest Department. In the 2004 and 2005 financial years, the volume of royalty assessed logs we extracted from our forest areas in Sarawak (excluding for purposes of such calculation companies we acquired from third parties during 2006) was within approximately 3% of the quotas set by the Sarawak Forest Department. By contrast, in the 2006 financial year, the volume of royalty assessed logs we extracted from our forest areas in Sarawak (excluding for purposes of such calculation companies we acquired from third parties during 2006) was approximately 14% less than the quotas set by the Sarawak Forest Department. Our revenue from logs from Sarawak decreased by US$16.5 million, or approximately 13.9%, to US$102.2 million for the financial year ended June 30, 2006 from US$118.7 million for the financial year ended June 30, 2005, primarily as a result of such decrease in total production volume of logs extracted.

(3) Market demand and supply conditions for plywood and veneer

Plywood and veneer are also among our principal products and together are a major contributor to our turnover. Revenue from sales of plywood and veneer constituted together 46.8%, 49.7% and 53.4% of our turnover for the financial years ended June 30, 2004, 2005 and 2006, respectively. Revenue from sales of plywood and veneer together constituted 49.2% and 61.4% of our turnover for the three months ended September 30, 2005 and 2006, respectively. The following table shows selected operating and financial data with respect to our sales volume, weighted average price and revenue of plywood and veneer sold, including intercompany sales and eliminations.

	Financial year ended June 30, 2004			2005			2006			Three months ended September 30, 2005			2006		
	Sales Volume	Weighted Average Price	Revenue	Sales Volume	Weighted Average Price	Revenue	Sales Volume	Weighted Average Price	Revenue	Sales Volume	Weighted Average Price	Revenue (unaudited)	Sales Volume	Weighted Average Price	Revenue
	m³ '000	*US$/m³*	*US$ m*	*m³ '000*	*US$/m³*	*US$ m*	*m³ '000*	*US$/m³*	*US$ m*	*m³ '000*	*US$/m³*	*US$ m*	*m³ '000*	*US$/m³*	*US$ m*
Plywood — export sales	489.2	311.69	152.5	495.3	350.49	173.6	451.8	370.39	167.3	112.2	342.13	38.4	158.4	459.45	72.8
Plywood — local sales(1)	30.6	263.26	8.0	27.2	292.76	8.0	28.9	291.56	8.4	6.8	300.19	2.0	8.9	344.48	3.1
Veneer — export sales	38.7	125.21	4.8	71.3	174.23	12.4	78.5	259.43	20.4	19.6	251.75	4.9	24.8	308.84	7.6
Veneer — local sales(1)	32.0	164.39	5.3	40.6	228.76	9.3	51.1	223.13	11.4	14.2	196.14	2.8	19.7	276.85	5.5
Total external plywood and veneer sales	590.5		170.6	634.4		203.3	610.3		207.5	152.8		48.2	211.7		88.9
Internal plywood sales(2)	7.1	335.29	2.4	11.9	304.22	3.6	6.8	401.38	2.7	1.9	367.85	0.7	1.2	556.87	0.7
Internal veneer sales(3)	–	–	–	–	–	–	63.5	263.47	16.7	1.4	212.62	0.3	24.3	315.95	7.7
Total plywood and veneer sales	597.6		173.0	646.3		206.9	680.6		227.0	156.1		49.1	237.2		97.3

Notes:

(1) Local sales includes sales to customers located in Malaysia from our Malaysian operations sales to customers located in Guyana from our Guyana operations and sales to customers located in the PRC from our PRC operations.

(2) Internal plywood sales reflects the sales value of our own plywood consumed by us for purposes of manufacturing wood products such as flooring and housing products. Such sales are subject to intercompany elimination for purposes of our combined financial statements.

(3) Internal veneer sales reflects the sales value of our own veneer consumed by us for purposes of manufacturing plywood. Such sales are subject to intercompany elimination for purposes of our combined financial statements.

As with logs, plywood and veneer prices are dependent on market demand and supply conditions. The main drivers of demand for plywood and veneer are the construction and housing sectors globally. Since the 2004 financial year, the economic recovery in the Asia-Pacific region and economic growth in China have contributed to increased demand for plywood and veneer. For the financial years ended June 30, 2004, 2005 and 2006, our weighted average price per m^3 of plywood exported was US$311.69, US$350.49 and US$370.39, respectively. For the three months ended September 30, 2005 and 2006, our weighted average price per m^3 of plywood exported was US$342.13 and US$459.45, respectively.

(4) Enhancement of our log extraction and timber processing capacity

As at September 30, 2006, we had gross forest concession areas totaling approximately 1.4 million hectares in Malaysia and approximately 1.6 million hectares in Guyana and had harvesting rights for a further 445,000 hectares in Guyana. We also hold plantation licenses for the development of approximately 438,000 hectares in Malaysia and hold various rights (consisting primarily of freehold rights, but also including leasehold, forestry and cutting rights) over a radiata pine plantation located in New Zealand covering a gross area of approximately 35,000 hectares with a planted area of approximately 26,000 hectares.

In recent years we have made significant capital investments in expanding and enhancing our log extraction and timber processing capacities to improve efficiencies and to position ourselves to capitalize on any opportunities from upward timber price trends. These investments include:

- ***Malaysia.*** In the three financial years ended June 30, 2006, we invested US$102.5 million in replacing our logging and logging support equipment in Malaysia, including the purchase of 146 new units of Mercedes Benz logging trucks and 366 new units of Caterpillar logging equipment. We believe that our logging truck and equipment upgrades will help us improve productivity, lower our spare parts consumption and achieve better fuel efficiency.

  In our downstream operations in Malaysia, we have increased production capacity by building three new veneer mills in the last three financial years. These new mills have the technological capability to utilize smaller diameter logs from plantation salvage operations. The veneer mills are located close to our plantation areas, thereby decreasing transport costs to the mills. In August 2005, we completed the acquisition of an additional plywood manufacturing facility in Sibu, Malaysia. Our three new veneer mills and additional plywood facility have increased our veneer and plywood rated production capacities by 242,000 m^3 per annum and 84,000 m^3 per annum, respectively, since the beginning of the 2004 financial year.

- ***Guyana.*** As we continue to ramp up our logging operations in Guyana, our capital expenditures in that country in recent years have increased significantly, from approximately US$0.1 million in the 2004 financial year to US$2.0 million in the 2005 financial year and US$11.0 million in the 2006 financial year. We increased our upstream log extraction capacity by adding 80 additional units of logging trucks and other logging equipment to our fleet in Guyana. We also commissioned our second sawmill in Guyana in March 2006. This new Buckhall facility has a rated production capacity of 50,000 m^3 per annum. Our log sales in Guyana for the 2004, 2005 and 2006 financial years accounted for approximately 4.3%, 3.3% and 10.5% of our revenue from logs during such financial years. Our log sales in Guyana for the three months ended September 30, 2005 and 2006 accounted for approximately 8.5% and 12.9% of our revenue from logs during such periods.

- ***New Zealand.*** In the 2004, 2005 and 2006 financial years, we invested US$12.5 million, US$13.6 million and US$14.1 million, respectively, for plantation assets and infrastructure at our New Zealand operations. These expenditures were primarily for the maintenance of our plantation assets and the construction of roads and other infrastructure for current and future harvesting. These expenditures accounted for 17.5%, 15.8% and 12.2% of our total capital expenditures for those three financial years, respectively. Our log sales volume from New Zealand was approximately 136,000 m^3, 130,000 m^3 and 102,000 m^3 for the 2004, 2005 and 2006 financial years, respectively and approximately 36,800 m^3 and 23,200 m^3 for the three months ended September 30, 2005 and 2006, respectively. We expect that the capital infrastructure we have incurred on roads and other infrastructure should enable us to ramp up our timber extraction from New Zealand gradually over the next five years to a sustainable woodflow of 800,000 m^3 per annum.

We believe that such enhancement of our log extraction and timber processing capacity will help us increase our sales of wood products in the coming years. However, our number of logs produced in each of Malaysia, Guyana and New Zealand will depend on a variety of factors, including market demand and supply conditions, weather conditions at our harvesting locations and other factors that may be outside of our control.

(5) Costs of sales

Our total cost of sales increased by 11.8% from US$304.0 million in the 2004 financial year to US$339.8 million in the 2005 financial year and by a further 0.6% to US$341.8 million in the 2006 financial year. Our total cost of sales increased by 17.4% from US$85.2 million for the three months ended September 30, 2005 to US$100.0 million for the three months ended September 30, 2006. Changes in our cost of sales are primarily affected by changes in fuel costs, glue costs, labor costs, depreciation charges, repair and maintenance costs and costs of logs purchased from third parties.

The following table shows our total cost of sales with respect to hardwood logs, softwood logs, plywood and veneer for the periods shown:

	Financial year ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005 (unaudited)	2006
	(US$ in millions)				
Hardwood logs	136.7	142.7	140.7	33.9	48.4
Softwood logs	9.1	8.8	6.6	2.4	1.6
Plywood	144.7	159.6	169.4	38.3	59.9
Veneer	9.1	27.3	43.3	7.4	15.0

The following table shows our total cost of sales per m^3 with respect to hardwood logs, softwood logs, plywood and veneer for the periods shown:

	Financial year ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005 (unaudited)	2006
	(US$ per m^3)				
Hardwood logs	77.14	76.76	81.40	73.91	85.33
Softwood logs	66.60	67.64	65.33	64.72	68.46
Plywood	274.60	298.64	347.43	316.58	355.93
Veneer	128.94	244.42	223.94	211.16	218.48

Our cost of sales as a percentage of turnover was 83.4% for the 2004 financial year, 83.0% for the 2005 financial year and 87.9% for the 2006 financial year. Our cost of sales as a percentage of turnover was 86.9% for the three months ended September 30, 2005 and 69.0% for the three months ended September 30, 2006.

The main factors affecting our cost of sales are:

- ***Cost of labor.*** Labor is one of the major cost components of our operations. Labor cost consists of wages, salaries, incentives, bonuses and various benefits, including contributions to government mandated employee pension schemes. As of September 30, 2006, we employed 4,774 people in our upstream operations and 7,573 people in our downstream operations. In the 2004, 2005 and 2006 financial years, labor costs for our upstream operations accounted for approximately 9.5%, 9.7% and 10.5%, respectively, of cost of sales. In the 2004, 2005 and 2006 financial years, labor costs for our downstream operations were approximately 5.5%, 5.3% and 5.5%, respectively, of cost of sales. In the three months ended 2005 and 2006, labor costs for our upstream operations accounted for approximately 10.2% and 10.6%, respectively, of cost of sales. For the same three month periods, labor costs for our downstream operations were approximately 5.1% and 5.7%, respectively, of cost of sales.

- ***Depreciation of facilities and equipment.*** For the financial years ended June 30, 2004, 2005 and 2006, our depreciation costs associated with cost of sales amounted to 13.6%, 12.1% and 14.4% of cost of sales, respectively. For the three months ended September 30, 2005 and 2006, our depreciation costs associated with cost of sales amounted to 12.4% and 13.9%, respectively, of our cost of sales. During the three financial years ended June 30, 2006, we made substantial capital investments in upstream operations by upgrading our logging equipment and building roads and bridges at our logging sites. We have also enhanced our downstream operations with our investments in new veneer facilities. In total, for the financial years ended June 30, 2004, 2005 and 2006, and the three months ended September 30, 2005 and 2006, we incurred capital expenditures of US$71.5 million, US$86.3 million, US$115.5 million, US$20.7 million and US$23.9 million respectively. These investments were capitalized, thus impacting our depreciation costs associated with cost of sales, which had remained at the level of US$41.4 million and US$41.0 million in the 2004 and 2005 financial years, but increased by 20.2% to US$49.4 million in the 2006 financial year, principally because of the replacement of some of our logging equipment and the commissioning of our new downstream processing facilities. Our depreciation costs associated with cost of sales were US$10.6 million and US$14.0 million, respectively, for the three months ended September 30, 2005 and 2006.

- ***Repair and maintenance expenditures.*** A significant portion of our cost of sales consist of repair and maintenance expenditures, which amounted to US$37.1 million, US$43.9 million and US$43.6 million in the 2004, 2005 and 2006 financial years, respectively, comprising 12.2%, 12.9% and 12.7% of cost of sales during such financial years. Our repair and maintenance expenditures amounted to US$10.1 million and US$12.0 million for the three months ended September 30, 2005 and 2006, respectively, comprising 11.8% and 12.0% of our cost of sales during such three month periods.

- ***Cost of fuel.*** Fuel cost is a major component of our log extraction expenses. For the financial years ended June 30, 2004, 2005 and 2006 fuel costs accounted for 7.5%, 10.6% and 14.6%, respectively, of our total cost of sales. For the three months ended September 30, 2005 and 2006 fuel costs accounted for 13.7% and 15.4%, respectively, of our total cost of sales. The cost of diesel, oil and lubricants has increased significantly since the beginning of the 2004 financial year due to increased crude oil prices, which has impacted our upstream operations, which rely heavily on extraction equipment and transportation vehicles, including tractors, trucks, excavators and barges. Similarly, fuel cost also affects our downstream operations, which relies on fuel to run its industrial vehicles and some power generators. Our average cost per liter of diesel in Malaysia was US$0.25, US$0.41 and US$0.52 for the financial years ended June 30, 2004, 2005 and 2006, respectively. Our average cost per liter of diesel in Malaysia was US$0.49 and US$0.60 for the three months ended September 30, 2005 and 2006, respectively.

- ***Royalties.*** We pay royalties to the Malaysian and Guyanese governments for every m^3 of logs we harvest from our concessions in Malaysia and Guyana. In the 2004, 2005 and 2006 financial years, royalties accounted for 9.2%, 8.7% and 7.2%, respectively, of our cost of sales. In the three months ended September 30, 2005 and 2006, royalties accounted for 7.1% and 8.2%, respectively of our cost of sales. Under the terms of our forest timber licenses in Malaysia and Guyana, we paid royalties based on the volume and species harvested each year, subject to an annual minimum royalty payment. The royalties payable for each species are set out in our forest timber licenses and are subject to change from time to time. There have been no major changes to the royalty rates payable in Malaysia and Guyana since 1995.

- ***Cost of raw materials.*** Our raw materials primarily comprise logs purchased from third parties, which is a significant component of our downstream operations, particularly in the production of plywood and veneer, in addition to glue, which is a significant component of plywood production.

  Cost of external logs. Logs are a significant cost component of production of plywood and veneer. We purchase a limited amount of logs from third parties for plywood and veneer production purposes. For the financial years ended June 30, 2004, 2005 and 2006, our cost of logs purchased from third parties, or "external logs", amounted to approximately 6.9%, 7.8%, and 6.0% of our cost of sales, respectively. For the three months ended September 30, 2005 and 2006, our cost of external logs amounted to approximately 9.9% and 4.2% of our cost of sales, respectively. For a discussion of factors influencing market prices for logs, see "Factors Affecting Results of Operations — Market demand and supply conditions for logs". Our cost of external logs amounted to approximately US$21.1 million, US$26.6 million, and US$20.7 million in the 2004, 2005 and 2006 financial years, respectively. Our cost of external logs, amounted to approximately US$8.4 million and US$4.2 million in the three months ended September 30, 2005 and 2006, respectively.

  Cost of glue. Glue is a significant cost component of plywood production. For the financial years ended June 30, 2004, 2005 and 2006, glue costs accounted for approximately 5.9%, 6.0% and 5.7% of our cost of sales, respectively. For the three months ended September 30, 2005 and 2006, glue costs accounted for approximately 6.3% and 6.5% of our cost of sales, respectively. Glue prices are generally driven by the price of chemicals used for glue production, including urea and methanol, the prices of which are generally affected by the price of crude oil. Glue price per m^3 of plywood produced has increased from approximately US$9.19 for the 2004 financial year to approximately US$10.08 for the 2005 financial year and US$10.60 for the 2006 financial year. Glue price per m^3 of plywood produced was approximately US$11.46 for the three months ended September 30, 2005 and US$10.72 for the three months ended September 30, 2006.

(6) Change in fair value of plantation assets less estimated point-of-sale costs

IAS 41 on accounting for biological assets requires us to account for our tree plantations based on the fair value of our plantation forests less estimated point-of-sale costs. As there is no active market for tree plantations, fair value is determined pursuant to a net present value approach based on the projected net cash flows derived from the asset in the future, using the projected net cash flows from our plantations discounted at a market-determined, pre-tax discount rate. The aggregate gain or loss arising from the initial recognition of our tree plantations and from the change in the fair value of our tree plantations, less estimated point-of-sale costs, is recognized in our profit and loss statement as profit or loss, as the case may be. Any such profit or loss reflects only unrealized gain or loss on our plantation assets as at the relevant balance sheet date and does not generate actual cash inflow or outflow unless such plantation assets are disposed of at such revalued amounts.

We engaged independent forestry asset valuers, Pöyry and CFK, to determine the fair value of our tree plantations less estimated point-of-sale costs in Malaysia and New Zealand, respectively, during the Track Record Period. In valuing our plantations using the net present value approach, a number of key assumptions are made by our independent valuers. These key assumptions include the discount rate, market prices for each grade of log produced, changes in production costs, natural tree growth, and the rate of harvesting and planting of trees at our plantations, among others. Our estimated point-of-sale costs are determined by our independent valuers based on point-of-sale costs incurred for similar sales. See "Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" for further information regarding the basis of determination of gains/(losses) from changes in fair value of plantation assets. Fluctuations in foreign exchange rates between our reporting currency, the U.S. dollar, and the New Zealand dollar and Malaysian Ringgit (our functional currencies in New Zealand and Malaysia, respectively) also have an impact on the fair value of our plantation assets.

In the 2004, 2005 and 2006 financial years, respectively, we recognized a US$10.4 million unrealized gain, a US$14.8 million unrealized loss and a US$15.3 million unrealized loss due to changes in fair value of plantation assets less estimated point-of-sale costs. We recognized an unrealized gain from change in fair value of plantation assets less estimated point-of-sale costs in the 2004 financial year due primarily to an increase in prevailing market sales prices for softwood logs as at June 30, 2004 as compared to as at June 30, 2003 and in part to natural tree growth, offset in part by an increase in production costs. We recognized an unrealized loss from change in fair value of plantation assets less estimated point-of-sale costs in the 2005 financial year due primarily to an increase in our production costs and a decrease in prevailing market sales prices for softwood logs as at June 30, 2005 as compared to as at June 30, 2004, offset in part by natural tree growth. We recognized an unrealized loss from change in fair value of plantation assets less estimated point-of-sale costs in the 2006 financial year due primarily to a decrease in prevailing market sales prices for softwood logs as at June 30, 2006 as compared to as at June 30, 2005 and a change in the yield tables utilized by our independent valuers (reflecting the adoption of an updated yield table compiled by our Company), offset in part by a decrease in the relevant discount rate applied by our independent valuers with regard to our New Zealand plantations (which decreased from 9.0% for the financial year ended June 30, 2005 to 8.5% for the financial year ended June 30, 2006) and natural tree growth.

For the three months ended September 30, 2005 and 2006, respectively, we recognized a US$1.8 million unrealized gain and a US$1.2 million unrealized gain due to changes in fair value of plantation assets less estimated point-of-sale costs. We recognized an unrealized gain from change in fair value of plantation assets less estimated point-of-sale costs in the three months ended September 30, 2005 due primarily to a decrease in the relevant discount rate applied by our independent valuers with regard to our New Zealand plantations (which decreased from 9.0% for the financial year ended June 30, 2005 to 8.5% for the three months ended September 30, 2005), offset in part by a decrease in prevailing market sales prices for softwood logs as at September 30, 2005 as compared to as at June 30, 2005. We recognized an unrealized gain from change in fair value of plantation assets less estimated point-of-sale costs in the three months ended September 30, 2006 due primarily to natural tree growth. See "Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" for a description of the manner of determination by our independent valuers and effect of these and other factors reflecting changes to the fair value less estimated point-of-sale costs of our tree plantations in New Zealand and Malaysia.

As with our Company, our associate, Glenealy, whose principal business is the operation of oil palm plantations, reassesses the fair value of its plantation assets less estimated point-of-sale costs at each balance sheet date. Changes in the fair value of Glenealy's oil palm plantation assets less estimated point-of-sale costs may affect its net profits and losses, and in turn our share of profit less losses of associates in Glenealy. The principal factors affecting Glenealy's unrealized profit or loss from such revaluation are changes in crude palm oil selling prices and changes in production costs. See "Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" for a description of the manner of determination by Glenealy's independent valuers of these factors reflecting changes to the fair value less estimated point-of-sale costs of Glenealy's palm oil plantations.

Glenealy recognized a US$14.0 million unrealized gain from change in fair value of oil palm plantation assets less estimated point-of-sale costs for the 2004 financial year due primarily to an increase in crude palm oil selling prices, offset in part by increased production costs. Glenealy recognized a US$8.7 million unrealized gain from change in fair value of oil palm plantation assets less estimated point-of-sale costs for the 2005 financial year due primarily to an increase in crude palm oil selling prices, offset in part by an increase in production costs. Glenealy recognized a US$6.7 million unrealized gain from change in fair value of oil palm plantation assets less estimated point-of-sale costs for the 2006 financial year due primarily to an increase in crude palm oil selling prices, offset in part by an increase in production costs. Glenealy recognized a US$1.8 million unrealized loss from change in fair value of oil palm plantation assets less estimated point-of-sale costs for the three months ended September 30, 2005 due primarily to a decrease in crude palm oil selling prices. Glenealy recognized a US$1.2 million unrealized gain from change in fair value of oil palm plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 due primarily to an increase in crude palm oil selling prices.

For the financial years ended June 30, 2004, 2005 and 2006, respectively, we recognized a US$5.0 million unrealized gain, a US$3.1 million unrealized gain and a US$2.4 million unrealized gain, respectively, as our share of changes in fair value of Glenealy's oil palm plantation assets less estimated point-of-sale costs, respectively, as compared to our share of profits less losses in Glenealy, which comprised a gain of US$5.6 million, a gain of US$2.2 million and a gain of US$1.0 million during such periods. For the three months ended September 30, 2005 and 2006, respectively, we recognized a US$0.7 million unrealized loss and a US$0.4 million unrealized gain, respectively, as our share of Glenealy's changes in fair value of oil palm plantation assets less estimated point-of-sale costs as compared to our share of profits less losses in Glenealy, which comprised a loss of US$0.8 million and a gain of US$0.5 million during such periods.

(7) Foreign exchanges gains and losses

During the three financial years ended June 30, 2006, foreign exchange gains and losses, which were accounted for as net financing costs, were primarily attributable to foreign exchange translations on a U.S. dollar loan booked on the accounts of our New Zealand plantation forest subsidiary. As the New Zealand subsidiary's functional currency is New Zealand dollars, exchange differences on the value of that subsidiary's U.S. dollar loan was recognized as part of our financial income and expenses. At September 30, 2006, the outstanding principal amount, including capitalized interest, of this U.S. dollar loan was US$54.8 million. Primarily as a result of the exchange differences on our New Zealand subsidiary's U.S. dollar loan, we recognized an unrealized foreign exchange gains of US$4.1 million and US$5.0 million in the financial years ended June 30, 2004 and 2005, respectively, and an unrealized foreign exchange loss of US$7.5 million for the financial year ended June 30, 2006. We recognized an unrealized foreign exchange loss of US$0.7 million in the three months ended September 30, 2005 and an unrealized foreign exchange gain of US$3.7 million for the three months ended September 30, 2006.

(8) Seasonality

Our turnover and results are affected by seasonality, including seasonality in the turnover of Lingui, a principal subsidiary in which we hold a 59.69% interest, which owns substantial portions of our assets in Malaysia and New Zealand and has contributed a significant portion of our turnover annually. We believe that our own turnover and results are affected by seasonality in a manner similar to that experienced by Lingui.

After elimination of intercompany transactions, Lingui's turnover accounted for 66.2%, 66.5% and 64.9% of our turnover during the financial years ended June 30, 2004, 2005 and 2006, respectively, and 64.4% and 64.1% of our turnover during the three months ended September 30, 2005 and the three months ended September 30, 2006, respectively. In general, the turnover of Lingui during each financial year historically has been the weakest during the second and third quarters of its financial year, corresponding to the three months ended December 31 and March 31 of each year, as a result of holiday periods celebrated during such quarters by customers in various countries (such as Christmas and the Chinese New Year holiday). In particular, we have noted that the turnover of Lingui in the second quarter of each financial year, corresponding to the three months ended December 31 of each year, have in each year during the Track Record Period been significantly weaker than the turnover of Lingui in the first quarter of each financial year, corresponding to the three months ended September 30 of each year. In addition, Lingui's turnover is also affected by seasonal rainfall (including annual monsoons in Malaysia) and the seasonal timing of commencement of new construction activity in various nations (including Japan). We believe that our own turnover and operating results are similarly affected by such seasonality. Such trends, however, may not be indicative of future seasonality in Lingui's or our results or turnover, as various factors, including seasonal weather patterns and market demand, may vary from period to period or may change over time.

As Lingui released certain unaudited financial statements for the three months and six months ended December 31, 2006 (including unaudited financial statements for the same periods in 2005) prior to the date of this prospectus, we have incorporated those financial statements in this prospectus. Those financial statements have been reviewed by KPMG, our Company's Reporting Accountants, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. Such interim unaudited financial statements of Lingui have been prepared in accordance with generally accepted accounting principles in Malaysia and were filed with the Malaysia Stock Exchange on January 29, 2007. Such interim financial statements, together with a reconciliation of the net profit of Lingui and its owners' equity to IFRS, have been included in Appendix IV to this prospectus. Except to such extent and as otherwise stated therein, no reconciliation to IFRS has been undertaken of such financial information.

Material differences exist between the presentation of our financial statements prepared in accordance with IFRS and Lingui's financial statements prepared in accordance with generally accepted accounting principles in Malaysia, as a result of, among other things, differences in generally accepted accounting principles and accounting policies. For example, due to classification differences between generally accepted accounting principles in Malaysia and IFRS, line items that have the same name may have a different composition. Please refer to Appendix IV to this prospectus for a discussion of material differences between Lingui's interim financial statements prepared in accordance with generally accepted accounting principles in Malaysia and IFRS. As a consequence, comparison of Lingui's accounts prepared in accordance with generally accepted accounting principles in Malaysia to our IFRS accounts presented in Appendix I hereof may not be meaningful. In addition, due to seasonality in Lingui's results, Lingui's results of operations for the three months and six months ended December 31, 2006 may not be indicative of Lingui's results of operations for the financial year ending June 30, 2007.

(9) Tax incentives

We enjoy or have enjoyed certain tax allowances and other tax incentives in Malaysia, including reinvestment allowance on capital expenditure, pioneer status taxation treatment, investment tax allowance and double deduction of freight costs. Of these incentives, pioneer status taxation treatment and the investment tax allowance are mutually exclusive with regards to specific projects, meaning that a company may apply for one but not both of such incentives with regards to a particular qualifying project. Such tax incentives consist of:

- *Reinvestment allowance on capital expenditure*

  Under Malaysian tax law, a company which is tax resident in Malaysia and has been in operation for at least twelve months and incurs capital expenditure on a factory, plant or machinery in Malaysia for certain qualifying purposes (such as, for example, production capacity expansion, production facilities modernization, diversification into related products or automation of existing manufacturing processes) is eligible to claim a reinvestment allowance equal to 60% of the qualifying capital expenditure as a deduction against business statutory income.

- *Pioneer status taxation treatment*

  Pioneer status taxation treatment is granted to companies participating in promoted activities or producing promoted products in Malaysia, and consists of a tax holiday for a period of five years pursuant to which 70% to 100% of business statutory income is exempt from income tax.

  In 1999, a subsidiary, Sorvino Holdings Sdn. Bhd., was granted pioneer status by the Malaysian Inland Revenue Board for its reconditioning of heavy equipment business for a period of five years with effect from November 1999. As result, income earned by Sorvino Holdings Sdn. Bhd. on such business during portions of the Track Record Period qualified as pioneer income and was not subject to Malaysian income tax.

- *Investment tax allowance*

  Investment tax allowance is granted to companies participating in promoted activities or producing promoted products in Malaysia, and consists of a deduction against business statutory income. Such incentive is available, generally for a period of five years, for capital expenditure incurred on industrial buildings, plant and machinery used directly for the purpose of promoted activities or the production of promoted products (pursuant to which 60% to 100% of the qualifying capital expenditure may be deducted from statutory income).

- *Double deduction of freight costs*

  Certain expenses incurred by Samling Plywood (Baramas) Sdn. Bhd., Samling Plywood (Bintulu) Sdn. Bhd. and Samling Plywood (Miri) Sdn. Bhd., Samling Housing Products Sdn. Bhd. and Samling

DorFoHom Sdn. Bhd. qualify for double deduction for Malaysian income tax purposes. Under Malaysian tax laws, companies engaged in the manufacturing of wood-based products (excluding sawn timber and veneer) are allowed to claim a double deduction of the freight charges incurred by our company in respect of the export of wood-based products. Malaysian tax authorities allow such companies to deduct the amount of the relevant expenses incurred twice for tax computation purposes, resulting in tax savings.

We estimate that these tax allowances and tax incentives in Malaysia have resulted in tax savings of US$5.2 million, US$5.9 million and US$5.4 million during the 2004 financial year, the 2005 financial year and the 2006 financial year. We estimate that these tax allowances and tax incentives in Malaysia have resulted in tax savings of US$1.3 million and US$1.4 million during the three months ended September 30, 2005 and the three months ended September 30, 2006, respectively.

In addition, each of our subsidiaries in the PRC is entitled to a tax concession period whereby it is fully exempted from otherwise applicable PRC enterprise income tax for two years starting from its first profit-making year, followed by a 50% reduction in PRC enterprise income tax for the next three years.

CRITICAL ACCOUNTING POLICIES

The preparation of our financial information requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures of contingent assets and liabilities. Critical accounting policies are the accounting policies that are the most important to the portrayal and understanding of our financial condition and/or results of operations and require the most difficult, subjective or complex judgments of our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our financial statements and because of the possibility that future events affecting the estimates may differ significantly from management's current judgments.

The financial information set out in the Accountants' Report has been prepared in accordance with IFRS. Our principal accounting policies are set out in Note 2 of Section B of the Accountants' Report. IFRS requires that we adopt the accounting policies and make the estimates that our Directors believe are prudent and reasonable in the circumstances for the purposes of giving a true and fair view of our results and financial condition. However, different policies, estimates and assumptions in critical areas could lead to materially different results. We have identified below the accounting policies that we believe are the most critical to our combined financial statements and that involve the most significant estimates and judgments.

Depreciation of property, plant and equipment

The timber business is a capital intensive business. As such, property, plant and equipment represents a large proportion of our total asset base. Our property, plant and equipment are stated at cost, less accumulated depreciation and any identified impairment loss. Depreciation is provided to write off the cost of items of property, plant and equipment and recognized as cost of sales in our income statements. No depreciation is provided for in respect of freehold land. We determine the annual rate of property, plant and equipment depreciation based on our estimates of the useful lives of our property, plant and equipment from the date on which they become fully operational. We apply the following annual rates of depreciation:

Buildings	10 – 50 years
Roads and bridges	8 – 20 years or over the remaining terms of the concessions
Plant and machinery, equipment, river crafts and wharfs	5 – 12 years
Furniture and fittings	4 – 10 years
Motor vehicles	4 – 10 years

Our estimates of the useful lives of our assets are based on historical experience of the actual useful lives of assets of similar nature and functions. The actual useful life of our property, plant and equipment could vary significantly from our historical experience as a result of significant technical innovations and competitor actions in response to industry cycles. We increase depreciation charges where useful lives are less than previously estimated lives, and write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment

At each balance sheet date, we review the carrying amount of our assets to determine whether there is any indication that such assets have suffered an impairment loss. Such determinations involve the application of judgment by our management in estimating the relevant recoverable amount. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized in the income statement immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the original cost or carrying amount had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Fair value of plantation assets less estimated point-of-sale costs

IAS 41 on accounting for biological assets requires us to account for our tree plantations based on the fair value of our plantation assets, less estimated point-of-sale costs as of each balance sheet date. At each balance sheet date, our plantation assets are valued at fair value less estimated point-of-sale costs. Our plantation assets comprise our tree plantations in New Zealand and Malaysia and harvested timber from such plantations. Fair value represents the amount for which such assets could be exchanged between knowledgeable, willing parties in an arm's length transaction. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. Point-of-sale costs include commissions to brokers and dealers, levies imposed by regulatory agencies and commodities exchanges, and transfer duties (while transport and other costs necessary to get the assets to market are excluded).

Where an active market exists for a product, such as harvested timber, such asset is valued using quoted market prices. As there is no active market for tree plantations, fair value is determined pursuant to a net present value approach based on the projected net cash flows derived from the asset in the future, using the projected net cash flows from our plantations discounted at a market-determined, pre-tax discount rate. We retain independent valuers to make such calculations, and utilize different independent valuers for such purposes in New Zealand (with regards to our softwood plantations) and in Malaysia (with regards to our hardwood plantations). Our independent valuers are currently CFK with regards to our plantations in New Zealand and Pöyry with regards to our plantations in Malaysia. Each independent valuer applies its own methodologies, which differ in certain respects.

In estimating the fair value of our plantations using the net present value approach, our independent valuers make a number of key assumptions. The most relevant of these assumptions include the relevant discount rate applied by our independent valuers, market prices for each grade of log produced, changes in production costs and natural tree growth, which are modeled by our independent valuers as distinct variables using quantitative values. The values of such variables are determined by our independent valuers using information supplied by us, as well as proprietary and third-party data, as follows:

- The discount rate applied by CFK as at each balance sheet date with regards to our plantation assets in New Zealand is based on the implied discount rate applicable to recent completed forest sales transactions in New Zealand of similar nature, size and location over a period of time. The discount rate applied by Pöyry as at each balance sheet date with regards to our plantation assets in Malaysia, due to the limited availability of completed plantation sales transaction pricing information for recent sales of plantations in Malaysia, is based on the weighted average cost of capital, and recognizes the weighted average cost of debt funded capital and equity capital.

- The log price variable represents the assumed market price for each grade of log produced by our Company. Our independent valuers in New Zealand utilize the market sales prices prevailing as of the relevant balance sheet date for each grade of softwood log produced by our Company in New Zealand as the log price variable for purposes of estimating the fair value of our softwood log plantations in New Zealand. Our independent valuers in Malaysia utilize a database of hardwood plantation log prices to derive the log price variable for purposes of estimating the fair value of our hardwood log plantations in Malaysia.

- The production costs variable represents the cost of log extraction, which consists of our harvesting and transport costs. The production costs variable is determined by our valuers by reference to actual costs incurred for areas that have been previously harvested and cost information for comparable areas with regards to areas that have not been harvested previously.

- The natural tree growth variable represents the value of natural growth of trees. The growth variable is determined by our valuers by reference to tree species growth tables.

Our estimated point-of-sale costs are determined by our independent valuers based on point-of-sale costs incurred for similar sales.

For our New Zealand plantations, our independent valuers in New Zealand, CFK, applied a discount rate of 8.5% to calculate the changes in fair value of our plantation assets less estimated point-of-sale costs for the three months ended September 30, 2005 and 2006 and for the financial year ended June 30, 2006, and a discount rate of 9.0% for the financial years ended June 30, 2004 and 2005. For our Malaysia plantations, our independent valuers in Malaysia, Pöyry, applied a 10.2% discount rate to calculate changes in fair value of our plantation assets less estimated point-of-sale costs for the financial years ended June 30, 2004, 2005 and 2006 and for the three months ended September 30, 2005 and 2006.

Changes in the discount rates applied by our independent valuers result in significant fluctuations in our gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs. The following table illustrates the sensitivity of our gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 to increases or decreases of 0.5% in the discount rates applied by our independent valuers for the three months ended September 30, 2006:

	0.5% Decrease	Discount Rate Applied	0.5% Increase
Discount rate (New Zealand plantations)	8.0%	8.5%	9.0%
Discount rate (Malaysia plantations)	9.7%	10.2%	10.7%
Gain/(Loss) from changes in fair value of plantation assets less estimated point-of-sale costs (US$ in millions)	8.9	1.2	(6.1)

For our New Zealand plantations and Malaysia plantations, respectively, our independent valuers used the log prices indicated below for each respective grade of log to calculate changes in fair value of our plantation assets less estimated point-of-sale costs in New Zealand and Malaysia, respectively, with regards to the balance sheet dates indicated below.

	As at June 30,			As at September 30,	
	2004	2005	2006	2005	2006
			(NZ$/m³)		
New Zealand softwood log prices[(1)]					
Pruned	165	157	149	149	149
A Composite	86	86	82	86	85
K Composite	72	70	77	70	78
K 1	58	61	75	61	66
Pulp	49	49	49	49	49
			(RM/m³)		
Malaysia hardwood log prices					
Acacia Peeler	203	203	209	203	209
Acacia Sawlog	173	173	178	173	178
Rubber Peeler	204	204	209	204	209
Rubber Sawlog	204	204	209	204	209
Khaya Peeler	204	204	209	204	209
Khaya Sawlog	244	244	252	244	252
Mahogany Peeler	383	383	425	383	425
Mahogany Sawlog	383	383	425	383	425

Note:

(1) The softwood log sales prices indicated in the table above used for IAS 41 purposes by our independent valuers in New Zealand, CFK, are prevailing market sales prices for softwood logs as of each relevant balance sheet date. Our independent valuers in New Zealand utilize the market sales price prevailing as of each relevant balance sheet date for each grade of softwood logs we produce, rather than weighted averages of log sales prices obtained throughout each relevant period ending on such balance sheet date, for purposes of calculating changes in fair value of our plantation assets in New Zealand. As a result, increases or decreases in softwood log sales prices evident in the table above may not accord with increases or decreases from period to period in the weighted average softwood log prices we have obtained in the market for our softwood logs calculated as a weighted average across each financial year or three month period ending on such balance sheet date. See "Factors Affecting Results of Operations — Market demand and supply conditions for logs" for our historical weighted average softwood log sales prices obtained in the market across each relevant financial year or three month period during the Track Record Period.

Changes in assumed log prices can also result in significant fluctuations in gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs. The following table illustrates the sensitivity of our gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 to 5.0% increases or decreases in the assumed log prices as at September 30, 2006 indicated above used to calculate gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006:

	5.0% Decrease	**Assumed Log Prices**	**5.0% Increase**
Gain/(Loss) from changes in fair value of plantation assets less estimated point-of-sale costs (US$ in millions)	(24.7)	1.2	27.0

Changes in our assumed production costs can also result in significant fluctuations in gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs. The following table illustrates the sensitivity of our gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 to 5.0% increases or decreases in our assumed production costs used to calculate gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006:

	5.0% Decrease	**Assumed Production Costs**	**5.0% Increase**
Gain/(Loss) from changes in fair value of plantation assets less estimated point-of-sale costs (US$ in millions)	16.5	1.2	(14.1)

The above sensitivity analyses are intended for illustrative purposes only, and any variation could exceed the amounts shown above.

Additional assumptions made by our independent valuers include:

- Future harvests of timber will be made on a "stand-based" approach, whereby the timber will be scheduled for harvesting from a stand of trees when the stand is at or near its optimum economic rotation age;

- Cash flows are calculated from the current rotation of trees only, without taking into account the projected revenues or costs related to the reestablishment of new plantation trees following a harvest or of land not yet planted;

- Projected cash flows do not take into account income taxation and finance costs, and are calculated on real terms without considering inflationary effects;

- As discounted cash flows are based on current log prices as determined by our independent valuers, the impact of planned future business activity that may impact the future prices of logs harvested from our plantations are not considered; and

- No allowance is made for cost improvements in future operations.

Each of Pöyry, CFK and the Reporting Accountants has confirmed to our Company that the assumptions adopted for purposes of calculating fair value of plantation assets less estimated point-of-sale costs for purposes of our combined financial statements are reasonable for purposes of the requirements of IAS 41. Our independent valuers also conduct inspections of our plantations in connection with their revaluations of our plantation assets. See "Financial Information — Certain Balance Sheet Items — Plantation Assets" for further information.

As with our Company, our associate, Glenealy, whose principal business is the operation of oil palm plantations, reassesses the fair value of its plantation assets less estimated point-of-sale costs at each balance sheet date. Changes in the fair value of Glenealy's oil palm plantation assets less estimated point-of-sale costs may affect its net profits and losses, and in turn our share of profits less losses of associates in Glenealy. The principal factors affecting Glenealy's profit or loss from such revaluation are changes in crude palm oil selling prices and changes in production costs. Glenealy's independent valuers use the prevailing crude palm oil selling price as of each relevant balance sheet date, and also the ten year average crude palm oil price published by the Malaysian Palm Oil Board, in determining the fair value of Glenealy's plantation assets less estimated point-of-sale costs. For purposes of such revaluation, Glenealy's production costs are assumed by Glenealy's independent valuers based on historical production cost information for comparable oil palm plantations in Malaysia. See "Risk Factors — Risks Relating to our Business — Our results may fluctuate due to revaluation gains or losses on our plantation assets and those of our associate, Glenealy" and "Financial Information — Factors Affecting Results of Operations — Change in fair value of plantation assets less estimated point-of-sale costs" for further information.

Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. We carefully evaluate the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of our transactions are reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, our judgement is required to assess the probability of future taxable profits. We constantly review our assessments and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

During the Track Record Period we made no provisions for income taxes in New Zealand and Guyana as there were no assessable profits subject to income taxes in those jurisdictions during that period.

We recorded a deferred tax credit for the financial year ended June 30, 2006 in the amount of US$8.1 million, attributable to origination and reversals of temporary differences of US$5.9 million with regards to property, plant and equipment, US$1.9 million with regards to loss from change in fair value of plantation assets less estimated point-of-sale costs, US$0.5 million with regards to timber concessions, US$(1.5) million with regards to unutilized tax losses, US$2.3 million with regards to dividend receivable, US$(1.0) million with regards to financial instruments and US$(0.1) million with regards to other items. The US$5.9 million relating to property, plant and equipment, being the most significant of these matters, was mainly due to: (i) acquisition of property, plant and equipment through finance leases; (ii) capital allowance brought forward not utilized in the 2006 financial year due to a decrease in profits; and (iii) reversal of over-provision of deferred tax liability of US$2.2 million due to a change in estimate used in the tax calculation as advised by tax authorities. The US$2.3 million reversal in deferred tax liability for dividend receivable, being the next most significant of these adjustments, is offset by a corresponding tax charge in income tax expense in the 2006 financial year.

DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

Turnover

The table below sets out our turnover and percentage of our turnover attributable to our major business segments for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006.

	Financial year ended June 30,						Three months ended September 30,			
	2004		2005		2006		2005 (unaudited)		2006	
	US$ in millions	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*
Logs	113.3	31.1%	131.0	32.0%	121.1	31.2%	30.5	31.1%	42.6	29.3%
Plywood and veneer	170.6	46.9%	203.3	49.7%	207.5	53.4%	48.2	49.2%	88.9	61.4%
Upstream support	29.9	8.2%	32.9	8.0%	22.1	5.7%	10.2	10.4%	4.5	3.1%
Other timber operations	42.4	11.6%	33.0	8.1%	29.3	7.5%	6.7	6.8%	6.2	4.3%
Non-timber operations	8.1	2.2%	9.0	2.2%	8.7	2.2%	2.5	2.5%	2.8	1.9%
Total	364.3	100.0%	409.1	100.0%	388.7	100.0%	98.0	100.0%	144.9	100.0%

We generate turnover primarily from the sale of logs, plywood, veneer and other wood products. Turnover is recognized when it is probable that the economic benefits associated with a transaction will flow to our Company and the turnover can be measured reliably. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized as and when the services are performed or rendered, on an accrual basis.

In the financial years ended June 30, 2004, 2005 and 2006, and the three months ended September 30, 2005 and 2006, approximately 8.2%, 8.0%, 5.7%, 10.4% and 3.1%, respectively, of our total turnover was derived from log extraction and related services and sales by our upstream support services segment to third parties. A significant portion of such revenues has historically been derived from sales to Merawa Sdn. Bhd., a Malaysian timber concession company that we acquired on June 29, 2006. Due to such acquisition, our revenue from the provision of upstream support services to such company is subject to intercompany elimination for the three months ended September 30, 2006, thereby decreasing our revenue from upstream support in the three months ended September 30, 2006 as a result of the required accounting treatment of post acquisition sales to such company.

Below is a table showing the percentage of turnover derived from sales to customers in each of the following countries and regions for the three financial years ended June 30, 2006 and the three months ended September 30, 2005 and 2006.

	Financial year ended June 30,						Three months ended September 30,			
	2004		2005		2006		2005 (unaudited)		2006	
	US$ in millions	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*
Japan	88.9	24.4%	104.6	25.6%	101.7	26.2%	25.0	25.6%	45.7	31.5%
Greater China (including Hong Kong and Taiwan)	62.9	17.3%	76.6	18.7%	60.4	15.5%	15.0	15.3%	30.3	20.9%
Malaysia	78.1	21.4%	81.4	19.9%	78.9	20.3%	23.9	24.4%	20.1	13.9%
North America	43.4	11.9%	51.8	12.7%	46.9	12.1%	9.5	9.7%	17.1	11.8%
South Asia (India and Pakistan)	13.9	3.8%	15.6	3.8%	21.9	5.6%	5.1	5.2%	7.2	5.0%
South Korea	23.2	6.4%	28.2	6.9%	19.4	5.0%	4.8	4.9%	6.4	4.4%
Guyana	2.4	0.7%	3.2	0.8%	4.6	1.2%	1.1	1.1%	1.4	1.0%
New Zealand	3.9	1.1%	4.4	1.1%	2.4	0.6%	0.9	0.9%	0.5	0.3%
Other regions	47.6	13.0%	43.3	10.5%	52.5	13.5%	12.7	12.9%	16.3	11.2%
Total	364.3	100.0%	409.1	100.0%	388.7	100.0%	98.0	100.0%	144.9	100.0%

During the three financial years ended June 30, 2004, 2005 and 2006, and the three months ended September 30, 2005 and 2006, the vast majority of our turnover was derived from sales within the Asia-Pacific region. Japan has been our most important market during this period, with sales to Japan comprising 26.2% of our turnover in the 2006 financial year and 31.5% of our turnover for the three months ended September 30, 2006. Sales to Greater China (including Hong Kong and Taiwan) accounted for 15.5% of our turnover in the 2006 financial year and 20.9% of our turnover for the three months ended September 30, 2006. Another important market during that period was Malaysia, which accounted for 20.3% of our turnover in the financial year ended June 30, 2006 and 13.9% of our turnover for the three months ended September 30, 2006. A fourth important market for us is North America, which accounted for 12.1% of our turnover in the financial year ended June 30, 2006 and 11.8% of our turnover for the three months ended September 30, 2006. We sell our products to over other 30 countries and territories, including South Korea, India and the United Kingdom and the various countries within the European Union.

Cost of sales

Our cost of sales consists primarily of fuel costs, repair and maintenance costs, labor costs, royalties, depreciation charges, glue costs and cost of logs purchased for downstream operations, as described above. Cost of sales also includes amortization of our timber concessions and lease prepayments on leasehold land.

Other operating income

Other operating income includes sale of waste wood and income from wharf and sawmill equipment rentals.

Operating expenses

Our operating expenses consist primarily of:

- *Distribution costs.* Includes inland transportation cost of bringing wood products to port for delivery to customers, port charges, export duties and excises, marketing expenses such as advertisement and promotion costs, sales returns and sales commissions, as well as trading agreements, staff costs and insurance.

- *Administrative expenses.* Includes the cost of administrative staff, allowances for doubtful debts, bank charges, legal and professional fees, administrative staff traveling and entertainment costs, and depreciation and rental of office facilities.

- *Other operating expenses.* Includes losses on the disposal of operating businesses, general insurance, repair and maintenance of premises, license fees and other miscellaneous expenses.

- *Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs* consists of unrealized gains or losses that are attributable to the revaluation of our plantation assets and harvested timber less estimated point of sale costs. IAS 41 on accounting for biological assets requires us to account for our tree plantations based on the fair value of our plantation assets less estimated point-of-sale costs. At each balance sheet date, our plantation assets are valued at fair value less estimated point-of-sale costs. The aggregate gain or loss arising from the initial recognition of our tree plantations and from the change in the fair value of our tree plantations, less estimated point-of-sale costs, is recognized in our profit and loss statement as profit or loss, as the case may be. Any such profit or loss reflects only unrealized gain or loss on our plantation assets as at the relevant balance sheet date and does not generate actual cash inflow or outflow unless such plantation assets are disposed of at such revalued amounts.

  Our plantation assets comprise our tree plantations in New Zealand and Malaysia and harvested timber from such plantations. Fair value represents the amount for which such assets could be exchanged between knowledgeable, willing parties in an arm's length transaction. Point-of-sale costs include commissions to brokers and dealers, levies imposed by regulatory agencies and commodities exchanges, and transfer duties (while transport and other costs necessary to get the assets to market are excluded). See "— Factors Affecting Results of Operations — Change in fair value of plantation assets less estimated point-of-sale costs" and "— Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" for further information regarding the basis of determination of gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs.

  Our associate, Glenealy, also reassesses the fair value of its plantation assets less estimated point-of-sale costs at each balance sheet date, which may affect its net profits and losses, and in turn our share of profits less losses in Glenealy as an associate.

Net financing costs

Our net financing costs consist of:

- financial income, derived mainly from interest on cash and cash equivalents, foreign exchange translation gains on monetary items and gains on financial instruments; and

- financial expenses, attributable to interest on loans from banks and other financial institutions, loans from shareholders and finance leases, less capitalized borrowing costs relating to plantation assets, foreign exchange translation losses on monetary items and losses on financial instruments.

Share of profits less losses of associates

Share of profits less losses of associates consists mainly of net profits and losses attributable to our associates, Glenealy, Sepangar Chemical Industry Sdn. Bhd. and Daiken Miri Sdn. Bhd. Our share of profits less losses of associates are affected by various factors affecting the results of such associates, including but not limited to changes in fair value of plantation assets less estimated point-of-sale costs of Glenealy.

Share of profits less losses of jointly controlled entities

Share of profits less losses of jointly controlled entities consist of the net profits of Magna-Foremost Sdn. Bhd., a door facing joint venture, and Foremost Crest Sdn. Bhd., a door manufacturing joint venture. We control both entities jointly with Masonite.

Income tax

Consist of current and deferred income taxes. Pursuant to the income tax rules and regulations in Malaysia, our subsidiaries in Malaysia are liable to Malaysian income tax at a rate of 28% for the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005. In September 2006, the Malaysian government announced a reduction in the income tax rate from 28% to 27% for the year of assessment 2007 and from 27% to 26% for the year of assessment 2008. Our subsidiary in Guyana is liable to Guyana income tax at a rate of 45%. Our subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 33%. The standard income tax rate in the PRC is 33%.

Certain tax allowances and other tax incentives are applicable to our operations in Malaysia, including reinvestment allowance on capital expenditure, pioneer status taxation treatment, investment tax allowance and double deductions for freight costs. Our subsidiaries in the PRC also are entitled to certain tax concessions in the PRC. See "Factors Affecting Results of Operations — Tax incentives" for further information regarding such tax allowances, incentives and concessions.

Profit for the year attributable to equity holders of our Company

Profit for the year attributable to equity holders of our Company represents our total equity less minority interests. Profit for the year attributable to equity holders of our Company represents the portion of our profit or loss attributable to equity interests that are owned, directly or indirectly through subsidiaries, by our Company. Our most significant subsidiary in terms of profits and losses is Lingui. As our parent held a 39.87% equity interest in Lingui from before July 1, 2003 until May 23, 2006, the profit and loss of Lingui attributable to equity holders of our Company during that period was 39.87% of Lingui's profit and loss. On May 24, 2006, we acquired an additional 19.82% interest in Lingui pursuant to the mandatory general offer for shares in Lingui described in "Our History and Corporate Structure". As such, for the month of June 2006, we attributed 59.69% of Lingui's profits and losses to the equity holders of our Company.

Minority interests

As of September 30, 2006, we combine in our financial statements the active subsidiaries indicated below, in which third parties hold minority interests as indicated below. See "Our History and Corporate Structure" for further information.

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Minority interest	Principal activities
Samling Housing Products Sdn. Bhd.	Malaysia, August 21, 1993	10,000,000 ordinary shares of RM1 each	46.0% (1)	Manufacture of housing products
Samling Chipboard Sdn. Bhd.	Malaysia, April 5, 1994	100,000 ordinary shares of RM1 each	46.0%	Manufacture of particle board
Lingui Developments Berhad	Malaysia, December 27, 1967	659,630,441 ordinary shares of RM0.50 each	40.3% (2)	Investment holding company
Dayalaba Sdn. Bhd.	Malaysia, April 29, 1985	25,000 ordinary shares of RM1 each	30.0% (3)	Extraction and sale of logs
Majulaba Sdn. Bhd.	Malaysia, April 29, 1985	25,000 ordinary shares of RM1 each	30.0% (4)	Extraction and sale of logs

Notes:

(1) On June 29, 2006, we acquired from our Controlling Shareholders a 42.0% interest in Samling Housing Products Sdn. Bhd. and from Tapah, a shareholder of our Company and an Independent Third Party, a further 12.0% interest in Samling Housing Products Sdn. Bhd. As our Controlling Shareholders were for the three financial years ended June 30, 2006 the controlling shareholder of Samling Housing Products Sdn. Bhd. on account of such Independent Third Party being a passive partner of our Controlling Shareholders in Samling Housing Products Sdn. Bhd., we have in accordance with IFRS accounted for our interest in Samling Housing Products Sdn. Bhd. (i) at 42.0% in our combined income statements, statements of equity and statements of cash flows for the three financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and combined balance sheets as at June 30, 2004, 2005 and 2006 and as at September 30, 2005 (ii) at 54.0% in our combined income statement, statement of equity and statement of cash flows for the three months ended September 30, 2006 and combined balance sheet as at September 30, 2006.

(2) On April 18, 2006 we acquired a 39.87% interest in Lingui from our Controlling Shareholders. From the commencement of the Track Record Period to May 24, 2006, the minority interest in Lingui was 60.13%. On May 24, 2006, we acquired an additional 19.82% interest in Lingui, reducing the minority interest in Lingui to 40.31% and increasing our interest in Lingui to 59.69% from such date. As our Controlling Shareholders were for the three financial years ended June 30, 2006 (i) the controlling shareholder of Lingui on account of its 39.87% interest in Lingui and (ii) the controlling shareholder of the various privately held timber businesses it transferred to us on June 29 and 30, 2006, we have in accordance with IFRS accounted for our interest in Lingui in our combined income statements, statements of equity and statements of cash flows for the three financial years ended June 30, 2006 and the three months ended September 30, 2005 and 2006, and combined balance sheets as at June 30, 2004, 2005 and 2006 and as at September 30, 2005 and 2006 by combining Lingui's business with ours for such periods and as at such dates for purposes of our combined financial statements.

(3) On June 29, 2006, we acquired from Yong Nyan Siong, a shareholder of our Company, our 70.0% interest in Dayalaba Sdn Bhd. As a result, we have in accordance with IFRS accounted for our interest in Dayalaba Sdn. Bhd. at 70.0% in our combined income statements, statements of equity and statements of cash flows and combined balance sheets from the date of such acquisition.

(4) On June 29, 2006, we acquired from our Controlling Shareholders a 30.0% interest in Majulaba Sdn. Bhd. and from Yong Nyan Siong, a shareholder of our Company and a director of certain of our subsidiaries, a further 40.0% interest in Majulaba Sdn. Bhd. As our Controlling Shareholders were for the three financial years ended June 30, 2006 the controlling shareholder of Majulaba Sdn. Bhd. on account of Yong Nyan Siong being a passive partner of our Controlling Shareholders in Mujalaba Sdn Bhd, we have in accordance with IFRS accounted for our interest in Majulaba Sdn Bhd (i) at 30.0% in our combined income statements, statements of equity and statements of cash flows for the three financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and combined balance sheets as at June 30, 2004, 2005 and 2006 and as at September 30, 2005 and (ii) at 70.0% in our combined income statement, statement of equity and statement of cash flows for the three months ended September 30, 2006 and combined balance sheet as at September 30, 2006.

COMPARISON OF RESULTS OF OPERATIONS

Comparison of the Three Months ended September 30, 2005 and 2006

Turnover

Our turnover increased by US$46.9 million or 47.8%, from US$98.0 million for the three months ended September 30, 2005 to US$144.9 million for the three months ended September 30, 2006, an increase attributable primarily to an increase in revenue from log sales and plywood and veneer sales, primarily from increased exports of such products.

Logs. Revenue from logs increased by US$12.1 million, or approximately 39.8%, to US$42.6 million for the three months ended September 30, 2006 from US$30.5 million for the three months ended September 30, 2005. This increase in revenue from log sales was primarily the result of a 21.2% increase in the weighted average sales price of exported hardwood logs to US$162.42 per m^3 for the three months ended September 30, 2006 from US$134.06 per m^3 for the three months ended September 30, 2005, together with an increase in hardwood log sales export volumes. We exported 210,600 m^3 of hardwood logs in the three months ended September 30, 2006, a 36.3% increase from the 154,500 m^3 of hardwood logs exported in the three months ended September 30, 2005. The increase in weighted average sales price of exported hardwood logs was mainly due to global supply and demand factors influencing the market price of exported hardwood logs. The increase in volume of our hardwood logs exported was mainly attributable to our being able to extract greater volumes of hardwood logs due to more favorable weather conditions at our forest areas in Sarawak, Malaysia during the three months ended September 30, 2006 relative to three months ended September 30, 2005.

Plywood and veneer. Revenue from plywood and veneer sales increased by US$40.8 million, or approximately 84.7%, from US$48.2 million for the three months ended September 30, 2005 to US$88.9 million for the three months ended September 30, 2006. The increase in revenue from plywood and veneer sales was primarily a result of an increase in the weighted average sales price of exported plywood for the three months ended September 30, 2006 and an increase in plywood sales export volumes for the three months ended September 30, 2006.

Revenue from plywood sold in the three months ended September 30, 2006 increased by US$35.5 million, or approximately 87.9%, to US$75.9 million from US$40.4 million in the three months ended September 30, 2005. Weighted average prices for exported plywood for three months ended September 30, 2006 were US$459.45 per m^3, which was approximately 34.3% greater than the weighted average sales prices of US$342.13 per m^3 for the three months ended September 30, 2005. Our volume of plywood export sales increased by 41.2% to 158,400 m^3 in the three months ended September 30, 2006 from 112,200 m^3 in the three months ended September 30, 2005. The increase in the weighted average sales price of exported plywood was mainly due to global supply and demand factors influencing the market price of exported plywood, principally an increase in new housing starts in Japan. The increase in volume of plywood exported was mainly attributable to our increasing our production of plywood in response to increased sales prices for exported plywood and due to our acquisition of a plywood mill located in Sibu, Sarawak which commenced operation in January 2006.

Revenue from veneer sold in the three months ended September 30, 2006 increased by US$5.4 million, or approximately 70.1%, to US$13.1 million from US$7.7 million in the three months ended September 30, 2005. The increase in revenue from veneer was a result of an increase in the weighted average sales price of veneer (both for export sales and local sales) and an increase in sales volume of veneer (both for export sales and local sales). The weighted average sales price for exported veneer for the three months ended September 30, 2006 was US$308.84 per m^3, which was approximately 22.7% greater than the weighted average sales price of US$251.75 per m^3 for the three months ended September 30, 2005. Weighted average local veneer prices for the three months ended September 30, 2006 were US$276.85 per m^3, which were approximately 41.1% higher than the weighted average sales prices of US$196.14 per m^3 for the three months ended September 30, 2005. We exported 24,800 m^3 of veneer in the three months ended September 30, 2006, a 26.5% increase from the 19,600 m^3 exported in the three months ended September 30, 2005. We sold locally 19,700 m^3 of veneer in the three months ended September 30, 2006, a 38.7% increase from the 14,200 m^3 sold locally in the three months ended September 30, 2005. The increase in veneer weighted average sales prices was primarily due to increased weighted average sales prices of plywood, for which veneer is an input. The increase in our sales volume for veneer was primarily due to our construction of a new veneer mill located in Layun, Sarawak, which commenced operation in December, 2005.

Upstream support. Revenue from upstream support decreased by US$5.8 million, or approximately 56.3%, to US$4.5 million for the three months ended September 30, 2006 from US$10.2 million for the three months ended September 30, 2005. This decrease reflects our acquisition on June 29, 2006 of Merawa Sdn. Bhd., to which company we provide upstream support services. Due to such acquisition, our revenue from the provision of upstream support services to such company is subject to intercompany elimination for the three months ended September 30, 2006, thereby decreasing our revenue from upstream support in the three months ended September 30, 2006 as a result of the required accounting treatment of post-acquisition sales to such company.

Other timber operations. Revenue from other timber operations decreased US$0.6 million or approximately 8.4%, to US$6.2 million in the three months ended September 30, 2006 from US$6.7 million in the three months ended September 30, 2005. This decrease was primarily due to a decrease in revenue from our flooring products.

Non-timber operations. Revenue from non-timber operations increased US$0.3 million or approximately 13.5%, from US$2.5 million in the three months ended September 30, 2005 to US$2.8 million in the three months ended September 30, 2006. This increase was primarily attributable to an increase in revenue from our production and local sales of glue in the PRC.

Cost of sales

Cost of sales increased by US$14.8 million or 17.4%, to US$100.0 million for the three months ended September 30, 2006 from US$85.2 million for the three months ended September 30, 2005. Cost of sales increased due to increased turnover in the three months ended September 30, 2006. For the three months ended September 30, 2006, as compared to the three months ended September 30, 2005, the principal components of our cost of sales experiencing increase were fuel and personnel costs.

Our cost of sales for the three months ended September 30, 2006 comprised principally personnel costs (representing approximately US$16.3 million), fuel, oil and lubricants (representing approximately US$15.4 million), and depreciation and amortization (representing approximately US$15.3 million). Our cost of sales for the three months ended September 30, 2005 comprised principally raw materials (representing approximately US$16.0 million), personnel costs (representing approximately US$13.0 million), and fuel, oil and lubricants (representing approximately US$11.7 million).

Our cost of sales as a percentage of turnover was 69.0% for the three months ended September 30, 2006, as compared with 86.9% for the three months ended September 30, 2005. This decrease in cost of sales as a percentage of turnover was primarily due to an increase in turnover as a result of an increase in weighted average selling price for logs and plywood for the three months ended September 30, 2006.

Hardwood logs

Our cost of sales for hardwood logs increased by US$14.5 million, or 42.7%, to US$48.4 million for the three months ended September 30, 2006 from US$33.9 million for the three months ended September 30, 2005 as a result of greater volumes of hardwood logs sold. Our cost of sales per m^3 of hardwood logs increased by 15.5% to US$85.33 per m^3 for the three months ended September 30, 2006 from US$73.91 per m^3 for the three months ended September 30, 2005 as a result of an increase in contract fees charged by timber support services and an increase in royalties paid due to the mix of logs sold.

Softwood logs

Our cost of sales for softwood logs decreased by US$0.8 million, or 33.3%, to US$1.6 million for the three months ended September 30, 2006 from US$2.4 million for the three months ended September 30, 2005 as a result of lower volumes of softwood logs sold. Our cost of sales per m^3 of softwood logs increased by 5.8% to US$68.46 per m^3 for the three months ended September 30, 2006 from US$64.72 per m^3 for the three months ended September 30, 2005 as a result of higher transportation costs per m^3 of softwood logs sold.

Plywood

Our cost of sales for plywood increased by US$21.6 million, or 56.4%, to US$59.9 million for the three months ended September 30, 2006 from US$38.3 million for the three months ended September 30, 2005 as a result of greater volumes of plywood sold. Our cost of sales per m^3 of plywood increased by 12.4% to US$355.93 per m^3 for the three months ended September 30, 2006 from US$316.58 per m^3 for the three months ended September 30, 2005 as a result of higher log costs and higher glue costs as a result of an increase in market price for such inputs.

Veneer

Our cost of sales for veneer increased by US$7.6 million, or 102.7%, to US$15.0 million for the three months ended September 30, 2006 from US$7.4 million for the three months ended September 30, 2005 as a result of greater volumes of veneer sold. Our cost of sales per m^3 of veneer increased by 3.5% to US$218.48 per m^3 for the three months ended September 30, 2006 from US$211.16 per m^3 for the three months ended September 30, 2005 as a result of higher log costs as a result of an increase in market price for logs.

Gross profit and gross profit margin

Gross profit increased by US$32.1 million, or approximately 250.5%, to US$44.9 million for the three months ended September 30, 2006 from US$12.8 million for the three months ended September 30, 2005. This increase was primarily attributable to the increase in average sales prices of logs, plywood and veneer sold and increases in volume of exported logs, and of plywood and veneer, sold.

Gross profit margin for the three months ended September 30, 2006 increased to 31.0%, as compared to a gross profit margin of 13.1% for the three months ended September 30, 2005, primarily as a result of increased margins from log and plywood sales.

Hardwood logs

Gross profit from hardwood logs increased by US$9.0 million, or approximately 126.9%, to US$16.1 million for the three months ended September 30, 2006 from US$7.1 million for the three months ended September 30, 2005. This increase was primarily attributable to an increase in volume sold and an increase in gross profit margin realized for hardwood logs for the three months ended September 30, 2006.

Gross profit margin from hardwood logs for the three months ended September 30, 2006 increased to 25.0%, as compared to a gross profit margin from hardwood logs of 17.3% for the three months ended September 30, 2005, primarily as a result of an increase in weighted average selling prices per m^3, offset in part by an increase in costs per m^3, of hardwood logs.

Softwood logs

Gross loss from softwood logs increased by US$0.1 million, or approximately 36.3%, to US$0.2 million for the three months ended September 30, 2006 from US$0.1 million for the three months ended September 30, 2005. This increase was primarily attributable to a decrease in volume sold and an increase in gross loss margin realized for softwood logs for the three months ended September 30, 2006.

Gross loss margin from softwood logs for the three months ended September 30, 2006 increased to 12.6%, as compared to a gross loss margin from softwood logs of 5.8% for the three months ended September 30, 2005, primarily as a result of a decrease in weighted average selling price and an increase in transportation costs for softwood logs for the three months ended September 30, 2006.

Plywood

Gross profit from plywood increased by US$13.6 million, or approximately 479.9%, to US$16.5 million for the three months ended September 30, 2006 from US$2.9 million for the three months ended September 30, 2005. This increase was primarily attributable to an increase in volume sold and an increase in gross profit margin realized for plywood for the three months ended September 30, 2006.

Gross profit margin from plywood for the three months ended September 30, 2006 increased to 21.6%, as compared to a gross profit margin from plywood of 6.9% for the three months ended September 30, 2005, primarily as a result of an increase in weighted average selling prices of plywood, partially offset by an increase in the cost of logs, for the three months ended September 30, 2006.

Veneer

Gross profit from veneer increased by US$5.2 million, or approximately 888.0%, to US$5.8 million for the three months ended September 30, 2006 from US$0.6 million for the three months ended September 30, 2005. This increase was primarily attributable to an increase in volume sold and an increase in gross profit margin realized for veneer for the three months ended September 30, 2006.

Gross profit margin from veneer for the three months ended September 30, 2006 increased to 27.7%, as compared to a gross profit margin from veneer of 7.3% for the three months ended September 30, 2005, primarily as a result of an increase in the weighted average selling price of veneer for the three months ended September 30, 2006.

Other operating income

Other operating income increased by US$1.2 million, or approximately 222.2%, from US$0.5 million for the three months ended September 30, 2005 to US$1.7 million for the three months ended September 30, 2006, primarily due to disposals of property, plant and equipment during the three months ended September 30, 2006 primarily consisting of used logging equipment sold to third parties.

Distribution costs

Distribution costs increased by US$0.9 million, or approximately 76.3%, from US$1.1 million for the three months ended September 30, 2005 to US$2.0 million for the three months ended September 30, 2006 due to increased volumes of plywood and veneer sold in the three months ended September 30, 2006, primarily reflecting an increase in inland transportation costs for bringing our downstream wood products to port as a result of higher sales volume.

Our distribution costs as a percentage of turnover was 1.4% for the three months ended September 30, 2006, as compared to 1.2% for the three months ended September 30, 2005. This increase in our distribution costs as a percentage of turnover primarily resulted from an increase in transportation costs incurred to transport our downstream products from our manufacturing facilities to local ports for export.

Administrative expenses

Administrative expenses increased by US$1.2 million or 27.8% to US$5.4 million for the three months ended September 30, 2006 from US$4.2 million for the three months ended September 30, 2005, primarily as a result of our making a provision for increased incentives to employees during the three months ended September 30, 2006 in the amount of approximately US$1.0 million.

Other operating expenses

Other operating expenses remained relatively stable at US$0.1 million and US$0.0 million for the three months ended September 30, 2005 and 2006, respectively.

Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs

Gain from changes in fair value of plantation assets less estimated point-of-sale costs decreased by US$0.6 million, or approximately 34.1%, to an unrealized gain of US$1.2 million for the three months ended September 30, 2006 from an unrealized gain of US$1.8 million for the three months ended September 30, 2005. Our US$1.2 million unrealized gain in changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 was primarily due to natural tree growth. By comparison, our US$1.8 million unrealized gain in changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2005 was primarily due to a decrease in the relevant discount rate applied by our independent valuers with regard to our New Zealand plantations (which decreased from 9.0% for the financial year ended June 30, 2005 to 8.5% for the three months ended September 30, 2005), offset in part by a decrease in prevailing market sales prices for softwood logs as at September 30, 2005 as compared to as at June 30, 2005.

Profit from operations and operating margin

Primarily as a result of the increase in average sales price of logs, plywood and veneer sold and increases in volume of exported logs, and of plywood and veneer, sold, our profits from operations (our results after changes in fair value of plantation assets) increased by US$30.6 million, or approximately 313.5%, to US$40.4 million for the three months ended September 30, 2006, as compared to a profit from operations of US$9.8 million for the three months ended September 30, 2005.

Our operating margin (our results before changes in fair value of plantation assets as a percentage of turnover) was 27.0% for the three months ended September 30, 2006 as compared to 8.1% for the three months ended September 30, 2005. This increase in our operating margin was primarily due to an increase in our gross margin as weighted average selling prices increased for logs, plywood and veneer for the three months ended September 30, 2006.

Hardwood logs

Our profit from operations from hardwood logs (our results from hardwood log sales after changes in fair value of plantation assets) increased by US$8.6 million, or approximately 147.5%, to US$14.4 million for the three months ended September 30, 2006, as compared to a profit from operations from hardwood logs of US$5.8 million for the three months ended September 30, 2005.

Our operating margin for hardwood logs (our results from hardwood log sales before changes in fair value of plantation assets as a percentage of our revenue from hardwood logs) was 23.1% for the three months ended September 30, 2006 as compared to 14.4% for the three months ended September 30, 2005. This increase in our operating margin for hardwood logs was primarily due to an increase in our gross margin from hardwood logs as weighted average selling prices for hardwood logs increased for the three months ended September 30, 2006.

Softwood logs

Our profit from operations from softwood logs (our results from softwood log sales after changes in fair value of plantation assets) decreased by US$0.3 million, or approximately 16.5%, to US$1.4 million for the three months ended September 30, 2006, as compared to a profit from operations from softwood logs of US$1.7 million for the three months ended September 30, 2005.

Our operating loss margin for softwood logs (our results from softwood log sales before changes in fair value of plantation assets as a percentage of our revenue from softwood logs) was 16.9% for the three months ended September 30, 2006 as compared to 8.4% for the three months ended September 30, 2005. This increase in our operating loss margin for softwood logs was primarily due to an increase in our gross loss margin for softwood logs for the three months ended September 30, 2006.

Plywood

Our profit from operations from plywood increased by US$11.9 million, or approximately 681.7%, to US$13.7 million for the three months ended September 30, 2006, as compared to a profit from operations from plywood of US$1.8 million for the three months ended September 30, 2005.

Our operating margin for plywood was 17.9% for the three months ended September 30, 2006 as compared to 4.3% for the three months ended September 30, 2005. This increase in our operating margin for plywood was primarily due to an increase in gross margin from plywood, offset in part by an increase in provisions for incentive payments to employees, for the three months ended September 30, 2006.

Veneer

Our profit from operations from veneer increased by US$5.2 million, or approximately 888.0%, to US$5.8 million for the three months ended September 30, 2006, as compared to a profit from operations from veneer of US$0.6 million for the three months ended September 30, 2005.

Our operating margin for veneer was 27.7% for the three months ended September 30, 2006 as compared to 7.3% for the three months ended September 30, 2005. This increase in our operating margin for veneer was primarily due to an increase in our gross margin from veneer for the three months ended September 30, 2006.

Net financing costs

Financial income increased by US$2.2 million, or approximately 122.5%, to US$3.9 million for the three months ended September 30, 2006 from US$1.7 million for the three months ended September 30, 2005. However, financial expenses increased by US$2.0 million, or approximately 53.6% to US$5.8 million in the three months ended September 30, 2006 from US$3.8 million in the three months ended September 30, 2005.

The increase in financial income in the three months ended September 30, 2006 was primarily due to the recognition of unrealized foreign exchange gains of US$3.7 million in the three months ended September 30, 2006, as compared to unrealized foreign exchange losses of US$0.7 million in the three months ended September 30, 2005.

The increase in financial expense in the three months ended September 30, 2006, was primarily due to increased borrowings in the three months ended September 30, 2006 and due to a net loss on change in value of financial instruments of US$1.1 million in the three months ended September 30, 2006, as compared to a net gain on change in value of financial instruments of US$0.7 million in the three months ended September 30, 2005. Our borrowings increased in the three months ended September 30, 2006, as compared to the three months ended September 30, 2005, primarily in order to finance the acquisition of an additional 19.82% interest in Lingui pursuant to the mandatory general offer for shares in Lingui described in "Our History and Corporate Structure" and partly due to an increase in purchases of fixed assets financed by borrowings. We experienced a net loss on change in value of financial instruments during the three months ended September 30, 2006, as compared to a net gain on change in value of financial instruments during the three months ended September 30, 2005, due primarily to movements in mark to market interest rates, whereby mark to market interest rates were lower than the applicable swap rate as at September 30, 2006, whereas as at September 30, 2005, mark to market interest rates were higher than the applicable swap rate.

Primarily as a result of the foregoing, net financing costs decreased by US$0.1 million, or approximately 4.8%, to US$1.9 million for the three months ended September 30, 2006 from US$2.0 million for the three months ended September 30, 2005.

Share of profits less losses of associates

For the three months ended September 30, 2006, we recognized a profit of US$1.0 million as our net share of profits less losses of associates, a change of US$1.8 million, or approximately 214.6%, from the loss of US$0.9 million recognized as our net share of profits less losses of associates for the three months ended September 30, 2005. This change was primarily attributable to an increase in net profits from our associated company Glenealy in the three months ended September 30, 2006.

Our share of profits from Glenealy increased by US$1.3 million, or approximately 169.8%, to US$0.5 million for the three months ended September 30, 2006 from a loss of US$0.8 million for the three months ended September 30, 2005 primarily due to Glenealy experiencing unrealized gains from changes in the fair value of its oil palm plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006, as compared to unrealized losses from changes in the fair value of its oil palm plantation assets for the three months ended September 30, 2005, as discussed further in the paragraph below and "Financial Information — Factors Affecting Results of Operation — Change in fair value of plantation assets less estimated point-of-sale costs". Our share of profits from Sepangar Chemical Industry Sdn. Bhd. increased by US$0.3 million, or approximately 282.6%, to US$0.4 million for the three months ended September 30, 2006 from US$0.1 million for the three months ended September 30, 2005, primarily due to an increase in the selling prices obtained for formalin and various types of formaldehyde adhesive resins sold. Our share of profits from Daiken Miri Sdn. Bhd. increased by US$0.3 million, or approximately 150.6%, to US$0.1 million for the three months ended September 30, 2006 from a share of loss of US$0.2 million for the three months ended September 30, 2005 primarily due to foreign exchange gains experienced by Daiken Miri Sdn. Bhd. for the three months ended September 30, 2006.

For the three months ended September 30, 2006, we recognized a US$0.4 million unrealized gain as our share of changes in fair value of oil palm plantation assets less estimated point-of-sale costs in Glenealy, as compared to a US$0.7 million unrealized loss as our share of Glenealy's changes in fair value of oil palm plantation assets less estimated point-of-sale costs for the three months ended September 30, 2005. Glenealy recognized a US$1.2 million unrealized gain from changes in fair value of oil palm plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 primarily due to an increase in crude palm oil selling prices. By comparison, Glenealy recognized a US$1.8 million unrealized loss from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2005 primarily due to a decrease in crude palm oil selling prices.

Share of profits less losses of jointly controlled entities

In the three months ended September 30, 2006, we recognized US$0.7 million as our net share of profits of a jointly controlled entity, an increase of US$0.1 million, or approximately 25.6%, from the US$0.5 million recognized in the three months ended September 30, 2005. This increase was primarily attributable to an increase in the net profits of our door facing manufacturing joint venture, Magna-Foremost Sdn. Bhd. due to improved margins, as its cost per door facing decreased.

Profit/(loss) before taxation

Primarily as a result of the increase in average sales price of logs, plywood and veneer sold and increases in volume of exported logs, and of plywood and veneer, sold, and the other factors described above, our profits before taxation amounted to US$40.1 million for the three months ended September 30, 2006, an increase of US$32.7 million, or 442.4%, as compared to a profit before taxation of US$7.4 million for the three months ended September 30, 2005.

Income tax

An income tax expense of US$7.7 million was accounted for in the three months ended September 30, 2006, as compared to an income tax expense of US$3.2 million for the three months ended September 30, 2005, an increase of US$4.6 million, or 142.9%. The difference is mainly due to higher income taxes payable on increased profits in the three months ended September 30, 2006.

Profit for the period

After accounting for income tax, we recognized a profit of US$32.4 million for the three months ended September 30, 2006, as compared to a profit of US$4.2 million for the three months ended September 30, 2005, an increase of US$28.2 million, or approximately 668.9%.

Net profit margin was 22.3% for the three months ended September 30, 2006 as compared to a net profit margin of 4.3% for the three months ended September 30, 2005. This increase in net profit margin from the three months ended September 30, 2005 to the three months ended September 30, 2006 was primarily due to the effects of increased weighted average selling prices for logs, plywood and veneer, offset in part by an increase in income taxes, for the three months ended September 30, 2006.

Minority interest

Minority interest was US$10.1 million for the three months ended September 30, 2006, as compared to US$2.8 million for the three months ended September 30, 2005. This increase in minority interest by US$7.3 million, or approximately 261.6%, was primarily due to an increase in Lingui's profits for the three months ended September 30, 2006, as compared to the three months ended September 30, 2005, offset in part by a reduction in the interest held by minority shareholders in Lingui as a result of our acquisition on May 24, 2006 of an additional 19.82% interest in Lingui pursuant to the mandatory general offer for shares in Lingui described in "Our History and Corporate Structure".

Profit for the period attributable to equity holders of our Company

Profit for the period attributable to equity holders of our Company amounted to US$22.3 million for the three months ended September 30, 2006, an increase of US$20.9 million, or approximately 1,465.8%, from US$1.4 million for the three months ended September 30, 2005. The increase in profits attributable to equity holders of our Company in the three months ended September 30, 2006 was primarily attributable to the increase in average sales price of logs, plywood and veneer sold and increases in volume of exported logs, and of plywood and veneer sold.

Comparison of the Financial Years ended June 30, 2005 and 2006

Turnover

Our turnover decreased by US$20.4 million or 5.0%, from US$409.1 million for the financial year ended June 30, 2005 to US$388.7 million for the financial year ended June 30, 2006, a decrease attributable primarily to a decrease in the volume of logs extracted from our concessions in Sarawak, Malaysia, due to adverse weather conditions impacting our logging and our upstream support operations.

Logs. Revenue from logs decreased by US$9.9 million, or approximately 7.5%, to US$121.1 million for the 2006 financial year from US$131.0 million for the 2005 financial year. This decrease in revenue from log sales was primarily the result of a decrease in revenue from exported hardwood logs, which was primarily the result of a decrease in sales volume of hardwood logs exported, offset in part by an increase in the weighted average sales price of exported hardwood logs. We exported 595,000 m^3 of hardwood logs in the 2006 financial year, a 23.9% decrease from the 782,200 m^3 exported in the 2005 financial year. The decrease in volume of hardwood logs exported was mainly attributable to adverse weather conditions in Sarawak, Malaysia during the 2006 financial year, adversely impacting our log extraction operations in Sarawak for such financial year. The decrease in volume of hardwood logs exported was partially offset by a 16.4% increase in the weighted average sales price of hardwood logs exported to US$143.39 per m^3 for the 2006 financial year from US$123.14 per m^3 for the 2005 financial year. See "— Factors Affecting Results of Operations — Market demand and supply conditions for logs".

Plywood and veneer. Revenue from plywood and veneer sales increased by US$4.3 million, or approximately 2.1%, from US$203.3 million for the financial year ended June 30, 2005 to US$207.5 million for the financial year ended June 30, 2006. The slight increase in revenue from plywood and veneer was primarily a result of an increase in revenue from exported veneer in the 2006 financial year, which was offset in part by a decrease in revenue from exported plywood in the 2006 financial year.

Revenue from plywood sold in the 2006 financial year decreased by US$5.9 million, or approximately 3.2%, to US$175.7 million from US$181.6 million in the 2005 financial year. Our volume of plywood export sales decreased to 451,800 m^3 in the 2006 financial year from 495,300 m^3 in the 2005 financial year, primarily as a result of a decrease in log supply to our plywood mills from our upstream operations due to adverse weather conditions in Sarawak during the 2006 financial year. The weighted average sales price for exported plywood for the 2006 financial year was US$370.39 per m^3, which was approximately 5.7% greater than the weighted average sales price of US$350.49 per m^3 for the 2005 financial year.

Revenue from veneer sold increased by US$10.1 million, or approximately 46.5%, to US$31.8 million in the 2006 financial year from US$21.7 million in the 2005 financial year. The increase in revenue from veneer was a result of an increase in volume of veneer sold (both for export sales and local sales) and an increase in the weighted average sales price of exported veneer. The weighted average sales price for exported veneer for the 2006 financial year was US$259.43 per m^3, which was approximately 48.9% greater than the weighted average sales price of US$174.23 per m^3 for the 2005 financial year. Our total veneer sales volume (export sales and local sales) increased by approximately 15.8% to 129,600 m^3 for the 2006 financial year from 111,900 m^3 for the 2005 financial year. We exported 78,500 m^3 of veneer in the 2006 financial year, a 10.1% increase from the 71,300 m^3 exported in the 2005 financial year. We sold locally 51,100 m^3 of veneer in the 2006 financial year, a 25.9% increase from the 40,600 m^3 sold locally in the 2005 financial year. The increase in weighted average export sales price for veneer, and also the increase in volume of veneer sold, was primarily due to the increasing volume and quality of our veneer produced as we ramped up production at our new veneer mills during the 2006 financial year.

Upstream support. Revenue from upstream support decreased by US$10.8 million, or approximately 32.9%, to US$22.1 million for the financial year ended June 30, 2006 from US$32.9 million for the financial year ended June 30, 2005. This decrease was primarily a result of adverse weather conditions in Sarawak, Malaysia, that led to a decrease in logging activity at the third party timber concessions that our upstream support segment services.

Other timber operations. Revenue from other timber operations decreased by US$3.7 million or approximately 11.3%, to US$29.3 million in the financial year ended June 30, 2006 from US$33.0 million in the financial year ended June 30, 2005. This decrease was primarily due to a decrease in revenue from our housing products operations and the effect of the 2005 financial year sale of the door manufacturing assets of a subsidiary to Foremost Crest Sdn. Bhd., our jointly-controlled entity with Masonite, as a result of which the revenue attributable to that former subsidiary ceased to be fully consolidated. The results of Foremost Crest Sdn. Bhd. in our income statement were accounted for in our historical combined income statement on an equity accounting basis under IFRS.

Non-timber operations. Revenue from non-timber operations decreased approximately 3.3%, from US$9.0 million in the financial year ended June 30, 2005 to US$8.7 million in the financial year ended June 30, 2006. This decrease was primarily attributable to a decrease in revenue from our granite quarry operations.

Cost of sales

Despite a decrease in turnover in the 2006 financial year due to decreased sales volume, cost of sales increased by US$2.0 million or 0.6%, to US$341.8 million for the financial year ended June 30, 2006 from US$339.8 million for the financial year ended June 30, 2005. Cost of sales remained at approximately the same level despite decreased turnover because unit cost of sales per cubic meter increased in the 2006 financial year. Unit cost per cubic meter increased primarily due to rising fixed costs, as depreciation increased due to a rise in our capital expenditures, and due to higher fuel, glue and spare parts prices. See "— Factors Affecting Results of Operations — Cost of sales".

Our cost of sales for the 2006 financial year comprised principally personnel costs (representing approximately US$54.4 million), depreciation and amortization (representing approximately US$51.9 million), and fuel, oil and lubricants (representing approximately US$49.9 million). Our cost of sales for the 2005 financial year comprised principally raw material (representing approximately US$53.3 million), personnel costs (representing approximately US$51.0 million), and repair and maintenance costs (representing approximately US$43.9 million).

Our cost of sales as a percentage of turnover was 87.9% for the 2006 financial year, as compared with 83.0% for the 2005 financial year. This increase in cost of sales as a percentage of turnover was primarily due to an increase in our cost of sales per m^3 and a decrease in turnover during the 2006 financial year as compared with the 2005 financial year.

Hardwood logs

Our cost of sales for hardwood logs decreased by US$2.0 million, or 1.4%, to US$140.7 million for the 2006 financial year from US$142.7 million for the 2005 financial year as a result of a reduction in sales volume of hardwood logs, offset in part by an increase in average cost of sales per m^3 of hardwood logs. Our cost of sales per m^3 of hardwood logs increased by 6.0% to US$81.40 per m^3 for the 2006 financial year from US$76.76 per m^3 for the 2005 financial year as a result of an increase in contract fees charged by timber support services and an increase in royalties paid due to the mix of logs sold.

Softwood logs

Our cost of sales for softwood logs decreased by US$2.2 million, or 25.0%, to US$6.6 million for the 2006 financial year from US$8.8 million for the 2005 financial year as a result of lower volumes of softwood logs sold. Our cost of sales per m^3 of softwood logs decreased by 3.4% to US$65.33 per m^3 for the 2006 financial year from US$67.64 per m^3 for the 2005 financial year as a result of lower transportation costs per m^3 of softwood logs sold.

Plywood

Our cost of sales for plywood increased by US$9.8 million, or 6.1%, to US$169.4 million for the 2006 financial year from US$159.6 million for the 2005 financial year as a result of higher log costs, offset in part by a decrease in volumes of plywood sold. Our cost of sales per m^3 of plywood increased by 16.3% to US$347.43 per m^3 for the 2006 financial year from US$298.64 per m^3 for the 2005 financial year as a result of higher log costs and higher glue costs as a result of an increase in market price for such inputs, and as a result of our fixed costs being allocated over a lower sales volume in the 2006 financial year as compared to the 2005 financial year.

Veneer

Our cost of sales for veneer increased by US$16.0 million, or 59.0%, to US$43.3 million for the 2006 financial year from US$27.3 million for the 2005 financial year as a result of larger volumes of veneer sold. Our cost of sales per m^3 of veneer decreased by 8.4% to US$223.94 per m^3 for the 2006 financial year from US$244.42 per m^3 for the 2005 financial year as a result of the larger volumes of veneer sold, which spread our fixed costs across a greater volume of product sold, offset in part by an increase in log costs.

Gross profit and gross profit margin

Gross profit decreased by US$22.4 million, or approximately 32.4%, to US$46.9 million for the financial year ended June 30, 2006 from US$69.3 million for the financial year ended June 30, 2005. This decrease was primarily attributable to the lower margins at our log and plywood operations due to increased costs.

Gross profit margin for the 2006 financial year decreased to 12.1%, as compared to a gross profit margin of 17.0% for the 2005 financial year, primarily as a result of decreased margins from hardwood logs and plywood.

Hardwood logs

Gross profit from hardwood logs decreased by US$3.7 million, or approximately 11.1%, to US$29.9 million for the 2006 financial year from US$33.7 million for the 2005 financial year. This decrease was primarily attributable to an decrease in volume and an increase in costs per m^3 of hardwood logs for the 2006 financial year.

Gross profit margin from hardwood logs for the 2006 financial year decreased to 17.6%, as compared to a gross profit margin from hardwood logs of 19.1% for the 2005 financial year, primarily as a result of our fixed costs associated with hardwood logs being allocated over a lower sales volume of hardwood logs in the 2006 financial year as compared to the 2005 financial year, which resulted in an increase in costs per m^3 of hardwood logs.

Softwood logs

Gross loss from softwood logs decreased by US$0.5 million, or approximately 52.6%, to US$0.4 million for the 2006 financial year from US$0.9 million for the 2005 financial year. This decrease was primarily attributable to an increase in gross margin realized, offset in part by a decrease in volume, of softwood logs for the 2006 financial year.

Gross loss margin from softwood logs for the 2006 financial year decreased to 7.1%, as compared to a gross loss margin from softwood logs of 11.8% for the 2005 financial year, primarily as a result of an increase in weighted average selling prices and a decrease in transportation costs of softwood logs for the 2006 financial year as compared to the 2005 financial year.

Plywood

Gross profit from plywood decreased by US$16.5 million, or approximately 64.3%, to US$9.1 million for the 2006 financial year from US$25.6 million for the 2005 financial year. This decrease was primarily attributable to a decrease in volume sold and a decrease in gross profit margins realized for plywood for the 2006 financial year.

Gross profit margin from plywood for the 2006 financial year decreased to 5.1%, as compared to a gross profit margin from plywood of 13.8% for the 2005 financial year, primarily as a result of an increase in our cost of sales per m^3, offset in part by an increase in weighted average selling prices, of plywood for the 2006 financial year as compared to the 2005 financial year.

Veneer

Gross profit from veneer increased by US$10.9 million, or approximately 193.2%, to US$5.3 million for the 2006 financial year from a loss of US$5.6 million for the 2005 financial year. This increase was primarily attributable to an increase in volume sold and an increase in gross profit margins realized for the 2006 financial year.

Gross profit margin from veneer for the 2006 financial year increased to 10.8%, as compared to a gross loss margin from veneer of 25.9% for the 2005 financial year, primarily as a result of an increase in weighted average selling prices and a decrease in cost of sales per m^3 of veneer for the 2006 financial year as compared to the 2005 financial year.

Other operating income

Other operating income decreased by US$11.9 million, or approximately 81.1%, from US$14.7 million for the financial year ended June 30, 2005 to US$2.8 million for the financial year ended June 30, 2006. Other operating income in the 2005 financial year was primarily derived from the sale of the fixed assets of a door-facing manufacturing subsidiary, Samling DorFoHom Sdn. Bhd., to Magna-Foremost Sdn. Bhd., a new jointly controlled entity formed with Masonite. Only 50% of the gain from the sale of the fixed assets of Samling DorFoHom Sdn. Bhd. was recognized in our historical combined income statement as we hold a 50% interest in Magna-Foremost Sdn. Bhd. Other operating income was also derived from rental income, gains from the sale of a 15% interest in a fiberboard associate, Daiken Miri Sdn. Bhd., and other miscellaneous and sundry income.

Distribution costs

Distribution costs remained relatively stable at US$4.5 million and US$4.5 million for the 2005 and 2006 financial years despite decreased volumes of timber sold in the 2006 financial year, primarily as a result of higher inland transportation costs.

Our distribution costs as a percentage of turnover was 1.2% for the 2006 financial year, as compared to 1.1% for the 2005 financial year. This increase in our distribution costs as a percentage of turnover primarily resulted from an increase in transportation costs incurred to transport our downstream products from our manufacturing facilities to local ports for export.

Administrative expenses

Administrative expenses remained relatively stable, increasing 1.4% to US$17.2 million for the 2006 financial year from US$16.9 million for the 2005 financial year.

Other operating expenses

Other operating expenses increased to US$1.5 million for the 2006 financial year from US$0.5 million for the 2005 financial year . The increase in operating expenses was mainly due to costs relating to an inventory loss net of insurance compensation arising from a fire at one of our veneer warehouses in Malaysia during the 2006 financial year.

Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs

Losses from changes in fair value of plantation assets less estimated point-of-sale costs increased to US$15.3 million for the 2006 financial year from losses of US$14.8 million for the 2005 financial year. Our US$15.3 million loss in changes in fair value of plantation assets less estimated point-of-sale costs for the 2006 financial year was primarily due to a decrease in prevailing market sales prices for softwood logs as at

June 30, 2006 as compared to as at June 30, 2005 and a change in the yield tables utilized by our independent valuers (reflecting the adoption of an updated yield table compiled by our Company), offset in part by a decrease in the relevant discount rate applied by our independent valuers with regard to our New Zealand plantations (which decreased from 9.0% for the financial year ended June 30, 2005 to 8.5% for the financial year ended June 30, 2006) and natural tree growth. By comparison, our US$14.8 million unrealized loss in changes in fair value of plantation assets less estimated point-of-sale costs for the 2005 financial year was primarily due to an increase in our production costs and a decrease in market prices for softwood logs as at June 30, 2005 as compared to as at June 30, 2004, offset in part by natural tree growth.

Profit from operations and operating margin

Primarily as a result of decreased sales volume and increased costs, our profits from operations (our results after changes in fair value of plantation assets) decreased by US$36.2 million, or approximately 76.4%, to US$11.2 million for the 2006 financial year, as compared to a profit from operations of US$47.4 million for the 2005 financial year. Our profit from operations for the 2005 financial year also included non-recurring gains on disposal of fixed assets of US$12.2 million, the non-recurrence of which in the 2006 financial year also contributed to the decrease in our profits from operations for the 2006 financial year.

Our operating margin (our results before changes in fair value of plantation assets as a percentage of turnover) was 6.8% for the 2006 financial year as compared to 15.2% for the 2005 financial year. This decrease in our operating margin was primarily due to a decrease in the operating margin of our log and plywood operations for the 2006 financial year as compared to the 2005 financial year.

Hardwood logs

Our profit from operations from hardwood logs (our results from hardwood log sales after changes in fair value of plantation assets) decreased by US$3.8 million, or approximately 11.3%, to US$30.0 million for the 2006 financial year, as compared to a profit from operations from hardwood logs of US$33.8 million for the 2005 financial year.

Our operating margin for hardwood logs (our results from hardwood log sales before changes in fair value of plantation assets as a percentage of our revenue from hardwood logs) was 16.8% for the 2006 financial year as compared to 18.5% for the 2005 financial year. This decrease in our operating margin for hardwood logs was primarily due to a decrease in our gross margin from hardwood logs and our administrative costs being allocated over a lower sales volume in the 2006 financial year as compared to the 2005 financial year.

Softwood logs

Our loss from operations from softwood logs (our results from softwood log sales after changes in fair value of plantation assets) increased by US$0.5 million, or approximately 3.2%, to a loss of US$17.5 million for the 2006 financial year, as compared to a loss from operations from softwood logs of US$17.0 million for the 2005 financial year.

Our operating loss margin for softwood logs (our results from softwood log sales before changes in fair value of plantation assets as a percentage of our revenue from softwood logs) was 15.5% for the 2006 financial year as compared to 13.6% for the 2005 financial year. This increase in our operating loss margin for softwood logs was primarily due to an increase in administrative costs, offset in part by a decrease in gross loss margin, for softwood logs for the 2006 financial year as compared to the 2005 financial year.

Plywood

Our profit from operations from plywood decreased by US$17.7 million, or approximately 92.7%, to US$1.4 million for the 2006 financial year, as compared to a profit from operations from plywood of US$19.1 million for the 2005 financial year.

Our operating margin for plywood was 0.8% for the 2006 financial year as compared to 10.3% for the 2005 financial year. This decrease in our operating margin for plywood was primarily due to a decrease in our gross margin from plywood for the 2006 financial year as compared to the 2005 financial year and the inventory losses arising from a fire at one of our warehouses in Bintulu, Malaysia in the 2006 financial year.

Veneer

Our profit from operations from veneer increased by US$10.9 million, or approximately 193.2%, to US$5.3 million for the 2006 financial year, as compared to a loss from operations from veneer of US$5.6 million for the 2005 financial year.

Our operating margin for veneer was 10.8% for the 2006 financial year as compared to a loss margin of 25.9% for the 2005 financial year. This increase in our operating margin for veneer was primarily due to an increase in our gross margin for veneer for the 2006 financial year as compared to the 2005 financial year.

Net financing costs

Financial income decreased by approximately 24.2%, to US$6.9 million for the financial year ended June 30, 2006 from US$9.1 million for the financial year ended June 30, 2005. However, financial expenses increased by approximately 34.5% to US$22.4 million in the financial year ended June 30, 2006 from US$16.6 million in the financial year ended June 30, 2005.

The increase in financial expenses and decrease in financial income in the 2006 financial year was primarily due to the recognition of unrealized foreign exchange losses of US$7.5 million in the 2006 financial year, as compared to unrealized foreign exchange gains of US$5.0 million in the 2005 financial year. These unrealized foreign exchange losses resulted primarily from exchange losses between U.S. dollars and New Zealand dollars due to adverse movements in relevant rates of exchange from June 30, 2005 to June 30, 2006.

Primarily as a result of this unrealized foreign exchange movement, net financing costs increased to US$15.5 million for the 2006 financial year from US$7.6 million for the 2005 financial year. See "— Factors Affecting Results of Operations — Foreign exchange gains and losses".

Share of profits less losses of associates

In the financial year ended June 30, 2006, we recognized US$1.3 million as our net share of profits of associates, a decrease of approximately 42.3% from the share of profits less losses of associates of US$2.3 million recognized in the financial year ended June 30, 2005. This decrease was primarily attributable to a decrease in our share of profits from Glenealy, our oil palm associate, and Daiken Miri Sdn. Bhd., our fiberboard associate.

Our share of profits from Glenealy decreased by US$1.2 million, or approximately 54.3%, to US$1.0 million for the 2006 financial year from US$2.2 million for the 2005 financial year primarily due to a decrease in crude palm oil sales prices realized by Glenealy, and Glenealy recording decreased unrealized gains from changes in fair value of its oil palm plantation assets less estimated point-of-sale costs for the 2006 financial year as compared to the 2005 financial year, as discussed further in the paragraph below and "Financial Information — Factors Affecting Results of Operation — Change in fair value of plantation assets less estimated point-of-sale costs". Our share of profits from Sepangar Chemical Industry Sdn. Bhd. increased by US$0.9 million, or approximately 232.9%, to US$0.5 million for the 2006 financial year from a loss of US$0.4 million for the 2005 financial year, primarily due to an increase in the selling prices obtained for formalin and various types of formaldehyde adhesive resins sold and improved results of its subsidiary in the PRC. Our share of profits from Daiken Miri Sdn. Bhd. decreased by US$0.7 million, or approximately 157.0%, to a loss of US$0.3 million for the 2006 financial year from a profit of US$0.4 million for the 2005 financial year primarily due to a decrease in sales volumes for the 2006 financial year as compared to the 2005 financial year.

For the 2006 financial year, we recognized a US$2.4 million unrealized gain as our share of changes in fair value of oil palm plantation assets less estimated point-of-sale costs in Glenealy, as compared to a US$3.1 million unrealized gain as our share of Glenealy's changes in fair value of oil palm plantation assets less estimated point-of-sale costs for the 2005 financial year. Glenealy recognized a US$6.7 million unrealized gain from changes in value of oil palm plantation assets less estimated point-of-sale costs for the 2006 financial year principally due to an increase in crude palm oil selling prices, offset in part by an increase in production costs. By comparison, Glenealy recognized a US$8.7 million unrealized gain from changes in fair value of plantation assets less estimated point-of-sale costs for the 2005 financial year primarily due to an increase in crude palm oil selling prices, offset in part by an increase in production costs.

Share of profits less losses of jointly controlled entities

In the financial year ended June 30, 2006, we recognized US$2.8 million as our net share of profits of a jointly controlled entity, an increase of approximately 15.4% from the US$2.4 million recognized in the financial year ended June 30, 2005. This increase was primarily attributable to an increase in the net profits of our door facing manufacturing joint venture, Magna-Foremost Sdn. Bhd. due to an increase in the volume of door facings sold in the 2006 financial year as compared to the 2005 financial year.

Profit/(loss) before taxation

Primarily as a result of decreased sales volume and increased costs and the other factors described above, loss before taxation amounted to US$0.2 million for the financial year ended June 30, 2006, as compared to a profit before taxation of US$44.6 million for the financial year ended June 30, 2005.

Income tax

An income tax credit of US$1.7 million was accounted for in the financial year ended June 30, 2006, as compared to an income tax expense of US$1.3 million for the financial year ended June 30, 2005. We experienced an income tax credit in the 2006 financial year, as compared to an income tax expense during the 2005 financial year, as a result of the loss made in the 2006 financial year.

Profit for the year

After accounting for income tax, we recognized a profit for the year of US$1.5 million for the 2006 financial year, as compared to a profit for the year of US$43.3 million for the 2005 financial year.

Net profit margin was 0.4% for the 2006 financial year as compared to a net profit margin of 10.6% for the 2005 financial year. This decrease in net profit margin from the 2005 financial year to the 2006 financial year was primarily due to a decrease in sales volumes and increased costs and other factors described above.

Minority interest

Minority interest was a credit of US$3.6 million for the 2006 financial year, as compared to a debit of US$20.1 million for the 2005 financial year. This change in minority interest by US$23.7 million, or approximately 117.8%, was primarily due to changes in the results of Lingui, which recorded a loss of US$7.1 million for the 2006 financial year as compared to a profit of US$23.8 million for the 2005 financial year.

Profit for the year attributable to equity holders of our Company

Profit for the year attributable to equity holders of our Company amounted to US$5.1 million for the 2006 financial year, a decrease of US$18.0 million or approximately 77.8% from US$23.1 million for the 2005 financial year.

Comparison of the Financial Years Ended June 30, 2004 and 2005

Turnover

Our turnover increased by US$44.8 million, or approximately 12.3%, from US$364.3 million for the financial year ended June 30, 2004 to US$409.1 million for the financial year ended June 30, 2005, an increase primarily attributable to increased revenue from sales of logs, plywood and veneer.

Logs. Revenue from logs increased by US$17.7 million, or approximately 15.6%, to US$131.0 million for the 2005 financial year from US$113.3 million for the 2004 financial year. This increase in revenue from log sales was primarily the result of an increase in exported hardwood log sales volumes and the weighted average export sales price of exported hardwood logs sold. We exported 782,200 m^3 of hardwood logs in the 2005 financial year, a 6.8% increase from the 732,500 m^3 of hardwood logs exported in the 2004 financial year. The weighted average sales prices of exported hardwood logs increased by 17.5% to US$123.14 per m^3 for the 2005 financial year from US$104.79 per m^3 for the 2004 financial year. The increase in the weighted average sales price and sales volume for exported hardwood logs was principally the result of global supply and demand factors influencing the market price of exported hardwood logs.

Plywood and veneer. Revenue from plywood and veneer sales increased by US$32.6 million, or approximately 19.1%, from US$170.6 million for the 2004 financial year to US$203.3 million for the 2005 financial year, primarily due to higher weighted average sales prices of plywood and veneer and increased plywood and veneer export sales volumes.

Revenue from plywood sold in the 2005 financial year increased by US$21.1 million, or approximately 13.1%, to US$181.6 million from US$160.5 million in the 2004 financial year. Weighted average prices for exported plywood were US$350.49 per m^3 in the 2005 financial year, a 12.4% increase from the weighted average price of US$311.69 per m^3 in the 2004 financial year. Our volume of plywood export sales increased by 1.2% to 495,300 m^3 in the 2005 financial year from 489,200 m^3 in the 2004 financial year. The increase in the weighted average sales price of exported plywood was mainly due to global supply and demand factors influencing the market price of exported plywood.

Revenue from veneer sold in the 2005 financial year increased by US$11.6 million, or approximately 114.9% to US$21.7 million from US$10.1 million in the 2004 financial year. The weighted average sales price for exported veneer for the 2005 financial year was US$174.23 per m^3, which was approximately 39.2% greater than the weighted average sales price of US$125.21 per m^3 for the 2004 financial year. We exported 71,300 m^3 of veneer in the 2005 financial year, a 84.2% increase from the 38,700 m^3 exported in the 2004 financial year, as a consequence of the commissioning of our second veneer mill at the end of the 2004 financial year. Our total veneer sales volume increased 58.3% to 111,900 m^3 in the 2005 financial year from 70,700 m^3 in the 2004 financial year.

Upstream support. Revenue from upstream support increased by US$3.0 million, or approximately 10.0%, to US$32.9 million for the 2005 financial year from US$29.9 million for the 2004 financial year. Revenue from upstream support in both years consisted primarily of timber extractions services and fuel and machine parts sales in Malaysia.

Other timber operations. Revenue from other timber operations decreased US$9.3 million, or approximately 22.0%, to US$33.0 million in the 2005 financial year from US$42.4 million in the 2004 financial year. This decrease was primarily due to the sale of the door-facing plant assets of our subsidiary, Samling DorFoHom Sdn. Bhd., to Magna-Foremost Sdn. Bhd., a jointly controlled entity we formed with Masonite. Magna-Foremost's operations were accounted for in the 2005 financial year as profits from a jointly controlled entity. Revenue attributable to housing products operations increased over the course of this period, which offset lower revenues attributable to flooring products.

Non-timber operations. Revenue from non-timber operations increased approximately 10.2%, from US$8.1 million in the financial year ended June 30, 2004 to US$9.0 million in the financial year ended June 30, 2005. This increase was primarily attributable to increased revenue from our rubber compound operations.

Cost of sales

Cost of sales increased by US$35.8 million, or approximately 11.8%, to US$339.8 million for the 2005 financial year from US$304.0 million for the 2004 financial year, primarily as a result of higher sales volume as business activity increased. Cost of log extraction also increased in the 2005 financial year due to increases in the cost of fuel, repair and maintenance. Following the sale of our door facing manufacturing assets from a subsidiary to a jointly controlled entity we formed with Masonite, our overall cost of sales was reduced as the results of the door facing business was henceforth accounted for as our share of profits less losses of jointly controlled entities. See "— Factors Affecting Results of Operations — Cost of sales".

Our cost of sales for the 2005 financial year comprised principally raw material (representing approximately US$53.3 million), personnel costs (representing approximately US$51.0 million), and fuel, oil and lubricants (representing approximately US$35.9 million). Our cost of sales for the 2004 financial year comprised principally personnel costs (representing approximately US$45.5 million), raw material (representing approximately US$44.9 million), and depreciation and amortization (representing approximately US$43.6 million).

Our cost of sales as a percentage of turnover was 83.0% for the 2005 financial year, as compared with 83.4% for the 2004 financial year. This decrease in cost of sales as a percentage of turnover was primarily due to an increase in weighted average selling prices of logs, plywood and veneer, offset in part by higher costs per m^3 for these products.

Hardwood logs

Our cost of sales for hardwood logs increased by US$6.0 million, or 4.4%, to US$142.7 million for the 2005 financial year from US$136.7 million for the 2004 financial year as a result of greater volumes of hardwood logs sold. Our cost of sales per m^3 of hardwood logs decreased by 0.5% to US$76.76 per m^3 for the 2005 financial year from US$77.14 per m^3 for the 2004 financial year as a result of the larger volumes of hardwood logs sold, which spread our fixed costs across a greater volume of product sold.

Softwood logs

Our cost of sales for softwood logs decreased by US$0.3 million, or 3.3%, to US$8.8 million for the 2005 financial year from US$9.1 million for the 2004 financial year as a result of a decrease in volumes of softwood logs sold. Our cost of sales per m^3 of softwood logs increased slightly by 1.6% to US$67.64 per m^3 for the 2005 financial year from US$66.60 per m^3 for the 2004 financial year.

Plywood

Our cost of sales for plywood increased by US$14.9 million, or 10.3%, to US$159.6 million for the 2005 financial year from US$144.7 million for the 2004 financial year as a result of greater volumes of plywood sold. Our cost of sales per m^3 of plywood increased by 8.8% to US$298.64 per m^3 for the 2005 financial year from US$274.60 per m^3 for the 2004 financial year as a result of higher log costs and glue costs as a result of an increase in market price for such inputs.

Veneer

Our cost of sales for veneer increased by US$18.2 million, or 200.2%, to US$27.3 million for the 2005 financial year from US$9.1 million for the 2004 financial year as a result of our ramping up of testing and initial production runs of our new veneer mills located in Lana and Tebanyi during portions of the 2004 and 2005 financial years, during which periods lower cost logs were generally used for such testing and initial production runs. Our cost of sales per m^3 of veneer increased by 89.6% to US$244.42 per m^3 for the 2005 financial year from US$128.94 per m^3 for the 2004 financial year for the same reason.

Gross profit and gross profit margin

Gross profit increased by US$9.0 million, or approximately 15.0%, to US$69.3 million for the 2005 financial year from US$60.3 million for the 2004 financial year. This increase was primarily attributable to the increase in average price of logs and downstream wood products sold.

Gross profit margin for the 2005 financial year increased slightly to 17.0%, as compared to 16.6% for the 2004 financial year, primarily as a result of increased margins from log and plywood sales.

Hardwood logs

Gross profit from hardwood logs increased by US$21.1 million, or approximately 167.3%, to US$33.7 million for the 2005 financial year from US$12.6 million for the 2004 financial year. This increase was primarily attributable to an increase in volume sold and an increase in weighted average selling prices per m^3 of hardwood logs for the 2005 financial year.

Gross profit margin from hardwood logs for the 2005 financial year increased to 19.1%, as compared to a gross profit margin from hardwood logs of 8.5% for the 2004 financial year, primarily as a result of an increase in weighted average selling prices and a decrease in cost of sales per m^3 of hardwood logs for the 2005 financial year as compared to the 2004 financial year.

Softwood logs

Gross loss from softwood logs decreased by US$0.7 million, or approximately 43.8%, to US$0.9 million for the 2005 financial year from US$1.7 million for the 2004 financial year. This decrease was primarily attributable to a decrease in gross loss margin for softwood logs for the 2005 financial year.

Gross loss margin from softwood logs for the 2005 financial year decreased to 11.8%, as compared to a gross loss margin from softwood logs of 22.3% for the 2004 financial year, primarily as a result of an increase in weighted average selling prices of softwood logs for the 2005 financial year as compared to the 2004 financial year.

Plywood

Gross profit from plywood increased by US$7.4 million, or approximately 40.4%, to US$25.6 million for the 2005 financial year from US$18.2 million for the 2004 financial year. This increase was primarily attributable to an increase in volume sold and an increase in gross profit margins for plywood for the 2005 financial year.

Gross profit margin from plywood for the 2005 financial year increased to 13.8%, as compared to a gross profit margin from plywood of 11.2% for the 2004 financial year, primarily as a result of an increase in weighted average selling prices, offset in part by an increase in costs per m^3 of plywood for the 2005 financial year as compared to the 2004 financial year.

Veneer

Gross profit from veneer decreased by US$6.5 million, or approximately 670.2%, to a gross loss of US$5.6 million for the 2005 financial year from a gross profit of US$0.9 million for the 2004 financial year. This decrease was primarily attributable to an increase in costs per m^3 and an increase in gross loss margin for veneer for the 2005 financial year.

Gross loss margin from veneer for the 2005 financial year increased to 26.0%, as compared to a gross profit margin from veneer of 9.8% for the 2004 financial year, primarily as a result of an increase in costs per m^3 of veneer for the 2005 financial year as compared to the 2004 financial year.

Other operating income

Other operating income increased by US$8.1 million, or approximately 122.2%, from US$6.6 million for the 2004 financial year to US$14.7 million for the 2005 financial year. Other operating income in the 2005 financial year was primarily derived from the sale of the fixed assets of a door-facing manufacturing subsidiary to a jointly controlled entity, Magna-Foremost.

Distribution costs

Distribution costs increased by US$0.6 million or 14.5%, from US$3.9 million for the 2004 financial year to US$4.5 million for the 2005 financial year. This increase was due primarily to an increase in inland transportation costs for bringing our downstream wood products to port as a result of higher sales volume.

Our distribution costs as a percentage of turnover was approximately 1.1% for each of the 2004 and 2005 financial years.

Administrative expenses

Administrative expenses increased by 10.0%, to US$16.9 million for the 2005 financial year from US$15.4 million for the 2004 financial year, primarily as a result of moderate increases in staff costs, depreciation of office facilities and write-offs of office fixed assets.

Other operating expenses

Other operating expenses increased from US$0.2 million for the 2004 financial year to US$0.5 million for the financial year 2005. This increase was mainly related to a net loss on the deemed disposal of a subsidiary.

Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs

Losses from changes in fair value of plantation assets less estimated point-of-sale costs were US$14.8 million for the 2005 financial year, as compared to a gain from changes in fair value of plantation assets less estimated point-of-sale costs of US$10.4 million for the 2004 financial year. Our US$14.8 million unrealized loss in changes in fair value of plantation assets less estimated point-of-sale costs in the financial year ended June 30, 2005 was primarily due to increases in our production costs and a decrease in prevailing market sales prices for softwood logs as at June 30, 2005 as compared to as at June 30, 2004, offset in part by natural tree growth. By comparison, our US$10.4 million unrealized gain in changes in fair value of plantation assets less estimated point-of-sale costs for the 2004 financial year was primarily due to an increase in prevailing market sales prices for softwood logs as at June 30, 2004 as compared to as at June 30, 2003 and in part due to natural tree growth, offset in part by an increase in production costs.

Profit from operations and operating margin

Profit from operations (our results after changes in fair value of plantation assets) decreased by US$10.5 million, or approximately 18.1%, from US$57.9 million for the 2004 financial year to US$47.4 million for the 2005 financial year.

Our operating margin (our results before changes in fair value of plantation assets as a percentage of turnover) was 15.2% for the 2005 financial year as compared to 13.0% for the 2004 financial year. This increase in our operating margin was primarily due to an increase in our gross profit margins for logs and plywood for the 2005 financial year as compared to the 2004 financial year, and gains on the sale of fixed assets of US$12.2 million in the 2005 financial year.

Hardwood logs

Our profit from operations from hardwood logs (our results from hardwood log sales after changes in fair value of plantation assets) increased by US$17.9 million, or approximately 112.5%, to US$33.8 million for the 2005 financial year, as compared to a profit from operations from hardwood logs of US$15.9 million for the 2004 financial year.

Our operating margin for hardwood logs (our results from hardwood log sales before changes in fair value of plantation assets as a percentage of our revenue from hardwood logs) was 18.5% for the 2005 financial year as compared to 10.6% for the 2004 financial year. This increase in our operating margin for hardwood logs was primarily due to an increase in our gross profit margin for hardwood logs for the 2005 financial year as compared to the 2004 financial year.

Softwood logs

Our profit from operations from softwood logs (our results from softwood log sales after changes in fair value of plantation assets) decreased by US$25.4 million, or approximately 303.1%, to a loss of US$16.9 million for 2005 financial year, as compared to a profit from operations from softwood logs of US$8.4 million for the 2004 financial year.

Our operating margin for softwood logs (our results from softwood log sales before changes in fair value of plantation assets as a percentage of our revenue from softwood logs) was 13.6% for the 2005 financial year as compared to a loss of 26.3% for the 2004 financial year. This change in our operating margin for softwood logs was primarily due to an increase in our gross profit margin for softwood logs for the 2005 financial year as compared to the 2004 financial year.

Plywood

Our profit from operations from plywood increased by US$6.2 million, or approximately 46.9%, to US$19.1 million for the 2005 financial year, as compared to a profit from operations from plywood of US$12.9 million for 2004 financial year.

Our operating margin for plywood was 10.3% for the 2005 financial year as compared to 7.9% for the 2004 financial year. This increase in our operating margin for plywood was primarily due to an increase in our gross profit margin for plywood for the 2005 financial year as compared to the 2004 financial year.

Veneer

Our profit from operations from veneer decreased by US$6.5 million, or approximately 670.2%, to a loss of US$5.6 million for the 2005 financial year, as compared to a profit from operations from veneer of US$0.9 million for the 2004 financial year.

Our operating loss margin for veneer was 26.0% for the 2005 financial year as compared to an operating profit margin of 9.8% for the 2004 financial year. This decrease in our operating margin for veneer was primarily due to our experiencing a gross loss margin for veneer for the 2005 financial year as compared to a gross profit margin for veneer for the 2004 financial year.

Net financing costs

Financial income increased to US$9.1 million for the 2005 financial year from US$7.3 million for the 2004 financial year, primarily due to an increase in cash and bank deposits and higher foreign exchange gains in the 2005 financial year. Financial expenses remained stable at US$16.6 million in the 2004 as well as the 2005 financial years.

Our cash and bank deposits increased in the 2005 financial year due primarily to our receipt of proceeds from certain disposals of fixed assets, mainly to jointly controlled entities. We recognized unrealized foreign exchange gains of US$5.0 million in the 2005 financial year, as compared to unrealized foreign exchange gains of US$4.1 million in the 2004. This increase in unrealized foreign exchange gains resulted primarily from the appreciation of the New Zealand dollar against the US dollar during the 2005 financial year as compared to the 2004 financial year. See "— Factors Affecting Results of Operations — Foreign exchange gains and losses".

As a result, net financing costs decreased to US$7.6 million for the 2005 financial year from US$9.3 million for 2004 financial year.

Share of profits less losses of associates

In the 2005 financial year, we recognized US$2.3 million as our net share of profits of associates, a decrease of approximately 58.6% from our net share of profits less losses of associates of US$5.5 million received in the 2004 financial year. This US$3.2 million decrease was primarily attributable to a decrease in net profits from our associated company Glenealy, which accounted for an unrealized gain from changes in the fair value of its oil palm plantation assets in the 2004 financial year.

Our share of profits from Glenealy decreased by US$3.3 million, or approximately 60.0%, to US$2.2 million for the 2005 financial year from US$5.6 million for the 2004 financial year primarily due to a decrease in crude palm oil sales prices realized by Glenealy and a decrease in Glenealy's unrealized gain from changes in fair value of its oil palm plantation assets less estimated point-of-sale costs for the 2005 financial year as compared to the 2004 financial year, as discussed further in the paragraph below and "Financial Information — Factors Affecting Results of Operation — Change in fair value of plantation assets less estimated point-of-sale costs". Our share of loss from Sepangar Chemical Industry Sdn. Bhd. increased by US$0.2 million, or approximately 109.8%, to a loss of US$0.4 million for 2005 financial year from a loss of US$0.2 million for the 2004 financial year, primarily due to an increase in costs per m^3, offset in part by an increase in the selling prices obtained for formalin and various types of formaldehyde adhesive resins sold. Our share of profits from Daiken Miri Sdn. Bhd. increased by US$0.4 million, or approximately 456.9%, to US$0.5 million for the 2005 financial year from US$0.1 million for the 2004 financial year primarily due to a decrease in provisions for doubtful debts, offset in part by an increase in production costs, for the 2005 financial year as compared to the 2004 financial year.

For the 2005 financial year, we recognized a US$3.1 million unrealized gain as our share of Glenealy's changes in fair value of oil palm plantation assets less estimated point-of-sale costs, as compared to a US$5.0 million unrealized gain as our share of changes in fair value of its oil palm plantation assets less estimated point-of-sale costs in Glenealy for the 2004 financial year. Glenealy recognized a US$8.7 million unrealized gain from changes in value of oil palm plantation assets less estimated point-of-sale costs for the 2005 financial year principally due to an increase in crude palm oil selling prices, offset in part by an increase in production costs. By comparison, Glenealy recognized a US$14.0 million unrealized gain from changes in fair value of plantation assets less estimated point-of-sale costs for the 2004 financial year primarily due to an increase in crude palm oil selling prices, offset in part by increased production costs.

Share of profits less losses of jointly controlled entities

In the 2005 financial year, we recognized US$2.4 million as our share of profits from our new door-facing joint venture, Magna-Foremost Sdn. Bhd., and our new door manufacturing joint venture, Foremost Crest Sdn. Bhd. Both joint ventures were formed in the 2005 financial year.

Profit before taxation

Primarily as a result of unrealized losses on the fair value of our New Zealand plantation assets which more than offset increases in gross profit, net profit before tax and minority interest decreased by US$9.5 million, or approximately 17.6%, to US$44.6 million for the 2005 financial year from US$54.1 million for the 2004 financial year.

Income tax

Income tax expense was US$1.3 million for the 2005 financial year, as compared to an income tax expense of US$8.8 million for the 2004 financial year, primarily as a result of lower profits before taxation during the 2005 financial year and the reversal of income tax expenses provided for in prior years. The reversal of provisions for income tax expenses followed the deemed disposal of our former subsidiary, TreeOne B.V.

Profit for the year

After accounting for income tax, our profit for the year decreased by US$2.0 million, or approximately 4.4%, to US$43.3 million for the 2005 financial year from US$45.2 million for the 2004 financial year.

Net profit margin decreased to 10.6% for the 2005 financial year from 12.4% for the 2004 financial year. This decrease in net profit margin was primarily due to changes in the fair value of our plantation assets, offset in part by gains from disposal of certain fixed assets and a decrease in income taxes.

Minority interest

Minority interest was US$20.1 million for the 2005 financial year, as compared to US$21.7 million for the 2004 financial year. This decrease in minority interest by US$1.6 million, or approximately 7.2%, was primarily due to changes in fair value of Lingui's plantation assets, offset in part by an increase in Lingui's profits before changes in fair value of plantation assets.

Profit for the year attributable to equity holders of our Company

Profit for the year attributable to equity holders of our Company amounted to US$23.1 million for the 2005 financial year, a decrease of US$0.4 million, or approximately 1.7%, from US$23.5 million for the 2004 financial year.

LIQUIDITY AND CAPITAL RESOURCES

We expend a significant amount of cash in our operations, principally on acquisition of fixed assets, repair and maintenance of timber-related facilities and equipment, fuel, glue, royalties and labor. We fund our operations principally through cash flow from operations, short term working capital facilities (including bank overdrafts, bank acceptances and revolving credits), long-term bank loans, capital leases, finance leases and, up until the end of the 2006 financial year, loans from shareholders.

At June 30, 2004, 2005 and 2006, cash and cash equivalents were US$(14.4) million, US$(4.4) million and US$(17.1) million, respectively. At September 30, 2005 and 2006, we had cash and cash equivalents of US$(17.0) million and US$(2.5) million, respectively. We use bank overdrafts to help fund our working capital requirements.

Cash flow

The following table sets out selected cash flow data from our combined cash flow statements for the periods indicated.

	Financial year ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	(US$ in millions)				
Net cash generated from operating activities	93.7	100.3	91.7	15.5	31.7
Net cash used in investing activities	(48.1)	(35.6)	(71.5)	(17.5)	(1.7)
Net cash used in financing activities	(39.9)	(46.1)	(25.9)	(8.3)	(12.9)
Net increase/(decrease) in cash and cash equivalents	7.6	9.9	(13.6)	(12.5)	15.1

Cash generated from operating activities

Net cash generated from operations for the three months ended September 30, 2006 amounted to US$31.7 million, while our operating profit before changes in working capital for the same period was US$53.2 million. The difference between these two amounts was due to a decrease in trade and other payables of US$4.7 million and an increase in trade and other receivables of US$8.6 million and an increase in inventories of US$8.1 million. The decrease in our trade and other payables (excluding non-trade amounts due to related companies) was primarily due to our improved liquidity position in the three months ended September 30, 2006. Trade and other receivables (excluding non-trade amounts due from related companies) increased primarily because of greater sales turnover. Inventory increased primarily due to an increase in our inventory of logs.

Net cash generated from operations for the three months ended September 30, 2005 amounted to US$15.5 million, while our operating profit before changes in working capital for the same period was US$19.3 million. The difference between these two amounts was due to an increase in trade and other payables of US$3.4 million and an increase in trade and other receivables of US$3.2 million and an increase in inventories of US$4.1 million. The increase in our trade and other payables (excluding non-trade amounts due to related companies) was primarily due to timing of payments made in the three months ended September 30, 2005. Trade and other receivables (excluding non-trade amounts due from related companies) increased primarily due to timing of payments received. Inventory increased primarily due to an increase in our inventory of logs.

Net cash generated from operations for the financial year ended June 30, 2006 amounted to US$91.7 million, while our operating profit before changes in working capital for the same period was US$78.9 million. The difference between these two amounts was due to an increase in trade and other payables of US$11.3 million and a decrease in trade and other receivables of US$7.7 million, which were partially offset by an increase in inventories of US$6.1 million. The increase in trade and other payables (excluding non-trade amounts due to related companies) was primarily due to increased purchases of spare parts inventory. Trade and other receivables (excluding non-trade amounts due from related companies) decreased primarily because of lower sales turnover and improved collection efforts. Inventory increased primarily because of the new veneer plant in Layun, the acquired plywood plant in Sibu, Sarawak, and higher parts inventory at our Guyana operations in anticipation of a planned increase in logging activities in Guyana.

Net cash generated from operations for the financial year ended June 30, 2005 amounted to US$100.3 million, while our operating profit before changes in working capital for the same period was US$94.3 million. The difference between these two amounts was primarily due to a decrease in trade and other receivables of US$8.2 million and a decrease in inventories of US$6.8 million, which were offset by a decrease in trade and other payables of US$9.0 million. The decrease in trade and other payables (excluding non-trade amounts due to related companies) was partly due to the repayment of certain trade and other payables during the financial year from proceeds from the sale of our door-facing and door-making subsidiaries to two jointly controlled entities we formed with Masonite during that year. Trade and other receivables (excluding non-trade amounts due from related companies) decreased primarily because of better collection efforts. Inventory decreased primarily because of the sale of the assets of our door-facing subsidiary to a jointly controlled entity.

Net cash generated from operation for the financial year ended June 30, 2004 amounted to US$93.7 million, while operating profit before changes in working capital for the same period was US$88.7 million. The difference between these two amounts was primarily due to a decrease in inventory of US$4.7 million, and an increase in trade and other payables of US$3.0 million, which was offset by an increase in trade and other receivables of US$2.8 million. The increase in trade and other payables (excluding non-trade amounts due to related companies) was mainly due to increased business activity and the higher cost of sales resulting from such increased activities. Trade and other receivables (excluding non-trade amounts due from related companies) increased primarily due to increased turnover. The decrease in inventory was primarily due to sales in the 2004 financial year of manufactured stock brought forward from the 2003 financial year as sales and market conditions improved.

Cash used in investing activities

Net cash used in investing activities for the three months ended September 30, 2005 and 2006 amounted to US$17.5 million and US$1.7 million, respectively.

Net cash used in investing activities for the financial years ended June 30, 2004, 2005 and 2006 amounted to US$48.1 million, US$35.6 million and US$71.5 million, respectively.

Material cash outflows

Our material cash outflows for investing activities during the three months ended September 30, 2006 consisted of net repayments of balances due to related parties of US$6.5 million.

Our material cash outflows for investing activities during the three months ended September 30, 2005 consisted of expenditures on property, plant and equipment, capital expenditures for construction in progress, lease prepayments and expenditures on plantation assets of US$13.3 million and net repayments of balances due to related parties of US$8.0 million.

Our material cash outflows for investing activities during the three financial years ended June 30, 2006 included:

- As a consequence of our acquisition of an initial 39.87% interest in Lingui from our Controlling Shareholders in April 2006, we were required under Malaysian law to undertake a mandatory general offer for shares in Lingui, pursuant to which we acquired an additional 19.82% interest in Lingui in May 2006, which additional acquisition resulted in a cash outflow for investing activities of US$35.9 million.

- Acquisition of property, plant and equipment and capital expenditures for construction in progress, lease prepayments and plantation assets, with an aggregate cost of US$63.3 million, US$77.9 million and US$107.5 million in the 2004, 2005 and 2006 financial years, respectively. In these financial years, we funded US$35.2 million, US$45.0 million and US$65.7 million, respectively, of these acquisition amounts with cash. We funded the remaining balance of these acquisitions, in the amounts of US$28.1 million, US$32.8 million and US$41.8 million in the 2004, 2005 and 2006 financial years, respectively, with financial leases (as discussed below) and trade credits.

  Payments for purchase of property, plant and equipment in all three financial years includes investments in logging equipment and machinery for our upstream log extraction operations. Our major property, plant and equipment acquisitions for use in the upstream operations during the 2004, 2005 and 2006 financial years included:

	For the financial year ended June 30,		
	2004	**2005**	**2006**
		(number of units)	
New Mercedes Benz logging trucks	50	35	61
New Caterpillar logging equipment	63	159	144

  Our capital expenditures also related to:

  – the construction of three new veneer mills during the three financial years ended June 30, 2006; and

  – additional capital expenditures for our Tebanyi veneer mill, which went into commercial operation in the 2003 financial year.

Total capital expenditures for the three veneer mills and the additional capital expenditure for the Tebanyi mill for the three financial years ended June 30, 2006 were US$11.8 million, US$17.2 million and US$13.2 million, respectively.

- In the three financial years ended June 30, 2006, we also incurred capital expenditures relating to a new sawmill in Guyana, a power plant in Sarawak, Malaysia and our plantation assets in New Zealand, as follows:

	For the financial year ended June 30,		
	2004	**2005**	**2006**
		(US$ in millions)	
Guyana sawmill (Buckhall)	–	–	4.9
Sarawak electricity co-generation facility	–	–	6.5
New Zealand plantation assets	3.4	4.2	5.0
	3.4	4.2	16.4

- Net advances to related companies which amounted to US$21.0 million and US$22.6 million for the financial years ended June 30, 2004 and 2005, respectively. Our advances to related companies consisted primarily of advances to non-forestry businesses owned by our Controlling Shareholders and their business partners. See "— Net current liabilities position and related parties balances".

- A US$12.9 million investment in two jointly-controlled entities we formed with Masonite in the 2005 financial year, and a US$15.0 million advance to one of these jointly-controlled entities in the same financial year.

Material cash inflows

Our material cash inflows for investing activities during the three months ended September 30, 2006 consisted of proceeds from the disposal of property, plant and equipment of US$5.7 million, primarily consisting of used logging equipment sold to third parties.

Our material cash inflows for investing activities during the three months ended September 30, 2005 consisted of US$2.5 million in repayments from jointly controlled entities.

Our material cash inflows for investing activities during the three financial years ended June 30, 2006 included:

- US$8.5 million in proceeds from the disposal of our 15% equity interest in Daiken Miri Sdn. Bhd. in the 2005 financial year.

- US$50.8 million proceeds from the sale of property, plant and equipment in the 2005 financial year, of which US$46.8 million were attributable to the sale of the assets of Samling DorFoHom Sdn. Bhd. to a jointly controlled entity, Magna-Foremost Sdn. Bhd., in the 2005 financial year.

- Net repayments from related parties in the amount of US$10.0 million in the 2006 financial year.

Cash used in financing activities

Net cash used in financing activities for the three month periods ended September 30, 2005 and 2006 amounted to an outflow of US$8.3 million and an outflow of US$12.9 million, respectively, and for the financial years ended June 30, 2004, 2005 and 2006 amounted to an outflow of US$39.9 million, an outflow of US$46.1 million and an outflow of US$25.9 million, respectively.

In the three months ended September 30, 2006, the primary cash outflows for our financing activities were (1) payment on the capital element of financial lease rentals in the amount of US$6.9 million, (2) payment of interest on bank loans and finance lease rentals amounting to US$5.1 million, and (3) net repayment of bank loans and other borrowings amounting to US$0.9 million.

In the three months ended September 30, 2005, the primary cash outflows for our financing activities were (1) payment on the capital element of finance lease rentals in the amount of US$4.0 million, (2) payment of interest on bank loans and finance lease rentals amounting to US$2.4 million, and (3) dividends paid in the amount of US$2.4 million.

In the financial year ended June 30, 2006, we received proceeds from the issuance of shares in the amount of US$72.3 million to fund our acquisition of an initial 39.87% equity interest in Lingui from our Controlling Shareholders in April 2006, prior to our acquisition of a further 19.82% interest in Lingui in May 2006. We also received net proceeds of bank loans and other borrowings (net of repayment of banks loans and other borrowings) in the amount of US$20.2 million. Such inflows were offset by cash outflows for our financing activities that included (1) payment of US$72.3 million to our Controlling Shareholders for the acquisition of such initial 39.87% equity interest in Lingui, (2) payment of interest on bank loans and finance lease rentals in the amount of US$20.7 million, (3) payment on the capital element of finance lease rentals in the amount of US$20.3 million and (4) dividends in the amount of US$5.0 million. The finance lease rentals mainly relate to the acquisition of capital assets under finance lease arrangements.

In the financial year ended June 30, 2005, the primary cash outflows for our financing activities were (1) net repayment of bank loans and other borrowings (net of proceeds of new banks loans and other borrowings) in the amount of US$19.6 million, (2) payment of interest on bank loans and finance lease rentals amounting to US$16.5 million, (3) payment on the capital element of finance lease rentals amounting to US$13.5 million and (4) dividends in the amount of US$1.3 million. In that financial year, we received US$4.8 million as proceeds of loans from shareholders to fund our Guyana operations.

In the financial year ended June 30, 2004, the primary cash outflows for our financing activities were (1) net repayment of bank loans and other borrowings (net of proceeds of new banks loans and other borrowings) in the amount of US$12.4 million, (2) payment of interest on bank loans and finance lease rentals in the amount of US$17.6 million, (3) payment on the capital element of finance lease rentals amounting to US$10.2 million and (4) dividends in the amount of US$2.5 million. In that financial year, we received US$2.8 million in proceeds from the issue of shares, net of issue expenses.

Working capital

Our working capital position is affected by the following factors, among others.

Net current liabilities position. As at June 30, 2004, 2005 and 2006, and September 30, 2006, respectively, we had a net current liabilities position of US$20.8 million, a net current assets position of US$36.2 million, a net current liabilities position of US$121.4 million and a net current liabilities position of US$90.9 million, respectively. At December 31, 2006, we had an unaudited net current liabilities position of US$71.1 million.

Cash flow from operations. Net cash generated from operations amounted to US$93.7 million, US$100.3 million and US$91.7 million, respectively, for the years ended June 30, 2004, 2005 and 2006. Net cash generated from our operations amounted to US$15.5 million and US$31.7 million, respectively for the three months ended September 30, 2005 and 2006.

Bank overdrafts, loans and other borrowings. As at June 30, 2004, 2005 and 2006 and at September 30, 2006, respectively, we had bank overdrafts, loans and other borrowings of US$191.5 million, US$175.0 million, US$251.0 million and US$246.9 million, respectively.

Indebtedness maturity analysis. Our Directors have been informed that the following table sets forth the maturity profile of our bank overdrafts, loans and other borrowings as of the dates indicated.

	As at June 30,			As at September 30,
	2004	**2005**	**2006**	**2006**
		(US$ in thousands)		
Payable within 1 year or on demand	110,813	91,949	121,792	117,179
Payable after 1 year but within 2 years	4,747	3,012	10,932	10,728
Payable after 2 year but within 5 years	9,199	11,155	34,156	34,557
Payable after 5 years	66,734	68,891	84,153	84,398
	80,680	83,058	129,241	129,683
	191,493	175,007	251,033	246,862

Unutilized banking facilities. As at September 30, 2006, we had banking facilities of US$280.2 million, of which as at September 30, 2006, US$246.9 million had been drawn down and US$33.3 million of our banking facilities remained unutilized and available for use. Our banking facilities as at September 30, 2006 comprised term loans, revolving credits, bankers acceptances, trust receipts and overdrafts provided by 16 financial institutions. Other than our term loans, which have a fixed repayment term, our other banking facilities do not have fixed repayment terms and are available to the Group for use on a revolving basis. The following table sets forth additional information with regards to our unutilized banking facilities as at September 30, 2006.

	As at September 30, 2006		
	Facility Amount	Utilized Amount	Unutilized Amount
		(US$ in millions)	
Overdrafts	37.8	23.5	14.3
Bank loans and other borrowings	242.4	223.4	19.0
	280.2	246.9	33.3

Bank balances and cash. As at June 30, 2004, 2005 and 2006 and as at September 30, 2006, respectively, we had deposits and cash at bank and in hand of US$19.7 million, US$26.5 million, US$21.1 million and US$30.8 million, respectively.

Restricted cash. A portion of our cash has been deposited in certain banks as pledges for bank loans. Such cash is restricted from being used or transferred before the repayment of the respective bank borrowings. As of June 30, 2004, 2005 and 2006 and as of September 30, 2006, the outstanding amount of cash so deposited was approximately US$10.0 million, US$10.0 million, US$9.7 million and US$9.9 million, respectively.

Trade receivables. As at June 30, 2004, 2005 and 2006, and September 30, 2006, respectively, our trade receivables were US$58.6 million, US$46.3 million, US$47.5 million, and US$50.0 million, respectively. Out of our US$50.0 million in trade receivables outstanding as at September 30, 2006, US$36.8 million, or approximately 73.6%, were subsequently settled as at December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose. As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had trade receivables of US$58.1 million. The average turnover days of our trade receivables for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006 was 55 days, 47 days, 44 days and 30 days, respectively.

Trade payables. As at June 30, 2004, 2005 and 2006, and September 30, 2006, respectively, our trade payables were US$64.4 million, US$58.2 million, US$67.8 million, and US$65.6 million, respectively. Out of our US$65.6 million in trade payables outstanding as at September 30, 2006, US$35.3 million, or approximately 53.9%, were subsequently settled as at December 31, 2006, being the most recent practicable balance sheet date for such purpose. As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had trade payables of US$54.0 million. The average turnover days of our trade payables for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006 was 79 days, 66 days, 67 days and 60 days, respectively.

Inventories. As at June 30, 2004, 2005 and 2006, and September 30, 2006, respectively, our inventories were US$73.4 million, US$69.0 million, US$83.5 million and US$92.1 million, respectively. Out of our US$92.1 million in inventory as at September 30, 2006, US$72.9 million, or approximately 79.2%, was subsequently sold or used as at December 31, 2006, being the most recent practicable balance sheet date for such purposes. As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had inventories of US$99.9 million. The average turnover days of our inventories for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006 was 90 days, 76 days, 81 days and 79 days, respectively.

Capital expenditures and investments. In the financial years ended June 30, 2004, 2005 and 2006, we incurred capital expenditures in the amounts of US$71.5 million, US$86.3 million and US$115.5 million, respectively. In the three months ended September 30, 2005 and 2006, we incurred capital expenditures in the amounts of US$20.7 million and US$23.9 million, respectively. Our total capital expenditures and investments for the year ending June 30, 2007 are estimated to be US$63.0 million. As at September 30, 2006, US$7.5 million of such amount had been authorized and contracted for and an additional US$31.6 million of such amount had been authorized but had not yet been contracted for. We also estimate planned capital expenditures and investments of US$63.0 million in 2008 and US$175.0 million in 2009. We expect to finance these capital expenditures and investments partly using the net proceeds of the Global Offering. See "Future Plans and Use of Proceeds". See also "Capital Expenditures" for more detailed information regarding our planned capital expenditures and investments.

Foreign exchange and repatriation controls. We have not encountered any material foreign exchange control or repatriation control difficulties to date in managing our working capital but cannot assure investors that we will not encounter any such difficulties in the future.

Management initiatives. In order to improve our working capital position, operating cash flow position and liquidity, we are reviewing our Company's current working capital lines, with the objective of transitioning to longer-term loans which our Directors believe will improve our working capital position by reducing our amount of bank overdrafts, loans and other borrowings payable on demand, and focusing management initiatives on reducing average inventory and trade receivables turnover days, which our Directors believe will improve our cash flow.

Of our US$117.2 million in bank overdrafts, loans and other borrowings outstanding as at September 30, 2006 payable within one year or on demand, US$27.3 million was payable within one year and US$89.9 million was payable on demand. We intend to re-finance approximately US$20.0 million of such US$89.9 million in bank overdrafts, loans and other borrowings payable on demand with long term borrowings prior to June 30, 2007. Although we have not yet entered into negotiations with our bankers for such long term facilities, we do not believe that there will be any material impediment to obtaining such long-term facilities as we have obtained such facilities in the regular course of our business in the past, and have not experienced any major difficulties in obtaining such facilities in the past.

Additional specific management measures being implemented by our Company include: (1) closer review and monitoring of ageing of debtors, (2) tightening of controls over credit terms and collections, and (3) installation of enterprise resource planning or "ERP" systems to enhance operational reporting and assist managers in making more timely decisions. In particular, we believe the implementation of ERP systems will provide us more complete and up-to-date operational information on more frequent intervals, thereby allowing us to more closely review and monitor our inventory and trade receivables and to initiate appropriate follow-up actions. We also expect ERP systems to improve our production planning process, optimizing the use of our inventories and thereby reducing inventory levels.

Directors' confirmation regarding sufficiency of working capital

Taking into account the estimated net proceeds available to us from the Global Offering (see the section headed "Future Plans and Use of Proceeds" for further information), the above factors affecting working capital and the considerations below, our Directors are satisfied that, and are of the opinion that, upon completion of the Global Offering we will have sufficient working capital for our present requirements, that is, for at least the next 12 months from the date of this prospectus.

Our Directors have reached such conclusion on the basis that our recent net current liabilities positions and increases in bank overdrafts, loans and other borrowings have resulted from non-recurring matters, such as the Reorganization and significant capital expenditures and investments in expansions of tree plantations undertaken during the Track Record Period, each as discussed in greater detail in "Financial Information —

Certain balance sheet items — Net current liabilities position" immediately below. As stated in "Financial Information — Factors Affecting Results of Operations — Increases in timber extraction and processing capacity" and "Financial Information — Investing activities", in the past three financial years, we have used funds generated from operations (1) to invest in new capital expenditures and (2) to invest in the expansion of our tree plantations, which are not reflected as inventory ready for sale until the end of the 10 to 15 year growth period. As a result, our working capital requirements have been partially funded with bank overdrafts and other short term banking facilities while such longer-term assets have been financed by means of internally generated funds.

In addition, our Directors have reached the conclusion that our working capital will, upon completion of the Global Offering, be sufficient for our present requirements on the basis that: (1) our cash flow from operations has improved in the three months ended September 30, 2006 as compared to the three months ended September 30, 2005, (2) our trade receivables average turnover days improved from 55 days as of June 30, 2004 to 30 days as of September 30, 2006, (3) our trade payables average turnover days improved from 79 days as of June 30, 2004 to 60 days as of September 30, 2006, (4) our inventory average turnover days improved from 90 days as of June 30, 2004 to 79 days as of September 30, 2006, (5) our management believes that our unutilized banking facilities and working capital lines will continue to be available during the next 12 months from the date of this prospectus, (6) we intend to finance our longer-term assets predominantly by means of longer-term loans and internally generated funds, and (7) our historical working capital levels have proved to be sufficient for the operations of our Company over the Track Record Period.

CERTAIN BALANCE SHEET ITEMS

Net current liabilities position

At December 31, 2006

At December 31, 2006, we had an unaudited net current liabilities position of US$71.1 million. The following table sets forth our unaudited net current liabilities position, as well as our unaudited current assets and unaudited current liabilities, as at December 31, 2006:

	As at December 31, 2006
	(US$ in millions) ***(unaudited)***
Current Assets	
Inventories	99.9
Trade and other receivables	104.0
Cash and cash equivalents	27.8
Total current assets	231.7
Current liabilities	
Bank overdrafts, loans and Borrowings	121.0
Finance lease liabilities	27.7
Trade and other payables	146.2
Tax payable	7.9
Total current liabilities	302.8
Net current liabilities	(71.1)

At June 30, 2006 and September 30, 2006

At June 30, 2006 and September 30, 2006, we had net current liabilities positions of US$121.4 million and US$90.9 million, respectively. Our net current liabilities position as at such dates was primarily attributable to the recent restructuring of our Company. In connection with such restructuring, on June 29 and 30, 2006, our Controlling Shareholders transferred their equity interest in various timber companies in Malaysia and Guyana that they controlled to us, consideration for which was satisfied by the assignment of non-trade amounts due from related parties of SST to our Controlling Shareholders in the amount of US$150.2 million, as well as shares in our Company. This US$150.2 million amount was determined based on the balance of non-trade debt owed by our Controlling Shareholders to SST as at the date of such transfers, which non-trade debt amount arose over time in connection with the funding of property development businesses of our Controlling Shareholders not forming part of the Group. Following the completion of the Reorganization, our net current assets were reduced by such amount, which contributed to the decrease of our total current assets from US$322.8 million as at June 30, 2005 to US$211.2 million at June 30, 2006.

Our net current liabilities position as at June 30, 2006 was also partly attributable to bank overdrafts, loans and borrowings of US$121.8 million and finance lease liabilities of US$22.8 million and our net current liabilities position as at September 30, 2006 was also partly attributable to bank overdrafts, loans and borrowings of US$117.2 million and finance lease liabilities of US$25.5 million. As stated in "— Factors Affecting Results of Operations — Expansion and enhancement of our log extraction and processing capacity" and "— Investing Activities", in the past three financial years, we have used funds generated from operations to invest in new capital expenditures to better position ourselves for any opportunities from upwards timber price trends. Part of these capital investments relate to the maintenance of our Malaysian and New Zealand plantation assets and the construction of roads and other infrastructure in our plantations and concessions for current and future harvesting. Due to the growth period of about 10 years for the Malaysian plantation and about 25 years to 30 years for the New Zealand plantations from harvesting, costs incurred on plantation assets are taken up as long term assets and not current assets in the Balance Sheet. The timber inventory from the plantation assets will only be reflected as current assets upon the actual harvesting of the plantation. The forward roading and other infrastructure costs which are incurred in the plantations and concessions to facilitate future harvesting of timber are also taken up as fixed assets and not current assets in the Balance Sheet. Due to these capital investments, we have used bank overdrafts and other short term borrowings to fund our working capital requirements.

At June 30, 2004 and June 30, 2005

At June 30, 2004 and 2005, respectively, we had a net current liabilities position of US$20.8 million and a net current assets position of US$36.2 million. Our net current liabilities position as at June 30, 2004 was mainly due to advances to related parties and interest accruals of Carribean Esskay Limited and its subsidiaries (our operation in Guyana) of US$49.0 million, which were repayable on demand. All these payables were settled in June 2005 during the reorganization of our operations in Guyana and through issuance of shares in Carribean Esskay Limited. Due to the settlement of these payables, our current liabilities at June 30, 2005 were significantly lower than at June 30, 2004, which resulted in a net current assets position as at June 30, 2005.

At September 30, 2006, we had US$17.7 million in net amounts due to related parties. Prior to Listing, we will assign such amounts due from and due to related parties to our immediate parent, Samling Strategic, and capitalize the net balance payable, if any, into our share capital. After Listing, there will no longer be any advances to any related parties.

Timber Concessions

Timber concessions consist of timber concessions licenses granted by governmental authorities in Malaysia and Guyana to harvest a certain amount of timber annually according to cutting cycles of generally 25 years in Malaysia and 40 years in Guyana. Concession licenses granted by the Sarawak state government and the Government of Guyana are granted at no initial cost to the initial licensee thereof, but thereafter may be bought and sold at market prices. We acquired five timber concession licenses through acquisitions of subsidiaries prior to 2004 for a total consideration of US$23,684,000 and through acquisition of Merawa Sdn. Bhd. in 2006 for US$16,423,000. We have also been granted certain timber concession licenses directly by governmental authorities in Malaysia and Guyana at no initial cost. Each license covers a specific area called a forest management unit or concession. Each concession is divided into annual harvest areas called "coupes" which are sequentially harvested over a number of years. Our licenses expire between 2007 and 2041.

Under the terms of our timber concession licenses, we are required to pay royalties to the applicable government based on the volume of tree species harvested each year, subject to an annual minimum royalty payment. Specifically, we pay royalties to the Sarawak state government and the Government of Guyana based on the volume by species of log harvested. We also pay premium taxes to the Sarawak Forest Department for logs extracted from our Malaysian concessions. In Malaysia, we are also subject to an annual quota determined by the Sarawak Forest Department which limit the maximum volume of logs permitted to be assessed for royalties each year.

At June 30, 2004, 2005 and 2006, and at September 30, 2006, the carrying amount of our timber concessions was US$18.4 million, US$16.6 million, US$31.8 million and US$30.7 million, respectively. The US$15.2 million increase in the carrying amount of our timber concessions during the 2006 financial year was attributable to (i) the acquisition of one additional concession in Sarawak, Malaysia, which we acquired in June 2006 by purchasing Merawa Sdn. Bhd. (ii) less amortization charges for such year. As that concession was acquired from a third party, it was booked into our accounts under the purchase accounting method under IFRS. The Merawa concession grants us harvesting in an area of approximately 100,209 hectares.

The US$1.1 million decrease in the carrying amount of our timber concessions during the three months ended September 30, 2006 was the result of amortization charges during such period. The carrying amount of our timber concessions at September 30, 2006 also relates to five concessions which our subsidiary Lingui had acquired before July 1, 2003. These five concessions are accounted in our books under the purchase accounting method under IFRS. The hectares of these five concessions, all of which are located in Sarawak, Malaysia, is approximately 685,000 hectares. In addition, we have ten concessions in Malaysia and Guyana which were transferred to us by our controlling parent that were accounted for under the merger accounting method under IFRS. Under this merger accounting method, there was no carrying amount for these concessions on our books at June 30, 2006 and September 30, 2006. The hectarage of these concessions is approximately 2,249,000 hectares, of which approximately 638,000 hectares are located in Malaysia and approximately 1,611,000 hectares are located in Guyana.

The following table sets forth certain information regarding our timber concessions as of the dates indicated below.

	As at June 30,			As at September 30,
	2004	**2005**	**2006**	**2006**
	(number of licenses)			
Timber concession licenses				
Malaysia	14	14	15	15
Guyana	1	1	1	1
Total	15	15	16	16

Concessions	As at September 30, 2006	
	Malaysia	**Guyana**
	(Hectares in thousands)	
Gross area	1,424	1,611
Net operable area(1)	908	1,327

Note:

(1) Net operable area is the area which can be commercially logged in accordance with the relevant government rules. It excludes non-commercial forest or areas of rugged and steep terrain, areas of swamps, water catchment areas, protected river zones, areas of shifting agriculture, areas reserved for the indigenous population or other environmental reserves.

Plantation Assets

Our plantation assets comprise our plantations in Malaysia and New Zealand, ranging from newly established plantations to plantations that are 27 years old. A significant portion of our plantation trees in New Zealand are planted on freehold land owned by us and a small portion on leasehold land with a 79 year term, expiring in 2060. We hold six plantation licenses for a gross area of approximately 438,000 hectares of planted forest in Malaysia, which licenses are for a term of 60 years, the earliest of which expires in 2058.

Plantation assets are stated at fair value less estimated point-of-sale costs. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. The fair value of plantation assets is determined independently by professional valuers. See "Factors Affecting Results of Operations — Change in fair value of plantation assets less estimated point-of-sale costs" and "Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" for further information.

At June 30, 2004, 2005 and 2006, and at September 30, 2006, our plantation assets represented standing timber comprising approximately 30,377 hectares, 33,248 hectares, 35,714 hectares and 37,180 hectares of tree plantations, respectively. The area of standing timber on our tree plantations has increased during the Track Record Period principally due to the planting of additional plantation area in Malaysia. We maintain records of the area of our tree plantations by means of mapping, aerial photography and global positioning system data. We perform tree counts on our plantations by performing inventory counts of trees on sample plots, and using global positioning system ("GPS") data to extrapolate tree counts over larger areas. We do not perform full ground-based tree counts or inspections of our tree plantations on a regular, periodic basis and instead perform tree counts on sample plots within our tree plantations on a periodic basis which varies depending on the age of the trees. Natural tree growth and yield is extrapolated based on available growth models for each relevant species grown under similar climatic and site conditions.

Our plantations in New Zealand are currently producing woodflows and are managed and valued as a composite of 897 individual plantation stands. Measurements of our New Zealand plantations are completed based on individual stand assessments carried out from planting through to final pre-harvesting inventory using random systematic sampling designs. We have established 66 permanent growth and yield plots throughout our New Zealand plantations, which have been repeatedly measured for stand growth and individual tree growth. We have established stand boundaries for our plantation stands in New Zealand using GPS technology and update our plantation stand records for our New Zealand plantations monthly using estimates and quarterly using GPS technology. We also overfly and photograph our New Zealand plantations semi-annually in order to confirm the accuracy of our plantation information by reconciling our GPS data against aerial photography. Our independent valuers, at each full valuation date, conduct a random ground-based field inspection of our New Zealand plantations. The most recent such ground-based field inspection occurred in June 2006.

Our plantations in Malaysia have not yet matured. We have established 64 permanent sample plots and have conducted one measurement on each such permanent sample plot. We have established stand boundaries for our plantation stands in Malaysia using GPS technology and update our plantation stand records for our Malaysia plantations monthly using estimates. Our independent valuers conducted an aerial inspection across all our Malaysian plantations in April 2005 and performed a non-systematic ground-based field inspection of certain specific of our Malaysian plantations areas in April 2006 and November 2006.

At June 30, 2004, 2005 and 2006, and at September 30, 2006, we had plantation assets of US$178.1 million, US$193.8 million, US$165.3 million, and US$182.0 million, respectively.

Our plantation assets increased by US$15.7 million, or approximately 8.8%, from US$178.1 million at June 30, 2004 to US$193.8 million at June 30, 2005 due to a gain from exchange rate differences of US$20.0 million, a loss in fair value of plantation assets less estimated point-of-sale costs of US$14.8 million, additions to plantation assets of US$12.9 million and a credit for harvested timber transferred to inventories of US$2.5 million. Our plantation assets decreased by US$28.5 million, or approximately 14.7%, from US$193.8 million at June 30, 2005 to US$165.3 million at June 30, 2006 due to a loss from exchange rate differences of US$25.4 million, a loss in fair value of plantation assets less estimated point-of-sale costs of US$15.3 million, additions to plantation assets of US$13.3 million and a credit for harvested timber transferred to inventories of US$1.1 million. Our plantation assets increased by US$16.7 million, or approximately 10.1%, from US$165.3 million at June 30, 2006 to US$182.0 million at September 30, 2006 due to a gain from exchange rate differences of US$12.5 million, additions to plantation assets of US$3.5 million, a gain in fair value of plantation assets less estimated point-of-sale costs of US$1.2 million, and a credit for harvested timber transferred to inventories of US$0.5 million.

Trade and Other Receivables

At June 30, 2004, 2005 and 2006, and at September 30, 2006, we had trade and other receivables of US$206.7 million, US$218.8 million, US$97.3 million, and US$79.9 million, respectively.

Our trade and other receivables include trade receivables, prepayments, deposits and other receivables, and amounts due from related parties. Our trade receivables represent trade receivables from the sales of our products. Prepayments, deposits and other receivables comprise prepayments of insurance in respect of the following financial year or period, deposits for utilities and acquisition of equipment, amounts receivable from sales of property, plant and equipment and professional fees incurred in respect of the Global Offering. Amounts due from related parties comprise advances, which are unsecured, interest free and recoverable upon demand.

Our trade and other receivables increased by US$12.1 million, or approximately 5.8%, from US$206.7 million at June 30, 2004 to US$218.8 million at June 30, 2005. Our trade and other receivables decreased by US$121.5 million, or approximately 55.5%, from US$218.8 million at June 30, 2005 to US$97.3 million at June 30, 2006. Our trade and other receivables decreased by US$17.3 million, or approximately 17.8%, from US$97.3 million at June 30, 2006 to US$79.9 million at September 30, 2006.

The table below sets forth information regarding our trade and other receivables as of the dates indicated.

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	58,582	46,323	47,478	50,009
Prepayments, deposits and other receivables	9,173	12,534	24,600	29,924
Amounts due from related parties	138,920	159,893	25,183	–
	206,675	218,750	97,261	79,933

Trade receivables

Our trade receivables were US$58.6 million as at June 30, 2004, US$46.3 million as at June 30, 2005, US$47.5 million as at June 30, 2006, and US$50.0 million as at September 30, 2006.

Our trade receivables decreased by US$12.3 million, or approximately 20.9%, from US$58.6 million at June 30, 2004 to US$46.3 million at June 30, 2005 due to an increase in sales to export customers, who pay by letter of credit, and improved collection of debts by Samling DorFoHom Sdn. Bhd. Our trade receivables increased by US$1.2 million, or approximately 2.5%, from US$46.3 million at June 30, 2005 to US$47.5 million at June 30, 2006 due to the acquisition of various subsidiaries in Malaysia and the PRC on June 29, 2006. Our trade receivables increased by US$2.5 million, or approximately 5.3%, from US$47.5 million at June 30, 2006 to US$50.0 million at September 30, 2006 due to an increase in our turnover.

The following table sets forth the turnover of our average trade receivables for the periods indicated.

	Financial year ended June 30,			Three months ended September 30,
	2004	2005	2006	2006
	(days)			
Turnover of average trade receivables	55	47	44	30

The average age of our trade receivables (i) decreased from June 30, 2004 to June 30, 2005 due to greater sales to export customers, which customers generally pay by means of letters of credit, (ii) decreased from June 30, 2005 to June 30, 2006 due to a decrease in average debtor balances from June 30, 2005 to June 30, 2006, and (iii) decreased from June 30, 2006 to September 30, 2006 due to greater sales to export customers, which customers generally pay by means of letters of credit. We control and monitor our trade receivables by maintaining credit policies with regards to the standard terms of letters of credit used by our customers and by tracking the ageing of balances due from our customers. We set appropriate credit limits and terms for our customers after credit evaluations have been performed on a case by case basis. Appropriate credit limits are set at different credit levels for each customer, so as to limit the amount of our credit exposure to any individual customer.

We normally allow our customers a credit period of 30 days to 90 days to make payment to us. Despite these policies, as of September 30, 2006 approximately 20.4% of our trade receivables were aged over 90 days, primarily as a result of our extending to a former distributor of our products in the United States a longer payment period than 90 days upon our having commenced the export of our products directly to the United States. The payment period granted by us to such former distributor consists of a credit period of five years, expiring in March, 2010, with regards to certain of our trade receivables from such former distributor. As of September 30, 2006, we had US$4.7 million in trade receivables outstanding under such extended payment terms. Other than such balances, our trade receivables are generally required to be paid within 30 days to 90 days, our other customers not being extended such extended payment terms by us.

The following table sets forth an ageing analysis of our trade receivables as at the balance sheet dates indicated.

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	31,407	24,694	24,505	28,705
31 – 60 days	5,323	7,294	5,192	6,145
61 – 90 days	5,248	4,559	5,201	4,959
91 – 180 days	6,402	3,941	6,157	4,041
181 – 365 days	1,987	2,916	2,673	3,325
1 – 2 years	5,590	911	3,198	1,683
2 – 3 years	1,000	1,008	552	1,151
3 – 4 years	1,000	1,000	–	–
4 – 5 years	625	–	–	–
	58,582	46,323	47,478	50,009

Out of our US$50.0 million in trade receivables outstanding as at September 30, 2006, US$36.8 million, or approximately 73.6%, were subsequently settled as at December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose.

As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had trade receivables of US$58.1 million.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables increased by US$3.4 million, or approximately 36.6%, from US$9.2 million at June 30, 2004 to US$12.5 million at June 30, 2005 due to the making of a deposit to a supplier for the acquisition of veneer machinery for the Layun veneer mill. Our prepayments, deposits and other receivables increased by US$12.1 million, or approximately 96.3%, from US$12.5 million at June 30, 2005 to US$24.6 million at June 30, 2006 due to professional fees incurred in respect of the Global Offering, the acquisition of subsidiaries and receivables from disposals of plant and equipment. Our prepayments, deposits and other receivables increased by US$5.3 million, or approximately 21.6%, from US$24.6 million at June 30, 2006 to US$29.9 million at September 30, 2006 due to professional fees incurred in respect of the Global Offering and other receivables from the disposal of logging equipment.

Amounts due from related parties

Transactions giving rise to our amounts due from related parties during the Track Record Period generally consisted of advances made to related parties and interest receivable on advances to related parties. Our amounts due from related parties increased by US$21.0 million, or approximately 15.1%, from US$138.9 million at June 30, 2004 to US$159.9 million at June 30, 2005 due to advances made to certain related parties. Our amounts due from related parties decreased by US$134.7 million, or approximately 84.3%, from US$159.9 million at June 30, 2005 to US$25.2 million at June 30, 2006 due to the effects of our Company's reorganization, whereby US$150.2 million was utilized as consideration for the acquisition of certain subsidiaries. Our amounts due from related parties decreased by US$25.2 million, or 100.0%, from US$25.2 million at June 30, 2006 to nil at September 30, 2006 due to the entry by our Company into a settlement agreement dated September 30, 2006, pursuant to which amounts due from and due to related parties were offset and assigned to Samling Strategic, resulting in our amounts due from related parties being reduced to nil.

Our Directors confirm that any outstanding balances due from related parties will be fully settled prior to the Listing Date.

Inventories

The following table sets forth a summary of our inventory balances as at the balance sheet dates indicated, as well as our turnover of average inventory for the periods indicated.

	As at June 30,			As at September 30,
	2004	2005	2006	2006
	(US$'000)			
Timber logs	24,886	19,372	18,916	26,925
Raw materials	7,196	5,371	6,767	7,731
Work-in-progress	9,611	6,705	8,867	7,540
Manufactured inventories	15,089	18,729	17,849	17,672
Stores and consumables	16,584	18,812	31,072	32,214
	73,366	68,989	83,471	92,082
Turnover of average inventory (days)	90	76	81	79

Our inventories consist of timber logs, raw materials, work-in-progress, manufactured inventories and stores and consumables. Our total inventory balances (i) decreased from June 30, 2004 to June 30, 2005 due to higher volumes sold, (ii) increased from June 30, 2005 to June 30, 2006 due to our new veneer plant in Layun, our acquired plywood plant in Sibu, and higher parts inventory at our Guyana operations in anticipation of a planned increase in logging activities in Guyana and (iii) increased from June 30, 2006 to September 30, 2006 due to an increase in log production as a result of improved weather conditions at our log extraction locations.

Our turnover of average inventory (in terms of days) (i) decreased from June 30, 2004 to June 30, 2005 due to an increase in sales volumes of plywood and veneer during the 2005 financial year, (ii) increased from June 30, 2005 to June 30, 2006 due to inventories associated with our new veneer plant in Layun and our acquired plywood plant in Sibu, together with an increase in parts inventories of our Guyana operations in anticipation of a planned increase in our logging activities in Guyana and (iii) decreased from June 30, 2006 to September 30, 2006 due to an increase in sales volumes during the three months ended September 30, 2006.

We control and monitor our inventories by tagging each log and each crate of plywood and veneer for tracking purposes and tracking each log and each crate of plywood and veneer daily. We utilize inventory tracking software in connection with the monitoring and control of our inventories of logs and plywood.

The following table sets forth an ageing analysis of our total inventory balances as at the balance sheet dates indicated.

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
1 – 3 months	57,219	57,019	65,536	71,226
4 – 6 months	3,533	1,936	8,605	10,923
7 – 9 months	2,001	1,913	3,101	3,433
10 – 12 months	1,095	841	1,124	1,538
Greater than 1 year	9,518	7,280	5,105	4,962
	73,366	68,989	83,471	92,082

Out of our US$92.1 million in inventory as at September 30, 2006, US$72.9 million, or approximately 79.2%, was subsequently sold or used as at December 31, 2006, being the most recent practicable balance sheet date for such purposes and no amounts were written off due to damage or loss. The following table sets forth details with regards to the subsequent sale or use as at December 31, 2006 of our inventory as at September 30, 2006.

	Inventory as at September 30, 2006 subsequently sold or used as at December 31, 2006
	(US$ in millions)
Timber logs	26.0
Raw materials	4.9
Works-in-progress	6.7
Manufactured inventories	14.1
Stores and consumables	21.2
	72.9

As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had inventory balances of US$99.9 million, comprised of inventory balances of US$28.2 million of timber logs, US$8.4 million of raw materials, US$7.9 million of work-in-progress, US$25.8 million of manufactured inventories and US$29.6 million of stores and consumables.

Trade and Other Payables

At June 30, 2004, 2005 and 2006, and at September 30, 2006, we had trade and other payables of US$194.8 million, US$137.6 million, US$186.3 million, and US$154.3 million, respectively.

Our trade and other payables include trade payables, other payables, accrued expenses, and amounts due to related parties. Our trade payables represent trade payables from our purchases from various suppliers. Our other payables comprise amounts payable to suppliers of plant and equipment. Our accrued expenses comprise accruals for royalties, salaries, rates and assessments and other costs. Amounts due to related parties comprise non-trade balances due to related parties.

The table below sets forth information regarding our trade and other payables as of the dates indicated.

	June 30,			September 30,
	2004	**2005**	**2006**	**2006**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Trade payables	64,354	58,213	67,824	65,620
Other payables	21,491	15,842	32,211	37,297
Accrued expenses	43,108	32,950	36,784	33,684
Amounts due to related parties	65,875	30,592	49,439	17,714
	194,828	137,597	186,258	154,315

Trade payables

Our trade payables were US$64.4 million as of June 30, 2004, US$58.2 million as of June 30, 2005, US$67.8 million as of June 30, 2006, and US$65.6 million as of September 30, 2006.

Our trade payables decreased by US$6.1 million, or approximately 9.5%, from US$64.4 million at June 30, 2004 to US$58.2 million at June 30, 2005 due to the repayment of certain trade creditor balanced from the sale of our door-facing and door making subsidiaries to two jointly controlled entities. Our trade payables increased by US$9.6 million, or approximately 16.5%, from US$58.2 million at June 30, 2005 to US$67.8 million at June 30, 2006 due to increased purchases of spare parts inventory and the inclusion of trade creditor payables of certain companies acquired in the PRC and Malaysia on June 29, 2006. Our trade payables decreased by US$2.2 million, or approximately 3.2%, from US$67.8 million at June 30, 2006 to US$65.6 million at September 30, 2006 due to our improved liquidity position.

The following table sets out the turnover of our average trade payables for the periods indicated.

	Financial year ended June 30,			Three months ended September 30,
	2004	**2005**	**2006**	**2006**
		(days)		
Turnover of average trade payables	79	66	67	60

The average age of our trade payables (i) decreased from June 30, 2004 to June 30, 2005 due to the repayment of certain trade and other payables during the 2005 financial year from proceeds from the sale of our door-facing and door-making subsidiaries to two jointly controlled entities we formed with Masonite during that year, (ii) increased from June 30, 2005 to June 30, 2006 due to increased purchases of spare parts inventory and the inclusion of trade and other payables of companies acquired in the PRC and Malaysia on June 29, 2006, and (iii) decreased from June 30, 2006 to September 30, 2006 due to our improved liquidity position. We control and monitor our trade payables by tracking the ageing of our trade payables and conducting monthly reconciliations.

Our suppliers generally require us to make payment within two weeks to 90 days of our taking receipt of goods. Despite these policies, as of September 30, 2006 approximately 49.7% of our trade payables were aged over 90 days, primarily as a result of our being extended by four of our spare parts suppliers (with whom we have had substantial prior dealings) payment periods longer than 90 days with regards to certain of our trade payables. The payment periods granted to us by such spare parts suppliers with regards to such trade payables consist of a total credit period of two to three years. As of September 30, 2006, we had US$11.2 million in trade payables outstanding under such extended payment terms. Other than such balances, our trade payables are generally required to be paid within two weeks to 90 days, our other suppliers not extending such extended payment terms to us.

The following table sets forth an ageing analysis of our trade payables as at the balance sheet dates indicated.

	June 30,			September 30,
	2004	**2005**	**2006**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	19,713	18,517	18,070	12,867
31 – 60 days	7,708	9,452	8,950	10,417
61 – 90 days	6,722	5,815	6,403	9,742
91 – 180 days	9,671	9,487	9,978	9,686
181 – 365 days	8,656	10,165	13,264	11,080
1 – 2 years	11,305	4,578	10,856	11,444
2 – 3 years	579	77	303	384
3 – 4 years	–	122	–	–
	64,354	58,213	67,824	65,620

Out of our US$65.6 million in trade payables outstanding as at September 30, 2006, US$35.3 million, or approximately 53.9%, were subsequently settled as at December 31, 2006, being the most recent practicable balance sheet date for such purpose.

As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had trade payables of US$54.0 million.

Other payables

Our other payables decreased by US$5.6 million, or approximately 26.3%, from US$21.5 million at June 30, 2004 to US$15.8 million at June 30, 2005 due to repayment of certain suppliers of plant and equipment. Our other payables increased by US$16.4 million, or approximately 103.3%, from US$15.8 million at June 30, 2005 to US$32.2 million at June 30, 2006 due to the acquisition of logging equipment and accruals for professional fees in respect of the Global Offering. Our other payables increased by US$5.1 million, or approximately 15.8%, from US$32.3 million at June 30, 2006 to US$37.3 million at September 30, 2006 due to accruals for professional fees in respect of the Global Offering and further acquisitions of logging equipment.

Accrued expenses

Our accrued expenses decreased by US$10.2 million, or approximately 23.6%, from US$43.1 million at June 30, 2004 to US$33.0 million at June 30, 2005 due to capitalisation of accrued interest payable to the former shareholder of Caribbean Esskay Limited in the 2005 financial year. Our accrued expenses increased by US$3.8 million, or approximately 11.6%, from US$33.0 million at June 30, 2005 to US$36.8 million at June 30, 2006 due to an increase in accruals for purchases not yet billed by suppliers at year end. Our accrued expenses decreased by US$3.1 million, or approximately 8.4%, from US$36.8 million at June 30, 2006 to US$33.7 million at September 30, 2006 due to a decrease in accruals for purchases billed by suppliers at year end.

Amounts due to related parties

Transactions giving rise to our amounts due to related parties during the Track Record Period generally consisted of advances made by related parties, interest payable on advances from related parties and management fees. Our amounts due to related parties decreased by US$35.3 million, or approximately 53.6%, from US$65.9 million at June 30, 2004 to US$30.6 million at June 30, 2005 due to the capitalization of certain related balances. Our amounts due to related parties increased by US$18.8 million, or approximately 61.6%, from US$30.6 million at June 30, 2005 to US$49.4 million at June 30, 2006 due to advances made by a related company to enable our Company to settle part of a loan taken in order to finance the mandatory general offer for shares in Lingui described in "Our History and Corporate Structure". Our amounts due to related parties decreased by US$31.7 million, or approximately 64.2%, from US$49.4 million at June 30, 2006 to US$17.7 million at September 30, 2006 due to the entry by our Company into a settlement agreement dated September 30, 2006, pursuant to which amounts due from and due to related parties were offset and assigned to Samling Strategic, resulting in our amounts due from related parties being reduced to US$17.7 million.

Our Directors confirm that all outstanding balances due to related parties will be capitalized into our Company's share capital prior to the Listing Date.

INDEBTEDNESS

At June 30, 2004, 2005 and 2006, September 30, 2006 and December 31, 2006 we had the following outstanding indebtedness.

	As at June 30,			As at September 30,	As at December 31,
	2004	2005	2006	2006	2006
	(US$ in millions)				
Secured commercial indebtedness					
Loans and borrowings	120.6	107.7	128.4	130.8	136.6
Bank overdrafts	11.4	11.1	12.1	10.8	15.0
Lease liabilities	38.1	54.9	78.3	87.5	93.5
Bonds	78.5	78.7	40.8	40.8	42.5
Subtotal	248.6	252.4	259.6	269.9	287.6
Unsecured commercial indebtedness					
Loans and borrowings	46.9	46.3	94.1	92.6	88.7
Bank overdrafts	12.6	9.9	16.4	12.7	11.2
Subtotal	59.5	56.2	110.5	105.3	99.9
Unsecured shareholder loans	41.9	—	—	—	—
Total	350.0	308.6	370.1	375.2	387.5
Current Subtotal	124.4	146.5	144.6	142.7	148.7
Noncurrent Subtotal	225.6	162.1	225.5	232.5	238.8
Total	350.0	308.6	370.1	375.2	387.5

Note: For the purpose of this indebtedness statement, foreign currency amounts have been translated into U.S. dollars at applicable rates prevailing at the close of business on the relevant balance sheet date. No representation is made that the amounts denominated in the relevant currencies have been, could have been or could be converted into U.S. dollars or vice versa at such rates or at any other rate on that date or any other date or at all.

At December 31, 2006, our indebtedness consisted primarily of: (1) secured working capital facilities (including revolving credits, overdrafts, bank acceptances and trust receipts to meet our short term needs), (2) secured bank loans to meet our long-term needs, (3) financial leases related to purchases of heavy machinery and equipment for our logging operations, and (4) bond issuances. At December 31, 2006, approximately 74.2% of our total indebtedness was secured while approximately 25.8% was unsecured. Of the secured facilities, approximately 5.3% were secured by a parent guarantee from Samling Strategic, approximately 1.0% were secured by personal guarantees from our Controlling Shareholders, and approximately 0.5% was secured by our Controlling Shareholders' affiliate Anhui Hualin. We have renegotiated with our secured lenders to replace Samling Strategic and the other guarantors, as applicable, with ourselves as the guarantor for such facilities before Listing. See "Business — Connected Transactions" in this prospectus. As of the Latest Practicable Date, all such guarantees have been released.

The followings sets forth a summary information about the effective interest rate of our indebtedness at June 30, 2004, 2005 and 2006, at September 30, 2006 and at December 31, 2006.

	Effective interest rate per annum				
	As at June 30,			As at September 30,	As at December 31,
	2004	2005	2006	2006	2006
	(in percentages)				
Secured					
Loans and borrowings	4.15–15.0	4.28–15.0	3.8–15.0	4.3–15.0	4.3–15.0
Bank overdrafts	7.0–8.4	7.0–8.0	7.0–8.75	7.0–8.75	7.0–8.75
Lease liabilities	3.7–4.7	3.5–4.7	3.0–4.5	3.4–4.7	3.4–4.7
Bonds	8.0–8.5	8.0–8.5	8.5	8.5	8.5
Unsecured					
Loans and borrowings	2.86–15.0	2.75–15.0	3.10–15.0	4.17–15.0	4.17–15.0
Bank overdrafts	7.0–7.9	7.0–7.5	7.0–8.25	7.0–8.25	7.0–8.25
Shareholders' loans	4.8	—	—	—	—

Our gearing ratio was 39%, 32% and 41% as of June 30, 2004, 2005 and 2006, respectively. Our gearing ratio was 41% as of September 30, 2006 and 40% as of December 31, 2006, respectively. Our gearing ratio is derived by dividing the total of bank overdrafts, loans and borrowings, finance lease liabilities and bonds by total assets. Our gearing ratio remained relatively stable from June 30, 2006 to September 30, 2006 and from September 30, 2006 to December 31, 2006. The increase in our gearing ratio from June 30, 2005 to June 30, 2006 was primarily due to an increase in bank borrowings, partly to fund our increased capital expenditures, and a reduction of non-trade amounts due from related parties in settlement of the transfer of certain timber businesses to us by our Controlling Shareholders. The decrease in our gearing ratio from June 30, 2004 to June 30, 2005 was primarily due to a decrease in borrowings.

There has been no material adverse change in our indebtedness since December 31, 2006.

Contractual obligations

The following table sets out our contractual obligations at September 30, 2006.

	Payments due by period				
	Total	Less than 1 year	1–2 years	2–5 years	More than 5 years
	(US$ in millions)				
Debt Obligations	246.9	117.2	10.7	34.6	84.4
Finance Lease Liabilities	87.5	25.5	24.7	37.2	—
Bonds	40.8	—	40.8	—	—
Subtotal	375.2	142.7	76.2	71.9	84.4
Royalty Payments	8.2	1.4	1.2	2.6	3.1
Total	383.4	144.1	77.4	74.5	87.4

Contingent liabilities and off-balance sheet arrangements

Contingent liabilities may arise in the ordinary course of our business primarily from the bringing of legal proceedings and claims and from the adoption of new environmental regulations.

We are involved in certain legal proceedings arising from the ordinary course of our business, including as plaintiff or defendant in litigation or arbitration proceedings. See “Business — Legal Proceedings and Protests” for a description of several such currently pending proceedings against us. Frequently, the outcome of such litigation cannot be ascertained. As we are subject to such proceedings and claims in the regular course of our business, we can provide no assurance that additional similar proceedings or claims will not be initiated against us in the future. The amounts of contingent liabilities arising from litigation may be difficult to quantify.

In addition, we may also become subject to new environmental laws and regulations that may impose contingencies upon us in the future. Such laws and regulations may impose significant costs, expenses and liabilities in the future. See “Risk Factors — Risks Relating to our Business — Our concessions, harvesting rights, plantations and production facilities are subject to environmental regulations”.

We confirm that there has not been any material change in the contingent liabilities of our Company since December 31, 2006.

Other than these contingent liabilities, we did not have any off-balance sheet arrangements as at December 31, 2006. Except as disclosed above, we did not have any outstanding loan capital, bank overdrafts, and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities outstanding as of December 31, 2006.

CAPITAL EXPENDITURES

In the financial years ended June 30, 2004, 2005 and 2006, we incurred capital expenditures in the amounts of US$71.5 million, US$86.3 million and US$115.5 million, respectively. In the three months ended September 30, 2005 and 2006, we incurred capital expenditures in the amounts of US$20.7 million and US$23.9 million, respectively. These capital expenditures consisted primarily of:

(1) upstream expenditures for the purchase and replacement of roads and bridges for our timber extraction operations, logging equipment and machinery, and expenditures relating to plantation establishment and reforestation activities, and

(2) downstream expenditures on new equipment for existing plywood and veneer plants as well as expenditures relating to new additional veneer, sawmill and plywood manufacturing operations in Malaysia and Guyana.

The following table shows our current estimate of planned capital expenditures and investments for the financial years indicated.

	Financial Year Ending June 30,			
	2007	**2008**	**2009**	**Total**
	(US$ in millions)			
Replacement capital expenditures	57.0	30.0	30.0	117.0
New capital expenditures and investments	6.0	33.0	145.0	184.0
Total	63.0	63.0	175.0	301.0

During the financial year ending June 30, 2007 through the financial year ending June 30, 2009, we currently plan to spend approximately US$301.0 million in capital expenditures and investments, of which US$117.0 million is budgeted for replacement capital expenditures and US$184.0 million is budgeted for new capital expenditures and investments.

We are currently planning to make replacement capital expenditures on new logging trucks and equipment in accordance with our planned equipment replacement program. We also currently intend to replace various downstream manufacturing equipment which we expect will be due for replacement in the coming years.

In terms of new capital investments, we are currently intending to invest in the acquisition of additional concessions, log extraction equipment for new concessions and strategic downstream manufacturing facilities and ventures.

Our current plans with respect to future capital expenditures is subject to change based on the evolution of our business plans, including potential acquisitions, the progress of our capital projects, market conditions, our outlook on future business conditions, and whether we are able to successfully complete this Global Offering. See "Future Plans and Use of Proceeds". Other than as required by law, we do not undertake any obligation to publish updates on our capital expenditure plans. There is no guarantee that any of the planned capital expenditures outlined above will proceed as planned. As we continue to expand, we may incur additional capital expenditures. In the future, we may consider additional debt or equity financing, depending on market conditions, our financial performance and other relevant factors. We cannot assure you that we will be able to raise additional capital, should that become necessary, on terms acceptable to us.

RISK MANAGEMENT

We are exposed to specific risks in the conduct of our business and the business environment in which we operate. These risks include, or have historically included, exposure to interest rate, foreign exchange, commodity price, customer credit and liquidity, cash flow and working capital risks arising in the regular course of our business. Generally, our overall objective is to ensure that we understand, measure and monitor these various risks and take appropriate actions to minimize our exposure to such risks. Our policies for managing each of these risks are described below.

Interest rate risk

We borrow both fixed and floating interest rate loans. Several of our secured and unsecured debt facilities carry interest at floating rates. Exposure to floating interest rates presents us with risk when there are unexpected adverse interest rate movements. Our policy is to manage such interest rate risk, working within an established framework, pursuant to which we selectively enter into swap or interest rate hedging transactions to ensure that we are not unduly exposed to significant interest rate movements and rates are appropriately fixed as necessary. As part of our interest rate hedging framework, we monitor and control our interest rate exposure by regularly monitoring relevant interest rates and their outlook. Our interest rate hedging policy is to initially enter loans, where possible, at floating interest rates then prevailing, determining the tenure of the loan consistent with our monitoring of relevant interest rates and their outlook, and then to switch to fixed interest rates by means of swap or interest rate hedging transactions if our monitoring of relevant interest rates and their outlook indicates that, considering their tenure, such a change would be prudent. Several of our secured and unsecured debt facilities carry interest at floating rates, and we currently enter into swap or interest rate hedging transactions in connection with some, but not all, of these debt facilities, considering their tenure. We currently hedge against interest rate risk related to certain loans currently secured by our New Zealand plantation assets with outstanding principal amounts, including capitalized interest, as at September 30, 2006 of US$54.8 million and NZ$30.9 million, respectively, thereby effectively fixing the interest rates of such loans.

During the Track Record Period, we have experienced the net gains and losses set forth below as a result of our interest rate hedging activities, reflecting movements in mark to market interest rates as of each respective balance sheet date. We experienced a net gain of US$17,000, a net loss of US$1.4 million, and a net gain of US$2.4 million on change in fair value of financial instruments in the financial years ended June 30, 2004, 2005 and 2006, respectively, resulting from our interest rate hedging activities, reflecting movement in mark to market interest rates as of such balance sheet dates. We experienced a net gain of US$0.7 million and a net loss of US$1.1 million on change in fair value of financial instruments during the three months ended September 30, 2005 and 2006, respectively, resulting from our interest rate hedging activities, reflecting movement in mark to market interest rates as of such balance sheet dates.

Foreign exchange risk

At present, most of our sales are denominated in U.S. dollars and some in Japanese yen, while we incur a significant portion of our costs in Malaysian Ringgit at our Malaysian operations, U.S. dollars and Guyanese dollars at our Guyanese operations, New Zealand dollars at our New Zealand operations and Renminbi in our PRC operations. Our sales and operations in Malaysia, Guyana, New Zealand and the PRC expose us to fluctuations in exchange rates among such currencies.

The exchange rate between any of the currencies mentioned above may become volatile or may change significantly in the future. See "Risk Factors — Future movements in exchange rates may have a material adverse effect on our financial condition and results of operations".

Between mid-1997 and mid-1998, the Ringgit depreciated substantially in relation to the U.S. dollar. On September 1, 1998, the Malaysian government introduced a fixed exchange rate of RM3.80 to US$1.00, which represented a significant depreciation from the Ringgit's value relative to the U.S. dollar at the end of June 1997. The Ringgit's fixed exchange rate relative to the U.S. dollar remained in effect until July 21, 2005, when Bank Negara Malaysia, Malaysia's central bank, announced that, with effect from such date, the exchange rate of the Ringgit would be allowed to operate in a managed float. If in the future the Ringgit is permitted to enter into a full float, this may result in a change in the value of the Ringgit against the U.S. dollar and other currencies, which could have a material adverse effect on our business, financial condition and results of operations.

Certain of our foreign exchange gains and losses are attributable to foreign exchange translations on the U.S. dollar loan described above booked on the accounts of our New Zealand plantation forest subsidiary, HFF, with outstanding principal amount, including capitalized interest, as of September 30, 2006 of US$54.8 million. As HFF's functional currency is the New Zealand dollar, exchange differences on the value of HFF's U.S. dollar loans are recognized as part of our financial income and expense.

We do not enter into foreign currency swap agreements to hedge against our foreign currency risk. We manage our foreign currency risk by entering into borrowings in amounts consistent with our expected stream of revenues denominated in the relevant currency of such borrowing, which policy acts in effect as a natural hedge.

Commodity price risk

We are also exposed to commodity price risk resulting from changes in the prices for crude oil, which generally affects the costs of fuel and glue, two of the main components of our cost of sales . See "— Factor Affecting Results of Operations — Cost of Sales".

Customer credit risk

We experience customer credit risk from sales made on deferred terms. We normally allow our customers a credit period of 30 days to 90 days to make payment to us, but may offer extended credit periods to certain customers. We control and monitor our customer credit risk by maintaining credit policies with regards to the standard terms of letters of credit used by our customers and by tracking the ageing of balances due from our customers. We set appropriate credit limits and terms for our customers after credit evaluations have been performed on a case by case basis. Appropriate credit limits are set at different credit levels for each customer, so as to limit the amount of our credit exposure to any individual customer. Where there are indications that amounts owed to us may not be recovered, appropriate legal actions may be initiated by us, and settlement agreements may be agreed with such debtors.

Liquidity, cash flow and working capital risk

We have adopted liquidity risk management practices to maintain sufficient cash flow, working capital and cash and liquid financial assets for our operations. We fund our operations principally through cash flow from operations, short term credit facilities (including bank overdrafts, bank acceptances and revolving credits), long term bank loans, capital leases, finance leases and, up until the end of the 2006 financial year, loans from shareholders. See "Financial Information — Liquidity and Capital Resources" for further information regarding our liquidity, cash flow and working capital.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Greater China Appraisal Limited, an independent property valuer, has valued our property interests as at December 31, 2006. The text of the letter, summary of valuation and the valuation certificates are set out in Appendix V to this prospectus.

The statement below shows the reconciliation of certain properties and lease prepayments from the audited combined financial statements as at September 30, 2006 to the valuation as at December 31, 2006 set out in Appendix V to this prospectus.

	US$'000
Net book value of the following properties as at September 30, 2006 as set in Appendix I to this prospectus	
– Land and buildings	108,686
– Investment properties	9,523
– Lease prepayment	26,324
	144,533
Less: Amortisation of lease prepayments for the three months ended December 31, 2006	(210)
Less: Depreciation of land and buildings for the three months ended December 31, 2006	(705)
Less: Depreciation of investment properties for the three months ended December 31, 2006	(64)
Less: Disposals during the period from October 1, 2006 to December 31, 2006	(54)
Add: Additions during the period from October 1, 2006 to December 31, 2006	1,781
Add: Exchange differences	5,818
Add: Transfer from construction in progress	8
Net book value as at December 31, 2006	151,107
Valuation surplus	79,230
Valuation of properties as at December 31, 2006 subject to valuation as set out in Appendix V to this prospectus	230,337

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.

PROFIT FORECAST FOR THE YEAR ENDING JUNE 30, 2007

Our Directors forecast that, on the bases and assumptions set out in Appendix III — "Profit Forecast", and in the absence of unforeseen circumstances, our combined profit attributable to the equity holders of our Company in accordance with IFRS for the year ending June 30, 2007 is unlikely to be less than US$72.2 million, calculated after changes in fair value of our plantation assets less estimated point-of-sale costs. The profit forecast has been prepared by our Directors based on the audited consolidated results of the Group for the three months ended September 30, 2006, the unaudited management accounts for the three months ended December 31, 2006, and a forecast of our combined results for the remaining six months ending June 30, 2007.

Our forecast profit of US$72.2 million for the year ending June 30, 2007 reflects an estimated revaluation gain on our plantation assets less estimated point-of-sale costs of US$4.9 million. The extent of any revaluation gain or loss for the year ending June 30, 2007 is dependent on market conditions and other factors that are beyond our control. See "Risk Factors — Risks Relating to the Global Offering and our Share Performance — Our net profit attributable to equity holders of our Company for the year ending June 30, 2007 will involve gains or losses that may arise on revaluation of our plantation assets, which are subject to certain estimates and assumptions" for further information regarding uncertainties relating to our forecast of our revaluation gain or loss for the year ending June 30, 2007. The profit forecast in Appendix III includes a sensitivity analysis illustrating the sensitivity of our profit forecast for the year ending June 30, 2007 to increases and decreases of 5.0%, 10.0% and 15.0% in our forecast change in fair value of plantation assets less estimated point-of-sale costs for the year ending June 30, 2007, and indicating the resulting forecast profit or loss for the year ending June 30, 2007 arising from such increases or decreases. See the section of Appendix III headed "Assumptions with respect to change in fair value of plantation assets" for such sensitivity analysis. Such sensitivity analysis is intended for illustrative purposes only, and any variation could exceed such amounts. As is illustrated by such sensitivity analysis, our forecast results for the year ending June 30, 2007 may be significantly affected by our actual change in fair value of plantation assets less estimated point-of-sale costs for the year ending June 30, 2007, over which we have no control.

On a pro forma fully diluted basis and on the assumptions that the forecast combined profit attributable to the equity holders of our Company for the year ending June 30, 2007 were US$72.2 million and a total of 4,144,236,830 Shares were issued and outstanding immediately after completion of the Global Offering, the unaudited pro forma fully diluted forecast earnings per Share for the year ending June 30, 2007 is not less than US1.74 cents per Share (approximately HK13.57 cents per Share). No account has been taken of any Shares which may be allotted and issued upon exercise of the Over-allotment Option, which may be allotted and issued upon exercise of options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the mandates set out in the section headed "Resolutions of Shareholders of our Company" in Appendix VIII to this prospectus.

See "Summary — Profit Forecast for the Year Ending June 30, 2007" for a brief summary of certain information presented in such profit forecast.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Dividend policy

After completion of the Global Offering, our Company's Shareholders will be entitled to receive dividends declared by our Company. The declaration of, payment and amount of dividends will be subject to the discretion of our Directors and will be dependent upon our Company's future operations and earnings, financial condition, capital requirements and surplus, contractual restrictions, payments by subsidiaries of cash dividends to our Company and other factors that our Directors deem relevant. In addition, the controlling shareholder (as defined in the Listing Rules), subject to our Company's Bye-laws, will be able to influence our Company's dividend policy.

Subject to the factors described above, our Company's Directors expect that, in the future, interim and final dividends will be paid from time to time in an aggregate amount of approximately 30% of profits attributable to our Shareholders. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

Distributable reserves

As of September 30, 2006, our Company had distributable reserves of US$2.5 million.

On the basis set out in Section A of the Accountants' Report set out in Appendix I to this prospectus, for the financial years ended June 30, 2006 and the three months ended September 30, 2006, we had an aggregate amount of distributable reserves of US$29.1 million, US$51.7 million, US$63.5 million and US$85.8 million, respectively, attributable to the companies comprising our Group.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets is based on our audited combined net assets as at September 30, 2006 as set out in the Accountants' Report in Appendix I to this prospectus, adjusted as shown below:

	Audited combined net tangible assets as of September 30, 2006	**Estimated net proceeds from Global Offering[1]**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share[2]**
		(US$ in millions)		***(US$)***
Based on an offer price of HK$1.60 per Offer Share	295	196	491	0.12
Based on an offer price of HK$2.08 per Offer Share	295	259	554	0.13

Notes:

(1) The estimated net proceeds from the Global Offering are based on the respective Offer Price of HK$1.60 and HK$2.08 per Offer Share, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares which may be allotted and issued upon exercise of the Over-allotment Option.

(2) The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraph and on the assumption of a total of 4,144,236,830 Shares being the number of shares in issue as at September 30, 2006, which takes no account any Shares which may be allotted and issued upon exercise of the Over-allotment Option, or which may be allotted and issued upon exercise of options that may be granted under the Share Option Scheme, or which may be allotted and issued or repurchased by our Company pursuant to the mandates as set out in the paragraph headed "Resolutions of Shareholders of our Company" in Appendix VIII to this prospectus.

(3) With reference to the valuation of the property interests of our Company as set out in Appendix V to this prospectus, the aggregate revalued amount of our property interests as at December 31, 2006 was about HK$1,794.6 million (approximately US$230.3 million). The unaudited net book value of these property interests as at December 31, 2006 was about US$151.1 million. The revaluation surplus is about US$79.2 million and has not been included in the above adjusted net tangible assets of the Group. Such revaluation surplus has not been recorded in the Financial Information as set out in Appendix I and will not be recorded in our combined financial statements for the financial year ending June 30, 2007 as our property interests are carried at cost model. If such revaluation surplus would be included in our financial statements for the year ending June 30, 2007, an additional depreciation of approximately US$1.4 million per annum would be incurred.

MATERIAL ADVERSE CHANGE

Our Directors confirm that except for the changes disclosed in the section above headed "Indebtedness", there has been no material adverse change in our financial or trading position or prospects or our subsidiaries since September 30, 2006, being the date of our latest audited combined financial statements.

REQUIREMENTS FOR FINANCIAL DISCLOSURES OF LINGUI AND GLENEALY

Pursuant to the listing requirements of the Malaysia Stock Exchange ("Malaysian Listing Requirements"), each of Lingui and Glenealy is required to give the Malaysia Stock Exchange for public release an interim financial report that is prepared on a quarterly basis, as soon as the figures have been approved by its board of directors, and in any event not later than two months after the end of each quarter of a financial year. The Malaysian Listing Requirements also prescribe that such interim financial report shall include the information set out in the Malaysian Listing Requirements (including a review of the performance of Lingui and Glenealy, an explanatory comment on any material change in the profit before taxation, and a commentary on the prospects) and any other information as may be required by the Malaysia Stock Exchange. In addition, each of Lingui and Glenealy is required to submit to the Malaysia Stock Exchange returns as at June 30 and December 31 of each calendar year within two months from these dates respectively. Such returns shall include such information set out in the Malaysian Listing Requirements (including information on directors, substantial shareholders and employees of Lingui and Glenealy) and any other information as may be required by the Malaysia Stock Exchange.

Following Listing, pursuant to rule 13.09(2) of the Listing Rules, we will publish the quarterly/interim financial information of Lingui and Glenealy (which would be treated as our subsidiary for the purpose of our compliance with the Listing Rules) in Hong Kong when they are published in Malaysia, however we do not intend to publish a reconciliation of the quarterly/interim financial information of Lingui and Glenealy, which are prepared in accordance with the generally accepted accounting principles in Malaysia, with IFRS promulgated by the International Accounting Standards Board.

LINGUI UNAUDITED CONSOLIDATED FINANCIAL INFORMATION AS AT AND FOR THE THREE MONTHS AND SIX MONTHS ENDED DECEMBER 31, 2006

Under the rules of the Malaysia Stock Exchange, on which shares of our subsidiary, Lingui, are listed, Lingui publicly releases, on a quarterly basis, reports containing unaudited financial statements prepared in accordance with generally accepted accounting principles in Malaysia. Because Lingui released certain unaudited financial statements for the three months and six months ended December 31, 2006 (including unaudited financial statements for the same periods in 2005) prior to the date of this prospectus, we have incorporated those financial statements in this prospectus. Those financial statements have been reviewed by KPMG, our Company's Reporting Accountants, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

Such interim unaudited financial statements of Lingui have been prepared in accordance with generally accepted accounting principles in Malaysia, were filed by Lingui with the Malaysia Stock Exchange on January 29, 2007 and comprise unaudited consolidated income statement information of Lingui for the three months and the six months ended December 31, 2006 and the corresponding periods in 2005, unaudited consolidated balance sheet information of Lingui as at December 31, 2006 and as at June 30, 2006, unaudited consolidated cash flow information of Lingui for the six months ended December 31, 2006 and the corresponding period in 2005, unaudited consolidated statement of change in equity information of Lingui for the six months ended December 31, 2006 and the corresponding period in 2005 and notes thereto. Such interim unaudited financial statements, together with a reconciliation of the net profit of Lingui and its owners' equity to IFRS, have been included in Appendix IV to this prospectus. Except to such extent and as otherwise stated therein, no reconciliation to IFRS has been undertaken of such financial information.

Material differences exist between the presentation of our financial statements prepared in accordance with IFRS and Lingui's financial statements prepared in accordance with generally accepted accounting principles in Malaysia as a result of, among other things, differences in generally accepted accounting principles and accounting policies. For example, due to classification differences between generally accepted accounting principles in Malaysia and IFRS, line items that have the same name may have a different composition. Please refer to Appendix IV to this prospectus for a discussion of material differences between Lingui's interim financial statements prepared in accordance with generally accepted accounting principles in Malaysia and IFRS. As a consequence, comparison of Lingui's accounts prepared in accordance with generally accepted accounting principles in Malaysia to our IFRS accounts presented in Appendix I hereof may not be meaningful. In addition, due to seasonality in Lingui's results, Lingui's results of operations for the three months and six months ended December 31, 2006 may not be indicative of Lingui's results of operations for the financial year ending June 30, 2007.

FUTURE PLANS

Development Strategies

Our objective is to become the leading integrated timber resources and wood products company in the world. Key elements of our strategy to achieve this objective include the following:

- Increase our log production from existing resources in Guyana and New Zealand
- Expand our production facilities to complement our increased woodflow and increase our value-adding capability
- Acquire suitable new concessions and plantations to increase scale and sustainable woodflow
- Enhance our pricing and sales through global branding and strengthening our sales and distribution network
- Continue investment in research and development to improve yields and wood quality from our plantations
- Strengthen management processes and information systems

Please refer to the section headed "Business — Our Future Plans" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering), assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.84 per Share, being the mid-point of the proposed Offer Price range of HK$1.60 to HK$2.08 per Share, will be approximately HK$1,772 million. We intend to apply these net proceeds for the following purposes:

Acquisition opportunities and expansion of operations

We intend to use approximately HK$1,406 million of the net proceeds of the Global Offering to finance acquisition opportunities and to expand our downstream operations including, without limitation:

– approximately HK$644 million to acquire concessions, harvesting rights and plantations to increase our woodflow;

– approximately HK$160 million to expand our distribution network for our downstream products — see "Business — Our Future Plans — Enhance our pricing and sales through global branding and strengthening our sales and distribution network";

– approximately HK$400 million to invest in ventures to enable us to expand our product range and gain greater market access for downstream products; and

– approximately HK$202 million to expand downstream operations in New Zealand, Guyana and Malaysia. Our expenditures for downstream expansion will include capital expenditures relating to construction costs of our mills and plant and machinery. In particular we plan to use:

  - approximately HK$136 million for the construction of a sawmill and/or veneer mill in New Zealand to process increased log volumes expected to be harvested from our New Zealand plantations;

  - approximately HK$40 million for the installation of new log peeling and drying lines in two of our plywood mills in Malaysia, one of which is capable of processing smaller diameter logs;

  - approximately HK$16 million for the expansion of one of our sawmills in Guyana for decking and kiln dried timber; and

  - approximately HK$10 million for the construction of a sawmill within our forest in Sarawak for processing logs from areas being cleared for our plantation development.

To date, save for the mills specified, specific targets for acquisition of concessions, harvesting rights, plantations or the other matters referred to above will depend on the outcome of negotiations between us and interested parties. Our Directors will take into account a number of criteria when considering acquisition opportunities in respect of concessions, harvesting rights and plantations, including whether the acquisition will (i) increase our sustainable woodflow, (ii) further secure our log supply to our downstream production facilities, (iii) enhance our profitability and return on invested capital and (iv) reduce our operating cost base through the increase in production scale. For investments in relation to expanding our product range and gaining greater market access for our downstream products, our Directors will consider whether the investment (i) allows us to distribute closer to the end-user customer, (ii) enhances sales and distribution to our key markets such as Japan, the U.S., China and India, (iii) provides opportunities for building brand identity, and (iv) allows us to become the approved or preferred supplier in our key markets.

Plantation development

We intend to use approximately HK$128 million of the net proceeds from the Global Offering to develop our plantations in Malaysia to increase our future woodflow. Our plantation expenditures will include capital expenditure associated with the establishment, management and harvesting of our plantations including in relation to the planting of trees, weeding, tending and pruning of planted trees and the construction and maintenance of roads.

Research, development and information systems

We intend to use approximately HK$64 million of the net proceeds for the Global Offering to continue our investment in research and development to improve yields and wood quality from our plantations. In addition, we plan to invest in strengthening our management processes and information systems.

The timing and specific geographic focus of our expansion plans will depend on a number of factors, including the success of our acquisition and expansion strategies as outlined above. For a more detailed description of our strategies, see "Business — Our Future Plans".

Repayment of debts

We intend to use approximately HK$100 million of the net proceeds of the Global Offering to repay financing in relation to the mandatory general offer for the shares in Lingui which closed on May 24, 2006. Please refer to the section headed "Our History and Corporate Structure — Reorganization of our Company" for details of the mandatory general offer which we were required to make. This includes:

(i) Approximately HK$23 million is expected to be used to fully repay a Ringgit denominated term loan with an outstanding amount equivalent to approximately HK$23 million arranged by CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) and lent by CIMB Bank Berhad (formerly known as Bumiputra-Commerce Bank Berhad) granted for the purpose of funding the mandatory general offer. The term loan is repayable in full upon the earlier of November 2008 or receipt by us of the net proceeds of the Global Offering, and has an interest rate of 0.85% per annum above the cost of funds to CIMB Bank Berhad.

(ii) Approximately HK$77 million is expected to be used to fully repay a further Ringgit denominated term loan with an outstanding amount equivalent to approximately HK$77 million arranged by CIMB Investment Bank Barhad and lent by CIMB Bank Berhad also granted for the purpose of funding the mandatory general offer. The term loan is repayable in full upon the earlier of November 2008 or receipt by us of the net proceeds of the Global Offering, and has an interest rate of 0.85% per annum above the cost of funds to CIMB Bank Berhad for the first HK$9 million of the outstanding amount and 1.00% per annum above the cost of funds to CIMB Bank Berhad for the balance of approximately HK$68 million of the outstanding amount.

One of the International Underwriters in the International Offering, CIMB-GK Securities (HK) Limited, is an affiliate of each of CIMB Investment Bank Berhad and CIMB Bank Berhad.

The remaining balance of the net proceeds of the Global Offering of approximately HK$74 million will be used for working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds from the offering of these additional Offer Shares of approximately HK$283 million, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the same mid-point offer price as stated above. We intend to use these additional net proceeds to acquire further concessions, harvesting rights and plantations.

In the event that the Offer Price is set at the high end of the proposed offer price range and the Over-allotment Option is not exercised at all, our Company will receive net proceeds of approximately HK$2,018 million. The additional net proceeds of about HK$246 million will be used to acquire further concessions, harvesting rights and plantations. In the event that the Offer Price is set at the high end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK$2,337 million and the further additional net proceeds of about HK$319 million arising from the exercise of the Over-allotment Option will be used to acquire further concessions, harvesting rights and plantations.

In the event that the Offer Price is set at the low end of the proposed offer price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK$1,527 million. Under such circumstances, the net proceeds allocated to acquire further concessions, harvesting rights and plantations will be reduced accordingly. In the event that the Offer Price is set at the low-end of the proposed offer price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK$1,772 million. The further additional net proceeds of approximately HK$246 million (when compared to the net proceeds for our Company with the Offer Price being determined at the low end of the stated range and without exercising Over-allotment Option) will be used to acquire further concessions, harvesting rights and plantations.

To the extent that the net proceeds are not sufficient to fund the uses set forth above, we intend to fund the balance through a variety of means including cash generated from our operations and other external financing. We currently believe that the net proceeds from the Global Offering, when combined with such alternate sources of financing, are sufficient for the uses set forth above. To the extent that the net proceeds of the Global Offering are not immediately applied for the above purposes, we will deposit the net proceeds into interest-bearing bank accounts or reduce our outstanding balance under our working capital facilities.

HONG KONG UNDERWRITERS

Credit Suisse (Hong Kong) Limited
Macquarie Securities Limited
The Hongkong and Shanghai Banking Corporation Limited
CIMB-GK Securities (HK) Limited
VC Brokerage Limited
Shenyin Wanguo Capital (H.K.) Limited

INTERNATIONAL OFFERING UNDERWRITERS

Credit Suisse (Hong Kong) Limited
Macquarie Securities Limited
The Hongkong and Shanghai Banking Corporation Limited
CIMB-GK Securities (HK) Limited

HONG KONG PUBLIC OFFERING

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on February 22, 2007. As described in the Hong Kong Underwriting Agreement, we are offering the Public Offer Shares for subscription by the public in Hong Kong on the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares to be offered as mentioned in this prospectus, and to certain other conditions set out in the Hong Kong Underwriting Agreement, including the Joint Bookrunners (on behalf of the Underwriters) and us agreeing to the Offer Price, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and subject to the conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon (amongst other things) the International Purchase Agreement having been signed, becoming and remaining unconditional and not having been terminated.

Grounds for termination

The Joint Sponsors (on behalf of themselves and the Hong Kong Underwriters) may in their absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by notice to our Company at any time at or prior to 8:00 a.m. on the Listing Date if:

(a) there develops, occurs, exists or comes into force:

  (i) any event or series of events resulting in or representing a change or development, or prospective change, or development, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Ringgit against any foreign currencies) in or affecting Hong Kong, the PRC, the United States, Malaysia, New Zealand, Guyana, Japan, Singapore, Canada or the United Kingdom (collectively the "Relevant Jurisdictions"); or

(ii) any new laws or regulations or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions adversely affecting an investment in our Shares; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

(iv) without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(v) the imposition or declaration of (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market or the London Stock Exchange or (B) any general moratorium on banking activities or a material disruption in banking activities or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or

(vi) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions adversely affecting an investment in our Shares; or

(vii) any litigation or claim being brought by any third party against any member of our Group; or

(viii) the commencement by any regulatory body or organization of any public action against a Director or an announcement by any regulatory body or organization that it intends to take any such action;

and which, in any such case and in the sole opinion of the Joint Sponsors (for themselves and on behalf of the Hong Kong Underwriters) (A) is or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of our Group as a whole or (B) has or will have or is likely to have a material adverse effect on the success of our Global Offering or (C) makes or will or is likely to make it impracticable, inadvisable or inexpedient for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged or (D) makes or will or is likely to make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(b) it or there shall have come to the notice of any of the Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in this prospectus, the Application Forms, the formal notice and any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respect; or

(ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom; or

(iii) any of the Warranties (as defined in the Hong Kong Underwriting Agreement) is (or would when repeated be) untrue or breached in any material respect; or

(iv) any event, act or omission which gives rise or is likely to give rise to any material liability of any of the Warrantors (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnities in the Hong Kong Underwriting Agreement; or

(v) any material breach of any of the obligations of any party (other than the Global Coordinator, the Joint Sponsors or the Hong Kong Underwriters) to the Hong Kong Underwriting Agreement, the price determination agreement, the receiving bankers agreement or the branch share registrar agreement; or

(vi) there shall have been any material adverse change or prospective material adverse change in the condition (financial or otherwise) or in the earnings, business, financial or the trading position or prospects of our Group as a whole.

Undertakings

We have undertaken to the Global Coordinator, the Joint Sponsors, the Hong Kong Underwriters and the International Underwriters that, except pursuant to the Global Offering (including the Over-allotment Option) and the Share Option Scheme, we shall not without the prior written consent of the Global Coordinator (on behalf of itself and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, hedge, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of its share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital), or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, or deposit any part of our Company's share capital with a depositary in connection with the issue of depositary receipts, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise or offer or agree or announce any intention to do any of the foregoing.

Each of Samling Strategic, SIL, Datuk Yaw Teck Seng, Yaw Chee Ming, PDT, Tapah and Glory Winner Trading Limited has undertaken with each of the Global Coordinator, the Joint Bookrunners, the Hong Kong Underwriters and the International Underwriters that:

(a) except pursuant to the Stock Borrowing Agreement (other than in relation to SIL, PDT, Tapah and Glory Winner Trading Limited), it/he will not, and (in the case of Datuk Yaw Teck Seng and Yaw Chee Ming) he will procure that none of the companies controlled by him or any nominee or trustee holding in trust for him, without the prior written consent of the Global Coordinator and unless in compliance with the requirements of the Listing Rules, at any time from the date of this Agreement until the expiry of six months from the Listing Date (the "First Six-month Period"), offer, accept subscription for, pledge, charge, allot, sell, lend, mortgage, assign, contract to allot or sell, sell any option or contract to purchase, purchase any option or contract to sell, hedge, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any of its share capital, our Shares or securities convertible into or exchangeable or exercisable for any of its share capital or our Shares, enter into a transaction which would have the same effect (through the issuance of depositary receipts or otherwise), or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or our Shares or any interest in them, whether any such aforementioned transaction is to be settled by delivery of share capital or our Shares or such other securities, in cash or otherwise, or offer or agree or announce any intention to do any of the foregoing;

(b) without the prior written consent of the Global Coordinator and unless in compliance with the Listing Rules, it/he will not, during the First Six-month Period, make any demand for or exercise any right with respect to, the registration of any Shares or any security convertible into or exercisable or exchangeable for our Shares;

(c) (in relation to Samling Strategic, Datuk Yaw Teck Seng and Yaw Chee Ming only) within the 6-month period immediately after the First Six-month Period (the "Second Six-month Period"), it/he shall not enter into or agree to enter into any of the foregoing transactions in paragraph (a) above in respect of any of the share capital of our Company or any interest therein, if it would result in it/he ceasing to be a controlling shareholder of our Company within the meaning of the Listing Rules;

(d) (in relation to Samling Strategic, SIL, Datuk Yaw Teck Seng and Yaw Chee Ming only) in the event of it entering into or agreeing to enter into any of the foregoing transactions in paragraph (a) above in respect of any of the share capital of the Company or any interest therein during the Second Six-month Period, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market for our Shares.

Samling Strategic has separately undertaken to the Global Coordinator, the Joint Sponsors, the Hong Kong Underwriters and us, for so long as it remains a controlling and/or substantial shareholder (as defined in the Listing Rules) of our Company, to comply with its obligations under the Listing Rules so far as they relate to a controlling and/or substantial shareholder.

Each of Samling Strategic, Yaw Holding Sdn. Bhd., Datuk Yaw Teck Seng and Yaw Chee Ming has undertaken to the Stock Exchange that:

(a) in the First Six-month Period, it/he shall not, without the prior written consent of the Stock Exchange and unless in compliance with the Listing Rules, except in accordance with the Stock Borrowing Agreement described in the section headed "Information about this prospectus and the Global Offering — Stabilization" of this prospectus, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our share capital in respect of which it/he is shown by this prospectus to be the beneficial owner; and

(b) in the Second Six-month Period, it/he shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be our controlling shareholder.

In addition, each of Samling Strategic, Datuk Yaw Teck Seng and Yaw Chee Ming has also undertaken to the Global Coordinator, the Joint Sponsors, the Hong Kong Underwriters, us and the Stock Exchange, and Yaw Holdings Sdn. Bhd. has undertaken to the Stock Exchange, that it will inform us and the Global Coordinator and the Joint Sponsors of (i) any pledges or charges of any shares or other securities of ours beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), together with the number of any shares or other securities so pledged or charged and (ii) any indications received by it/him either verbal or written from the pledgee or chargee of any shares or other securities of our Company so pledged or charged will be disposed of during the 12-month period after the Listing Date. We will then immediately inform the Stock Exchange of such matters and also disclose such matters by way of a press notice which will be published in the newspapers as soon as possible.

Hong Kong Underwriters' interests in our Company

Save as disclosed in this prospectus and save for their obligation under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Company or any other member of our Group.

INTERNATIONAL OFFERING

In connection with the International Offering, it is expected that we will enter into the International Purchase Agreement with the Joint Bookrunners (in connection with which the Joint Sponsors are acting as representatives of the International Underwriters). Under the International Purchase Agreement, the International Underwriters would, subject to certain conditions, severally agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares.

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Global Coordinator on behalf of the International Underwriters within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 157,500,000 additional Shares, at the Offer Price per Share to, amongst other things, cover over-allocations in the International Offering, if any. The Global Coordinator may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of the Over-allotment Option or by a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 157,500,000 Shares will represent approximately 3.7% of our Company's enlarged issued share capital immediately after the completion of the Global Offering, and exercise of the Over-allotment Option.

TOTAL COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive from our Company an underwriting commission of 2.5% on the aggregate Offer Price of all the Public Offer Shares initially being offered under the Public Offer, out of which they will pay any sub-underwriting commissions. For unsubscribed Public Offer Shares reallocated to the International Offering, if any, our Company will pay to the International Underwriters an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters, but not to the Hong Kong Underwriters. In addition, the Joint Bookrunners may receive, at our discretion to be determined prior to or at the time of agreement of the Offer Price between us and the Joint Bookrunners, an additional incentive fee of up to 0.5% of the gross proceeds from the Global Offering (including any proceeds pursuant to the exercise of the Over-allotment Option).

Our Company's aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$160 million (assuming the Over-allotment Option is not exercised and an Offer Price of HK$1.84 per Share, being the mid-point of the stated range of the Offer Price between HK$1.60 and HK$2.08 per Share).

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offering of 105,000,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below under "Structure of the Global Offering — The Hong Kong Public Offering"; and

(ii) the International Offering of 945,000,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) in the United States to qualified institutional buyers (as such term is defined in Rule 144A) in reliance on Rule 144A, and outside the United States to non-US persons in reliance on Regulation S.

Credit Suisse is the sole Global Coordinator of the Global Offering. Credit Suisse, Macquarie and HSBC are the Joint Bookrunners of the Global Offering.

Investors may apply for the Shares under the Hong Kong Public Offering or apply for or indicate an interest for Shares under the International Offering, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described below under "Structure of the Global Offering — Pricing and Allocation".

PRICING AND ALLOCATION

The International Underwriters are soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective investors will be required to specify the number of International Offering Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing of the Offer Shares for the purposes of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, March 1, 2007 but in any event not later than Monday, March 5, 2007, and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us.

The Offer Price will be not more than HK$2.08 per Offer Share and is currently expected to be not less than HK$1.60 per Offer Share unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

Based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus (which currently is HK$1.60 to HK$2.08 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction of the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the profit forecast for the year ending June 30, 2007, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of any such reduction. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares and/or the Offer Price range is so reduced.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of Shares pursuant to the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Public Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The net proceeds from the Global Offering accruing to our Company are estimated to be approximately HK$1,772 million. The estimated net proceeds are calculated after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming that the Over-allotment Option is not exercised and an Offer Price of HK$1.84 per Offer Share, being the mid-point of the proposed Offer Price range of HK$1.60 to HK$2.08 per Offer Share.

The final Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the results of application and basis of allocations of the Public Offer Shares are expected to be announced on Tuesday, March 6, 2007 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued and sold as mentioned herein (including any additional Shares which may be issued and sold pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Purchase Agreement on or about the Price Determination Date; and

- the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Sponsors, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. (Hong Kong time) on Wednesday, March 7, 2007.

If for any reason the Offer Price is not agreed between us and the Joint Bookrunners (on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The consummation of each of the International Offering and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the day after such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bankers or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to issue Share certificates for the Public Offer Shares on Tuesday, March 6, 2007. However, these Share certificates will only become valid certificates of title if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised, which is expected to be around 8:00 a.m. (Hong Kong time) on the Listing Date.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement and described in the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus) for the subscription in Hong Kong of, initially, 105,000,000 Offer Shares at the Offer Price, representing approximately 10% of the total number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Public Offer Shares will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering but before any exercise of the Over-allotment Option.

The total number of the Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes only:

- Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK$5 million (excluding brokerage, SFC transaction levy, and Stock Exchange trading fee payable thereon) or less; and

- Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of more than HK$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) and up to the value of Pool B.

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the Pools are under-subscribed, the surplus Public Offer Shares in that Pool will be transferred to the other Pool to satisfy demand in the other Pool and be allocated accordingly. For the purpose of this paragraph only, the "subscription price" for Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Shares from either Pool A or Pool B but not from both pools.

Applicants can only receive an allocation of the Public Offer Shares from either Pool A or Pool B but not from both Pools. Multiple or suspected multiple applications and any application for more than 50% of the 105,000,000 Offer Shares initially included in the Hong Kong Public Offering (that is, 52,500,000 Public Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she or any person(s) for whose benefit he or she is making the application have not indicated an interest for or applied for or taken up or been placed or allotted (including conditionally and/or provisionally) and will not indicate an interest for or apply for or take up or be placed or allotted (including conditionally and/or provisionally) any Offer Shares under the International Offering nor otherwise have participated or will participate in the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

We will reject multiple applications within Pool A or Pool B, and between the two Pools. Our Directors, the Hong Kong Underwriters and we will take reasonable steps to identify and reject applicants under the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Offer Shares in the Hong Kong Public Offering. Investors who have not received Offer Shares under the Hong Kong Public Offering may receive Offer Shares under the International Offering.

The Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Offer Shares under the Hong Kong Public Offering.

The Offer Price will be not more than HK$2.08 per Offer Share and is expected to be not less than HK$1.60 per Offer Share. Applicants for Public Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum offer price of HK$2.08 for each Public Offer Share. If the Offer Price as finally determined is less than the offer price of HK$2.08 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Public Offer Shares — Refund of Application Monies".

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 315,000,000, 420,000,000 and 525,000,000 Offer Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B. In addition, the Joint Bookrunners may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Bookrunners may reallocate to the International Offering all or any unsubscribed Public Offer Shares in such proportions as it deems appropriate.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Subject to reallocation as described above, the International Offering will consist of an offer of an aggregate of 945,000,000 Offer Shares, representing approximately 90% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option) at the Offer Price. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

Pursuant to the International Offering, the International Underwriters will conditionally place the Offer Shares with qualified institutional buyers (as such term is defined in Rule 144A) in the United States in reliance on Rule 144A and outside the United States to non-US persons in reliance on Regulation S.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Global Coordinator on behalf of the International Underwriters within 30 days after the last day for lodging applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Global Coordinator (on behalf of the International Underwriters) will have the right to require us to allot and issue up to an aggregate of 157,500,000 additional Offer Shares, representing in aggregate approximately 15% of the initial Offer Shares, at the Offer Price, to, amongst other things, cover over-allocations in the International Offering, if any. The Global Coordinator may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of the Over-allotment Option or by a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 157,500,000 Shares will represent approximately 3.7% of our Company's enlarged issued share capital immediately after the completion of the Global Offering, and exercise of the Over-allotment Option.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, March 7, 2007, it is expected that dealings in Shares on the Stock Exchange will commence at 9:30 a.m. on Wednesday, March 7, 2007.

There are two ways to make an application for the Public Offer Shares. You may either use an Application Form or you may **electronically** instruct HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC.

I. APPLYING BY USING AN APPLICATION FORM

Which Application Form to use

Use a **white** Application Form if you want the Public Offer Shares issued in your own name.

Use a **yellow** Application Form if you want the Public Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Public Offer Shares are not available to existing beneficial owners of Shares in our Company, our Directors or chief executive of our Company or any of our subsidiaries, or associates of any of them (as "associate" is defined in the Listing Rules), to legal or natural persons of the PRC, to any U.S. person or any person in the United States (in each case as defined in Regulation S under the US Securities Act), or to persons who do not have a Hong Kong address.

Where to collect the Application Forms

You can collect a **white** Application Form and this prospectus from:

Any of the following addresses of the Hong Kong Underwriters:

Credit Suisse (Hong Kong) Limited
45th Floor, Two Exchange Square
Central
Hong Kong

Macquarie Securities Limited
19th Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 15
1 Queen's Road Central
Hong Kong

CIMB-GK Securities (HK) Limited
25/F., Central Tower
28 Queen's Road Central
Hong Kong

VC Brokerage Limited
28/F., The Centrium
60 Wyndham Street
Central, Hong Kong

Shenyin Wanguo Capital (H.K.) Limited
28th Floor
Citibank Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

or any of the following branches of **The Hongkong and Shanghai Banking Corporation Limited**:

	Branch Name	Address
Hong Kong Island	Hong Kong Office	1 Queen's Road Central
	Aberdeen Centre Branch	Shop 2, G/F, Site I, Aberdeen Centre, Aberdeen
	Des Voeux Road Central Branch	China Insurance Group Bldg, 141 Des Voeux Road Central
	North Point Branch	G/F, Winner House, 306 – 316 King's Road, North Point
	The Westwood Branch	LG01 – 3, LG Floor, The Westwood, 8 Belcher's Street
	Hopewell Centre Branch	Shop No.1 – 2, G/F, Hopewell Centre, 183 Queen's Road East, Wan Chai
Kowloon	Mong Kok Branch	673 Nathan Road, Mong Kok
	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
	Kowloon City Branch	1/F, 18 Fuk Lo Tsun Road, Kowloon City
	Amoy Plaza Branch	Shops G193 – 200 & 203, G/F, Amoy Plaza Phase II, 77 Ngau Tau Kok Road
	238 Nathan Road Branch	Shop No. 1 ,1/F & Shop No. 1-3, G/F, 238 Nathan Rd
	Ocean Centre Branch	Shop 361 – 5, Level 3, Ocean Centre, Harbour City
New Territories	Citylink Plaza Branch	Shops 38 – 46, Citylink Plaza, Shatin Station Circuit, Sha Tin
	Yuen Long Branch	G/F, HSBC Building Yuen Long, 150 – 160 Castle Peak Rd, Yuen Long
	Tuen Mun Town Plaza Branch	Shop 1, UG/F, Shopping Arcade Phase II, Tuen Mun Town Plaza, Tuen Mun

You can collect a **yellow** Application Form and this prospectus during normal business hours from 9:00 a.m. on February 23, 2007 until 12:00 noon on February 28, 2007 from:

(1) The Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, or

(2) Your stockbroker, who may have such Application Forms and this prospectus available.

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by signing on the Application Form, among other things:

(a) you **agree** with us, and each Shareholder of our Company, and we agree with each Shareholder, to observe and comply with the Companies Act and our Company's Memorandum of Association and Bye-laws;

(b) you **confirm** that you have received a copy of this prospectus and have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(c) you **agree** that we, our Directors and any person who has authorized this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;

(d) you **undertake** and **confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and have not received or been placed or allotted (including conditionally or provisionally) any Offer Shares under the International Offering or otherwise participated in the International Offering;

(e) you **agree** to disclose to us, the Global Coordinator, the Joint Sponsors, the Underwriters, the Hong Kong Branch Share Registrar, receiving bankers and/or their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

(f) you **instruct** and **authorise** us and/or the Global Coordinator (or their respective agents or nominees) as agents for us to do on your behalf all things necessary to register any Public Offer Shares allotted to you in your name(s), as required by the Bye-laws, and otherwise to give effect to the arrangements described in this prospectus and the Application Form;

(g) you **undertake** to sign all documents and to do all things necessary to enable you to be registered as the holder of the Public Offer Shares to be allotted to you, and as required by the Bye-laws;

(h) you **warrant** the truth and accuracy of the information contained in your application;

(i) if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of us, the Global Coordinator, the Joint Sponsors and the Underwriters nor any of their respective officers or advisers will infringe any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(j) you **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) you **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong; and

(l) you **represent** and **warrant** that you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act and you and any person for whose account or benefit you are applying for the Public Offer Shares are non U.S. persons outside the United States acquiring Public Offer Shares in an offshore transaction (as defined in Regulation S under the U.S. Securities Act).

In order for the **yellow** Application Forms to be valid:

(a) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

(i) the designated CCASS Participant or its authorized signatories must sign in the appropriate box; and

(ii) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(b) **If the application is made by an individual CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and

(ii) the CCASS Investor Participant must insert its participant I.D. and sign in the appropriate box in the Application Form.

(c) **If the application is made by a joint individual CCASS Investor Participant:**

(i) the Application Form must contain all joint CCASS Investor Participants' names and Hong Kong Identity Card Numbers; and

(ii) the participant I.D. must be inserted and the authorized signatory(ies) of the CCASS Investor Participant's stock account must sign in the appropriate box in the Application Form.

(d) **If the application is made by a corporate CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Business Registration number; and

(ii) the participant I.D. and company chop (bearing its company name) endorsed by its authorized signatories must be inserted in the appropriate box in the Application Form.

Signature(s), number of signatories and form of chop, where appropriate, should match the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorized signatory(ies) (if applicable), participant I.D. or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, we, the Global Coordinator and the Joint Sponsors (or their respective agents and nominees) as our agent may accept it at our absolute discretion, and subject to any conditions we think fit, including production of evidence of the authority of your attorney. We and the Global Coordinator in the capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Members of the Public — Time for Applying for Public Offer

Completed **white** or **yellow** Application Forms, with payment attached, must be lodged by 12:00 noon on Wednesday, February 28, 2007, or, if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open.

Your completed Application Form, with full payment in HK dollars attached, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited listed under the section headed "— Where to Collect the Application Forms" above at the following times:

Friday, February 23, 2007	**–**	**9:00 a.m. to 4:30 p.m.**
Saturday, February 24, 2007	**–**	**9:00 a.m. to 12:30 p.m.**
Monday, February 26, 2007	**–**	**9:00 a.m. to 4:30 p.m.**
Tuesday, February 27, 2007	**–**	**9:00 a.m. to 4:30 p.m.**
Wednesday, February 28, 2007	**–**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, February 28, 2007.

No proceedings will be taken on applications for the Public Offer Shares and no allotment of any such Public Offer Shares will be made until the closing of the application lists. No allotment of any of the Public Offer Shares will be made later than Sunday, March 25, 2007.

Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, February 28, 2007. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Public Offering do not open and close on Wednesday, February 28, 2007 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in this prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. A press announcement will be made in such event.

Publication of Results

We expect to announce the Offer Price, the level of indication of interest in the International Offering, the basis of allotment, the results of applications and the Hong Kong Identity Card/passport/ Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering on Tuesday, March 6, 2007 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese). Such information will also be published on our corporate website at www.samling.com at the same time.

Despatch/Collection of Share Certificates and Refund Cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary document of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application. Subject as mentioned below, in due course, there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) (i) share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **yellow** Application Forms whose share certificates will be deposited into CCASS as described below); and/or

(b) refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Offer Share paid on application in the event that the Offer Price is less than the offer price per Offer Share initially paid on application, in each case including related brokerage at the rate of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% attributable to such refund/surplus monies, but without interest.

Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates for successful applicants under **white** Application Forms are expected to be posted on or before Tuesday, March 6, 2007. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

If you apply using a white Application Form:

If you have applied for 1,000,000 Public Offer Shares or more and you have elected on your **white** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, March 6, 2007. If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque (s) and share certificate(s) within the time period specified for collection, they will be dispatched thereafter to you by ordinary post to the address as specified in your Applicatison Form at your own risk.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application forms that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Public Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Tuesday, March 6, 2007 by ordinary post and at your own risk.

If you apply using a yellow Application Form:

If you apply for Public Offer Shares using a **yellow** Application Form and your application is wholly or partially successful, your share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Tuesday, March 6, 2007, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, March 6, 2007. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, March 6, 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **yellow** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **white** Application Form applicants as described above.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application forms that you will collect your refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Public Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Tuesday, March 6, 2007 by ordinary post and at your own risk.

II. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC GENERAL

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our registrar.

Application for Public Offer Shares by HKSCC Nominees on your behalf

Where a **white** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

(a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **white** Application Form or this prospectus;

(b) HKSCC Nominees does the following things on behalf of each such person:

(i) **agrees** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

(ii) **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

(iii) **undertakes** and **confirms** that that person has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and has not received or been placed or allocated (including conditionally or provisionally) any Offer Shares under the International Offering nor otherwise participated in the International Offering;

(iv) (if the electronic **application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;

(v) (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;

(vi) **understands** that the above declaration will be relied upon by our Company, our Directors, the Global Coordinator and the Joint Sponsors in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

(vii) **authorizes** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;

(viii) **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

(ix) **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(x) **agrees** that our Company, our Directors and any person who has authorized this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;

(xi) **agrees** to disclose that person's personal data to our Company, the Joint Sponsors, the Global Coordinator, the Underwriters, the Hong Kong Branch Share Registrar, receiving bankers and/or their respective advisers and agents and any information which they may require about that person;

(xii) **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

(xiii) **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before Sunday, March 25, 2007, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before Sunday, March 25, 2007 except by means of one of the procedures referred to in this prospectus. However, that HKSCC Nominee may revoke the application before Sunday, March 25, 2007 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

(xiv) **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;

(xv) **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Public Offer Shares;

(xvi) **agrees** with our Company, for itself and for the benefit of each of our Shareholders (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each Shareholder of our Company, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Act and our Company's Memorandum of Association and Bye-laws;

(xvii) **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of giving Electronic Application Instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum offer price, and the related brokerage, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the offer price per Offer Share initially paid on application, refund of the application monies (in each case including brokerage, the SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account;

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **white** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application.

Minimum Application Amount and Permitted Multiples

You may give or cause your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Public Offer Shares. Such instructions in respect of more than 2,000 Public Offer Shares must be in one of the number of shares in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Broker/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, February 23, 2007	–	**9:00 a.m. to 8:30 p.m.**(1)
Saturday, February 24, 2007	–	**8:00 a.m. to 1:00 p.m.**(1)
Monday, February 26, 2007	–	**8:00 a.m. to 8:30 p.m.**(1)
Tuesday, February 27, 2007	–	**8:00 a.m. to 8:30 p.m.**(1)
Wednesday, February 28, 2007	–	**8:00 a.m.**(1) **to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, February 23, 2007 until 12:00 noon on Wednesday, February 28, 2007 (24 hours daily, except the last application day).

Note:

(1) These times are subject to change as HKSCC may determine form time to time with prior notification to CCASS Broker/Custodian Participants.

Effect of Bad Weather on the Last Application Day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, February 28, 2007, the last application day. If there is:

- a tropical cyclone warning signal number 8 or above; or

- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, February 28, 2007, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Hong Kong Public Offering do not open and close on Wednesday, February 28, 2007 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in this prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. A press announcement will be made in such event.

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Tuesday, March 6, 2007 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the newspapers on Tuesday, March 6, 2007. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, March 6, 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, March 6, 2007. HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Public Offer Share paid on application, in each case including the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, March 6, 2007. No interest will be paid thereon.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, our registrars, receiving bankers, the Joint Sponsors, the Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The application of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Joint Sponsors, the Global Coordinator and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **white** or **yellow** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, February 28, 2007.

III. HOW MANY APPLICATIONS MAY YOU MAKE

You may make more than one application for the Public Offer Shares only if:

You are a **nominee**, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction**, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form or **electronic application instruction** is the only application which will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC;
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorized to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, **all** of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:

- make more than one application (whether individually or jointly) on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC; or
- both apply (whether individually or jointly) on one **white** Application Form and one **yellow** Application Form or on one white or yellow Application Form and give **electronic application instructions** to HKSCC; or
- apply on one **white** or **yellow** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC for more than 50% of the Public Offer Shares initially being offered for subscription under the Public Offer, as more particularly described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering"; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of an application made by HKSCC Nominees acting on **electronic application instructions**. If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" *means a company with no equity securities listed on the Stock Exchange.*

"Statutory control" *means you:*

- *control the composition of the board of directors of our company; or*
- *control more than one-half of the voting power of our company; or*
- *hold more than one-half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

IV. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted the Public Offer Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or **electronic application instructions** to HKSCC you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong) unless a person responsible for the Prospectus under section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for the Prospectus. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer

Shares to any person before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong), except by means of one of the procedures referred to in the Prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) Full discretion of our Company or our agents to reject or accept:

We, the Global Coordinator (as agent for our Company), or their respective agents have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(c) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or apply by a **yellow** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Public Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

(d) You will not receive any allotment if:

- you make multiple applications or suspected multiple applications;
- you or the person whose benefits you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering. By filling in any of the Application Forms or submitting **electronic application instructions**, you agree not to apply for or indicate an interest for Offer Shares in the International Offering. Reasonable steps will

be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Public Offer Shares in the Hong Kong Public Offering;

- your payment is not made correctly;

- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;

- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);

- we believe that by accepting your application, it would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed;

- if you apply for more than 50% of the Public Offer Shares initially being offered in the Hong Kong Public Offering for subscription (that is, 52,500,000 Shares);

- the Underwriting Agreements do not become unconditional; or

- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

V. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum offer price is HK$2.08 per Public Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,000 Public Offer Shares, you will pay HK$4,201.98. The Application Forms have tables showing the exact amount payable for the numbers of Public Offer Shares that may be applied for.

You must pay the maximum offer price and related brokerage, SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Public Offer Shares. You must pay the amount payable upon application for Public Offer Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form or this prospectus.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange, the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

VI. REFUND OF APPLICATION MONIES

If you do not receive any Public Offer Shares for any reason, we will refund your application monies, including related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%), without interest.

If the Offer Price as finally determined is less than the offer price per Public Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, we will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies, without interest. See "How to apply for the Public Offer Shares — Despatch/Collection of share certificates and refund cheques".

All such interest accrued prior to the date of despatch of refund cheques will be retained for our benefit.

In a contingency situation involving a substantial over-application, at the discretion of us and the Global Coordinator, cheques for applications made on Application Forms for certain small denominations of Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Tuesday, March 6, 2007 in accordance with the various arrangements as described above.

VII. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, March 7, 2007.

The Shares will be traded in board lots of 2,000 each. The stock code of the Shares is 3938.

VIII.SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

February 23, 2007

The Directors
Samling Global Limited
Credit Suisse (Hong Kong) Limited
Macquarie Securities Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Samling Global Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), for each of the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006 (collectively the "Relevant Period") for inclusion in the prospectus of the Company dated February 23, 2007 (the "Prospectus").

The Company was incorporated in Bermuda on June 27, 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Pursuant to a group reorganisation (the "Reorganisation") of the timber and forestry related businesses of Datuk Yaw Teck Seng, Yaw Chee Ming, Yaw Holding Sdn. Bhd., Samling Strategic Corporation Sdn. Bhd. and companies controlled by them (collectively, the "Controlling Shareholders") in Malaysia, Guyana and New Zealand as detailed in paragraph headed "Reorganization" in Appendix VIII to this prospectus, which was completed on June 30, 2006, and the acquisitions of equity interests in companies set out in Section B Note 30(a) from third parties (the "Further Acquisitions"), the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section B Note 37. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganization and Further Acquisitions.

As at the date of this report, no audited financial statements have been prepared for Samling Malaysia Inc, Samling China Inc, Samling Guyana Inc, Samling Trademark Inc, Caribbean Esskay Limited, Samling Tongling Co Ltd, Samling Riverside Co Ltd, Samling Foothill Co Ltd and Samling Global USA Inc as they were either incorporated shortly or dormant before September 30, 2006, or are investment holding companies and have not carried on any business since their respective dates of incorporation, or are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

Several companies comprising the Group have a year end date other than June 30. For the purpose of this accountants' report, audited financial statements of these companies for each of the three years ended June 30, 2006 have been prepared in order to be coterminous with the Group's year end date.

BASIS OF PREPARATION

The combined income statements, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Period, the combined balance sheets of the Group as at June 30, 2004, 2005 and 2006 and September 30, 2006 and the balance sheet of the Company as at June 30, 2005 and 2006 and September 30, 2006, together with the notes thereto (the "Financial Information") have been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, on the bases set out in Section B Note 1 below after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate those financial statements to conform with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the reporting accountant" issued by the HKICPA.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

We have not audited any financial statements of the entities now comprising the Group in respect of any period subsequent to September 30, 2006.

OPINION

In our opinion, for the purpose of this report and on the basis of presentation set out in Section B Note 1 below, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the Group's combined results, combined statements of changes in equity and combined cash flows for the Relevant Period, the Group's state of affairs as at June 30, 2004, 2005 and 2006 and September 30, 2006 and the Company's state of affairs as at June 30, 2005 and 2006 and September 30, 2006.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the combined income statement, combined statement of changes in equity and combined statement of cash flows for the three months ended September 30, 2005, together with the notes thereon (the "September 30, 2005 Corresponding Information"), for which the directors are responsible, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of group management and applying analytical procedures to the September 30, 2005 Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the September 30, 2005 Corresponding Information.

On the basis of our review of the September 30, 2005 Corresponding Information which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited financial information presented for the three months ended September 30, 2005.

A FINANCIAL INFORMATION

1. Combined income statements

	Section B Note	Years ended June 30, 2004	2005	2006	Three months ended September 30, 2005	2006
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Turnover	4	364,291	409,132	388,686	98,016	144,915
Cost of sales		(303,969)	(339,783)	(341,781)	(85,210)	(100,031)
Gross profit		60,322	69,349	46,905	12,806	44,884
Other operating income	5	6,627	14,727	2,780	532	1,714
Distribution costs		(3,893)	(4,457)	(4,536)	(1,131)	(1,994)
Administrative expenses		(15,384)	(16,918)	(17,157)	(4,207)	(5,377)
Other operating expenses	6	(198)	(524)	(1,538)	(68)	(28)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	18	10,416	(14,768)	(15,285)	1,842	1,214
Profit from operations		57,890	47,409	11,169	9,774	40,413
Financial income		7,321	9,067	6,876	1,736	3,862
Financial expenses		(16,657)	(16,631)	(22,377)	(3,783)	(5,810)
Net financing costs	7	(9,336)	(7,564)	(15,501)	(2,047)	(1,948)
Share of profits less losses of associates		5,510	2,282	1,317	(857)	982
Share of profits less losses of jointly controlled entities		–	2,440	2,816	524	658
Profit/(loss) before taxation	8	54,064	44,567	(199)	7,394	40,105
Income tax	9	(8,831)	(1,302)	1,745	(3,184)	(7,734)
Profit for the year/period		45,233	43,265	1,546	4,210	32,371
Attributable to:						
Equity holders of the Company		23,521	23,118	5,128	1,424	22,297
Minority interests		21,712	20,147	(3,582)	2,786	10,074
Profit for the year/period		45,233	43,265	1,546	4,210	32,371
Dividend attributable to the year/period:	10					
Interim dividend declared during the year/period		1,285	–	2,449	2,368	–
Final dividend proposed after the balance sheet date		1,250	2,500	–	–	–
		2,535	2,500	2,449	2,368	–
Earnings per share (US cents)	11					
— Basic		0.76	0.75	0.17	0.05	0.72

The accompanying notes form part of the Financial Information.

2. Combined balance sheets

	Section B Note	June 30, 2004	June 30, 2005	June 30, 2006	September 30, 2006
		US$'000	*US$'000*	*US$'000*	*US$'000*
Non-current assets					
Property, plant and equipment, net	14				
— Investment properties		9,719	9,493	9,581	9,523
— Other property, plant and equipment		316,997	321,753	381,513	385,641
Construction in progress	15	2,510	4,825	1,963	1,387
Lease prepayments	16	23,368	22,934	26,504	26,324
Timber concessions	17	18,352	16,632	31,843	30,685
Goodwill		610	610	631	631
Plantation assets	18	178,119	193,785	165,299	181,995
Interest in associates	19	45,376	42,788	44,883	45,889
Interest in jointly controlled entities	20	–	18,118	15,345	14,452
Other investment		29	29	30	30
Deferred tax assets	21	4,474	3,399	3,642	3,885
Total non-current assets		599,554	634,366	681,234	700,442
Current assets					
Inventories	22	73,366	68,989	83,471	92,082
Trade and other receivables	23	206,675	218,750	97,261	79,933
Tax recoverable		8,632	8,502	9,390	6,060
Cash and cash equivalents	24	19,718	26,536	21,111	30,843
Total current assets		308,391	322,777	211,233	208,918
Total assets		907,945	957,143	892,467	909,360
Current liabilities					
Bank overdrafts, loans and borrowings	25(a)	110,813	91,949	121,792	117,179
Loans from shareholders	25(b)	2,238	–	–	–
Finance lease liabilities	25(c)	11,356	15,050	22,790	25,529
Bonds	26	–	39,474	–	–
Trade and other payables	27	194,828	137,597	186,258	154,315
Tax payable		9,930	2,531	1,842	2,827
Total current liabilities		329,165	286,601	332,682	299,850
Net current (liabilities)/assets		(20,774)	36,176	(121,449)	(90,932)

	Section B Note	June 30, 2004	June 30, 2005	June 30, 2006	September 30, 2006
		US$'000	*US$'000*	*US$'000*	*US$'000*
Total assets less current liabilities		578,780	670,542	559,785	609,510
Non-current liabilities					
Bank loans and borrowings	25(a)	80,680	83,058	129,241	129,683
Loans from shareholders	25(b)	39,705	–	–	–
Finance lease liabilities	25(c)	26,769	39,837	55,509	61,947
Bonds	26	78,461	39,271	40,816	40,816
Deferred tax liabilities	21	47,422	53,406	47,899	51,120
Total non-current liabilities		273,037	215,572	273,465	283,566
Total liabilities		602,202	502,173	606,147	583,416
Equity					
Share capital	28	48,982	50,442	979	979
Reserves	29	75,498	197,346	166,449	193,077
Total equity attributable to equity holders of the Company		124,480	247,788	167,428	194,056
Minority interests		181,263	207,182	118,892	131,888
Total equity		305,743	454,970	286,320	325,944
Total liabilities and equity		907,945	957,143	892,467	909,360

The accompanying notes form part of the Financial Information.

3. Combined statements of changes in equity

	Section B Note	Attributable to equity holders of the Company									
		Share capital	Share premium	Currency translation reserve	Revaluation reserve	Other reserve	Capital reserve	Retained earnings	Total	Minority interests	Total equity
		US$'000 (Note 28)	US$'000 (Note 29)	US$'000 (Note 29)	US$'000 (Note 29)	US$'000 (Note 29)	US$'000 (Note 29)	US$'000 (Note 29)	US$'000	US$'000	US$'000
At July 1, 2003		45,968	15,332	12,479	6,673	3,600	–	6,966	91,018	160,995	252,013
Issue of shares, net of issue expenses	28, 29	3,014	4,947	–	–	–	–	–	7,961	10,558	18,519
Currency translation differences		–	–	3,398	–	–	–	–	3,398	5,128	8,526
Profit for the year	29	–	–	–	–	–	–	23,521	23,521	21,712	45,233
Dividends paid during the year	10	–	–	–	–	–	–	(1,418)	(1,418)	(1,117)	(2,535)
Acquisition of minority interests		–	–	–	–	–	–	–	–	(16,013)	(16,013)
At June 30, 2004		48,982	20,279	15,877	6,673	3,600	–	29,069	124,480	181,263	305,743
At July 1, 2004		48,982	20,279	15,877	6,673	3,600	–	29,069	124,480	181,263	305,743
Issue of shares, net of issue expenses	28, 29	1,460	93,474	–	–	–	–	–	94,934	–	94,934
Currency translation differences		–	–	4,323	–	–	–	–	4,323	6,524	10,847
Profit for the year	29	–	–	–	–	–	–	23,118	23,118	20,147	43,265
Dividends paid during the year	10	–	–	–	–	–	–	(498)	(498)	(752)	(1,250)
Acquisition of minority interests	29(d)(i)	–	–	–	–	6,141	–	–	6,141	–	6,141
Acquisition of additional interest in a subsidiary from the Controlling Shareholders, net of tax	29(d)(i)	–	–	–	–	(4,710)	–	–	(4,710)	–	(4,710)
At June 30, 2005		50,442	113,753	20,200	6,673	5,031	–	51,689	247,788	207,182	454,970
At July 1, 2005		50,442	113,753	20,200	6,673	5,031	–	51,689	247,788	207,182	454,970
Issue of shares, net of issue expenses		967	72,276	–	–	–	40,477	–	113,720	–	113,720
Currency translation differences		–	–	174	–	–	–	–	174	(4,747)	(4,573)
Profit for the year	29	–	–	–	–	–	–	5,128	5,128	(3,582)	1,546
Dividends paid during the year	10	–	–	–	–	–	–	(2,849)	(2,849)	(2,185)	(5,034)
Acquisition of minority interests	29(d)(iii)	–	–	–	–	22,725	–	–	22,725	(58,656)	(35,931)
Arising from Reorganisation	29(d)(ii)	(50,430)	(113,753)	(3,778)	–	(60,858)	–	9,561	(219,258)	(19,120)	(238,378)
At June 30, 2006		979	72,276	16,596	6,673	(33,102)	40,477	63,529	167,428	118,892	286,320
At July 1, 2006		979	72,276	16,596	6,673	(33,102)	40,477	63,529	167,428	118,892	286,320
Current translation differences		–	–	4,331	–	–	–	–	4,331	2,922	7,253
Profit for the period		–	–	–	–	–	–	22,297	22,297	10,074	32,371
At September 30, 2006		979	72,276	20,927	6,673	(33,102)	40,477	85,826	194,056	131,888	325,944
Unaudited											
At July 1, 2005		50,442	113,753	20,200	6,673	5,031	–	51,689	247,788	207,182	454,970
Currency translation differences		–	–	(986)	–	–	–	–	(986)	(1,486)	(2,472)
Profit for the period		–	–	–	–	–	–	1,424	1,424	2,786	4,210
Dividends paid during the period		–	–	–	–	–	–	(1,757)	(1,757)	(611)	(2,368)
At September 30, 2005		50,442	113,753	19,214	6,673	5,031	–	51,356	246,469	207,871	454,340

The accompanying notes form part of the Financial Information.

4. Combined statements of cash flows

	Section B Note	Years ended June 30, 2004	2005	2006	Three months ended September 30, 2005	2006
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Operating activities						
Net cash generated from operations	31	93,656	100,305	91,749	15,473	31,746
Net income tax refunded/(paid)		2,024	(8,746)	(7,943)	(2,201)	(1,984)
Net cash generated from operating activities		95,680	91,559	83,806	13,272	29,762
Investing activities						
Payment for purchase of property, plant and equipment		(25,838)	(36,548)	(54,839)	(3,443)	(1,015)
Capital expenditure in construction in progress		(2,185)	(4,197)	(3,970)	(7,193)	(57)
Capital expenditure in lease prepayments		(3,801)	(84)	(1,871)	(1,047)	–
Capital expenditure in plantation assets		(3,390)	(4,211)	(5,017)	(1,568)	(1,342)
Proceeds from disposal of property, plant and equipment		2,032	50,837	8,319	268	5,714
Proceed from disposal of plantation licence		3,024	–	–	–	–
Dividends received from associate		394	788	651	–	–
Deemed disposal of a subsidiary, net of cash disposed of	30(b)	–	(542)	–	–	–
Acquisition of additional interests in a subsidiary	29(d)(iii)	–	–	(35,931)	–	–
Acquisition of subsidiaries, net of cash acquired	30(a)	–	–	140	–	–
Investment in associates		(129)	(3,803)	–	–	–
Investment in jointly controlled entities		–	(12,887)	–	–	–
(Advances to)/repayment from jointly controlled entity		–	(15,000)	6,205	2,500	1,551
Advances and repayments to related parties		(30,863)	(27,515)	(15,461)	(8,785)	(16,408)
Repayment from related parties		9,905	4,934	25,499	744	9,865
Proceeds from disposal of interest in associate		–	8,494	–	–	–
Deposits pledged		(500)	39	293	–	(201)
Interest received		3,203	4,070	4,444	1,043	183
Net cash used in investing activities		(48,148)	(35,625)	(71,538)	(17,481)	(1,710)
Financing activities						
Capital element of finance lease rentals paid		(10,225)	(13,468)	(20,317)	(4,034)	(6,900)
Proceeds from the issue of shares, net of issue expenses		2,808	–	72,276	–	–
Acquisition of subsidiaries from the Controlling Shareholders	29(d)(ii)	–	–	(72,276)	–	–
Dividends paid		(2,535)	(1,250)	(5,034)	(2,368)	–
Proceeds from bank loans and other borrowings		120,477	105,689	223,744	23,727	31,811
Repayment of bank loans and other borrowings		(132,836)	(125,319)	(203,588)	(23,164)	(32,710)
Interest paid on bank loans and financial lease rentals		(17,608)	(16,523)	(20,699)	(2,445)	(5,109)
Proceeds of loans from shareholders		–	4,804	–	–	–
Net cash used in financing activities		(39,919)	(46,067)	(25,894)	(8,284)	(12,908)
Net increase/(decrease) in cash and cash equivalents		7,613	9,867	(13,626)	(12,493)	15,144
Cash and cash equivalents at beginning of the year/period		(22,036)	(14,351)	(4,408)	(4,408)	(17,093)
Effect of foreign exchange rate changes		72	76	941	(133)	(548)
Cash and cash equivalents at end of the year/period	24	(14,351)	(4,408)	(17,093)	(17,034)	(2,497)

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

1. Basis of presentation

The Financial Information presents the results, cash flows and financial position of the Group for the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006 on the basis that the Company, for the purpose of this report, is regarded as a continuing entity and that the Reorganisation had been completed as at the beginning of the Relevant Period and that the business of the Group had been conducted by the Company throughout the Relevant Period as they are related to entities under common control. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The Group has consistently applied the book value measurement method to all common control transactions. The assets and liabilities transferred from the Controlling Shareholders were based on historical costs at which they were recorded in their financial statements.

The Further Acquisitions, being the acquisitions of equity interests in companies from third parties, were accounted for under the purchase accounting method.

All material intra-group transactions and balances have been eliminated on combination.

2. Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include International Accounting Standards ("IASs") and related interpretations, promulgated by the International Accounting Standards Board ("IASB").

This Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These are the Group's first IFRS combined financial statements and IFRS 1 has been applied. The Group does not present combined financial statements in prior periods.

In 2004, the IASB issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after January 1, 2005. For the purposes of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the current accounting period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on July 1, 2006 are set out in note 38.

(b) Basis of preparation of the Financial Information

The Financial Information is presented in United States Dollars ("US$"), rounded to the nearest thousand. It is prepared on the historical cost basis except plantation assets (see note 2(j)) and derivative financial instruments (see note 2(v)) that are stated at their fair value.

A summary of the significant accounting policies adopted by the Group is set out below.

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 35.

(c) Basis of combination

The Financial Information includes the financial statements of the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The power to govern an entity could also exist when the Company is the single largest shareholder of an entity, the balance of shareholdings in the entity is dispersed and the other shareholders have not organised their interests in such a way that they exercise more votes than the Company. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The Financial Information includes the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity. An investment in a jointly controlled entity is accounted for in the Financial Information under the equity method.

(iv) Transactions eliminated on combination

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Financial Information. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Transactions with minority interests

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the combined balance sheets and combined statements of changes in equity within equity, separately from equity attributable to equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the combined income statements as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Transactions with minority shareholders of the Group are at book value and classified as equity transactions. Accordingly, when the Group acquires minority interests of its subsidiaries, the difference between the amounts of consideration and carrying values of minority interests are recognised as reserve movement.

(d) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The Financial Information is presented in US$ ("presentation currency").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Income statements and cash flows of foreign entities are translated into the Group's presentation currency at the average exchange rates for the financial period and their balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investment in foreign subsidiaries are taken directly to reserves.

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(n)).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the investment properties. The estimated useful lives are as follows:

Investment properties . . . . 20 – 50 years

The useful lives and residual values of the investment properties are reassessed annually.

Rental income from investment properties is accounted for as described in note 2(s)(iv).

(f) Other property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 2(n)). Cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see note 2(n)).

(iii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line basis over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

Buildings	10 – 50 years
Roads and bridges	8 – 20 years or over the remaining terms of the concessions
Plant and machinery, equipment, river crafts and wharfs	5 – 12 years
Furniture and fittings	4 – 10 years
Motor vehicles	4 – 10 years

Depreciation directly relating to the plantation assets (see note 2(j)) is capitalised until such time the forest plantation commences commercial harvesting.

The useful lives and residual values of assets are reassessed annually.

(v) Retirement and disposal

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(g) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(n)).

Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(h) Intangible assets

(i) Goodwill

All business combinations, except for business combinations involving entities under common control, are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see note 2(n)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the income statement.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(ii) Timber concessions

Timber concession licences acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see note 2(n)). These licences give the Group rights to harvest trees in the allocated concession forests in designated areas in Malaysia and Guyana.

(iii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful life is as follows:

Timber concessions	Over the remaining terms of the concessions

Both the period and method of amortisation and any conclusion that the useful life of an intangible asset is indefinite are reviewed annually.

(i) Lease prepayments

Lease prepayments represent payments made to acquire leasehold land. Leasehold land are carried at cost less accumulated amortisation and impairment losses (see note 2(n)). Amortisation is charged to the income statement on a straight-line basis over the remaining lease term.

(j) Plantation assets

Plantation assets comprise forest crop in Malaysia and New Zealand.

Plantation assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

The fair value of plantation assets is determined independently by professional valuers.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for doubtful receivables. Trade and other receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost of timber harvested from plantation assets is its fair value less estimated point-of-sale costs at the date of harvest, determined in accordance with the accounting policy for plantation assets (see note 2(j)). Any change in value through the date of harvest is recognised in the income statement.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the combined statements of cash flows.

(n) Impairment

The carrying amounts of the Group's assets, other than plantation assets (see note 2(j)), inventories (see note 2(l)) and deferred tax assets (see note 2(u)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversals of impairment

An impairment loss, other than in respect of goodwill, is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(p) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution retirement plans

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the income statement as incurred.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.

(i) Sale of goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Services rendered

Revenue from services rendered is recognised in the income statement as and when the services are performed or rendered.

(iii) Dividend income

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

(iv) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the terms of the respective leases. Lease incentives granted are recognised as an integral part of the total rental income.

(t) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the terms of the respective leases. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Royalty payments

Royalty is payable for every tree harvested based on the size and species of the tree. Royalty expense is accrued when trees are harvested.

(iii) Repairs and maintenance expenditure

Repairs and maintenance expenditure, including cost of overhaul, is expensed as incurred.

(iv) Financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested that are recognised in the income statement.

Borrowing costs incurred on borrowings used to finance forest assets, less any investment income on the temporary investment of these borrowings are capitalised until such time the forest plantation commences commercial harvesting.

Cost of issuance of bonds has been deferred and capitalised as part of the fair value of the bonds. The cost of issuance is amortised to the income statement using the effective interest rate method.

The interest component of finance lease payments is recognised in the income statement using the effective interest rate method.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(u) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the combined income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(v) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(w) Related parties

Parties are considered to be related to an entity in the Group if the party has the ability, directly or indirectly, to control the entity or exercise significant influence over the entity in making financial and operating decisions, or vice versa, or where the entity and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Segment reporting

Segment information is presented in the Financial Information in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Group is comprised of the following main business segments:

Logs	The sale of timber logs from concession and tree plantation area.
Plywood and veneer	The manufacture and sale of plywood and veneer.
Upstream support	The provision of supporting services such as tree-felling, barging, repairs and re-conditioning of equipment and machineries.
Other timber operations	The manufacture and sale of timber related products such as flooring, chipboard, doorskin, housing products, sawn timber and oil palm.
Other operations	Other operations include the manufacture and sale of granite aggregates and rubber compound, property investment and investment companies.

	Year ended June 30, 2004						
	Logs	Plywood and veneer	Upstream support	Other timber operations	Other operations	Eliminations	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	113,278	170,629	29,898	42,356	8,130	–	364,291
Inter-segment revenue	43,486	2,396	130,446	2,681	427	(179,436)	–
Total revenue	156,764	173,025	160,344	45,037	8,557	(179,436)	364,291
Cost of sales	(145,796)	(153,808)	(136,467)	(40,893)	(6,441)	179,436	(303,969)
Other income and expenses	2,900	(5,245)	(5,645)	(2,805)	(2,053)	–	(12,848)
Segment result before changes in fair value of plantation assets	13,868	13,972	18,232	1,339	63	–	47,474
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	10,416	–	–	–	–	–	10,416
Segment result	24,284	13,972	18,232	1,339	63	–	57,890
Net financing costs							(9,336)
Share of profits less losses of associates	–	–	–	79	5,431	–	5,510
Income tax							(8,831)
Profit for the year							45,233
Segment assets	301,422	219,866	225,311	79,920	16,697	–	843,216
Investment in associates	–	–	–	6,410	38,966	–	45,376
Unallocated assets							19,353
Total assets							907,945
Segment liabilities	95,448	146,899	153,421	58,255	4,471	–	458,494
Unallocated liabilities							143,708
Total liabilities							602,202
Capital expenditure	17,920	22,831	27,828	2,604	269	–	71,452
Depreciation and amortisation	8,159	13,773	16,326	5,447	1,082	–	44,787
Non-cash expenses other than depreciation and amortisation	2,327	469	433	116	–	–	3,345

	Year ended June 30, 2005						
	Logs	Plywood and veneer	Upstream support	Other timber operations	Other operations	Eliminations	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	130,974	203,267	32,892	33,043	8,956	–	409,132
Inter-segment revenue	53,374	3,637	132,729	3,037	169	(192,946)	–
Total revenue	184,348	206,904	165,621	36,080	9,125	(192,946)	409,132
Cost of sales	(151,546)	(186,955)	(152,275)	(34,649)	(7,304)	192,946	(339,783)
Other income and expenses	(1,184)	(6,519)	(7,030)	9,917	(2,356)	–	(7,172)
Segment result before changes in fair value of plantation assets	31,618	13,430	6,316	11,348	(535)	–	62,177
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	(14,768)	–	–	–	–	–	(14,768)
Segment result	16,850	13,430	6,316	11,348	(535)	–	47,409
Net financing costs							(7,564)
Share of profits less losses of associates and jointly controlled entities	–	–	–	2,880	1,842	–	4,722
Income tax							(1,302)
Profit for the year							43,265
Segment assets	310,310	231,858	262,824	54,326	16,199	–	875,517
Interest in associates and jointly controlled entities	–	–	–	21,565	39,341	–	60,906
Unallocated assets							20,720
Total assets							957,143
Segment liabilities	91,843	65,395	165,670	32,124	4,564	–	359,596
Unallocated liabilities							142,577
Total liabilities							502,173
Capital expenditure	20,991	25,798	37,809	1,199	536	–	86,333
Depreciation and amortisation	8,357	14,112	17,926	3,158	1,103	–	44,656
Non-cash expenses other than depreciation and amortisation	2,450	3	300	72	–	–	2,825

	Year ended June 30, 2006						
	Logs	Plywood and veneer	Upstream support	Other timber operations	Other operations	Eliminations	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	121,124	207,547	22,060	29,298	8,657	–	388,686
Inter-segment revenue	55,731	19,478	133,514	1,549	1,285	(211,557)	–
Total revenue	176,855	227,025	155,574	30,847	9,942	(211,557)	388,686
Cost of sales	(147,312)	(212,638)	(158,023)	(27,320)	(8,045)	211,557	(341,781)
Other income and expenses	(1,786)	(7,741)	(5,976)	(1,861)	(3,087)	–	(20,451)
Segment result before changes in fair value of plantation assets	27,757	6,646	(8,425)	1,666	(1,190)	–	26,454
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	(15,285)	–	–	–	–	–	(15,285)
Segment result	12,472	6,646	(8,425)	1,666	(1,190)	–	11,169
Net financing costs							(15,501)
Share of profits less losses of associates and jointly controlled entities	–	–	–	2,565	1,568	–	4,133
Income tax							1,745
Profit for the year							1,546
Segment assets	294,413	282,913	147,912	52,165	32,143	–	809,546
Interest in associates and jointly controlled entities	–	–	–	17,956	42,272	–	60,228
Unallocated assets							22,693
Total assets							892,467
Segment liabilities	96,390	94,024	192,609	24,048	41,802	–	448,873
Unallocated liabilities							157,274
Total liabilities							606,147
Capital expenditure	26,936	29,174	47,137	623	11,639	–	115,509
Depreciation and amortisation	10,335	16,703	21,646	2,711	1,505	–	52,900
Non-cash expenses other than depreciation and amortisation	1,056	–	–	74	–	–	1,130

	Three months ended September 30, 2005 (unaudited)						
	Logs	**Plywood and veneer**	**Upstream support**	**Other timber operations**	**Other operations**	**Eliminations**	**Combined**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	30,475	48,151	10,217	6,720	2,453	–	98,016
Inter-segment revenue	12,774	983	28,989	410	200	(43,356)	–
Total revenue	43,249	49,134	39,206	7,130	2,653	(43,356)	98,016
Cost of sales	(36,279)	(45,700)	(38,908)	(5,528)	(2,151)	43,356	(85,210)
Other income and expenses	(1,266)	(1,093)	(1,435)	(620)	(460)	–	(4,874)
Segment result before changes in fair value of plantation assets	5,704	2,341	(1,137)	982	42	–	7,932
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	1,842	–	–	–	–	–	1,842
Segment result	7,546	2,341	(1,137)	982	42	–	9,774
Net financing costs							(2,047)
Share of profits less losses of associates and jointly controlled entities	–	–	–	356	(689)	–	(333)
Income tax							(3,184)
Profit for the period (unaudited)							4,210
Segment assets	303,295	245,597	270,899	53,448	15,928	–	889,167
Interest in associates and jointly controlled entities	–	–	–	18,741	39,350	–	58,091
Unallocated assets							20,077
Total assets							967,335
Segment liabilities	90,744	73,058	161,915	35,133	5,207	–	366,057
Unallocated liabilities							146,938
Total liabilities							512,995
Capital expenditure	5,208	12,219	3,087	39	193	–	20,746
Depreciation and amortisation	2,327	3,451	4,729	700	283	–	11,490
Non-cash expenses other than depreciation and amortisation	419	–	–	–	–	–	419

	Three months ended September 30, 2006						
	Logs	Plywood and veneer	Upstream support	Other timber operations	Other operations	Eliminations	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	42,591	88,919	4,463	6,157	2,785	–	144,915
Inter-segment revenue	23,303	8,351	48,000	616	1,262	(81,532)	–
Total revenue	65,894	97,270	52,463	6,773	4,047	(81,532)	144,915
Cost of sales	(49,962)	(74,978)	(47,220)	(6,190)	(3,213)	81,532	(100,031)
Other income and expenses	(1,298)	(2,790)	(237)	(559)	(801)	–	(5,685)
Segment result before changes in fair value of plantation assets	14,634	19,502	5,006	24	33	–	39,199
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	1,214	–	–	–	–	–	1,214
Segment result	15,848	19,502	5,006	24	33	–	40,413
Net financing costs							(1,948)
Share of profits less losses of associates and jointly controlled entities	–	–	–	743	897	–	1,640
Income tax							(7,734)
Profit for the period							32,371
Segment assets	316,426	284,048	149,660	45,969	33,351	–	829,454
Interest in associates and jointly controlled entities	–	–	–	17,148	43,193	–	60,341
Unallocated assets							19,565
Total assets							909,360
Segment liabilities	93,503	89,796	174,965	18,369	36,709	–	413,342
Unallocated liabilities							170,074
Total liabilities							583,416
Capital expenditure	9,031	3,906	10,553	200	238	–	23,928
Depreciation and amortisation	3,293	4,817	6,550	347	518	–	15,525
Non-cash expenses other than depreciation and amortisation	473	–	–	3	–	–	476

Geographical segments

All the segments are primarily managed and operated in Malaysia, Guyana, New Zealand and China (including Hong Kong and Taiwan). In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets are based on the geographical location of the assets.

	Year ended June 30, 2004							
	Malaysia	Guyana	New Zealand	China	Japan	North America	Other regions	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	78,057	2,394	3,938	62,883	88,876	43,403	84,740	364,291
Segment assets	599,992	36,598	206,626	–	–	–	–	843,216
Capital expenditure	58,850	103	12,499	–	–	–	–	71,452

	Year ended June 30, 2005							
	Malaysia	Guyana	New Zealand	China	Japan	North America	Other regions	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	81,373	3,244	4,441	76,571	104,616	51,769	87,118	409,132
Segment assets	615,721	35,976	223,820	–	–	–	–	875,517
Capital expenditure	70,721	1,981	13,631	–	–	–	–	86,333

	Year ended June 30, 2006							
	Malaysia	Guyana	New Zealand	China	Japan	North America	Other regions	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	78,913	4,569	2,407	60,384	101,711	46,881	93,821	388,686
Segment assets	547,298	53,105	190,834	18,309	–	–	–	809,546
Capital expenditure	90,438	10,957	14,114	–	–	–	–	115,509

	Three months ended September 30, 2005 (unaudited)							
	Malaysia	Guyana	New Zealand	China	Japan	North America	Other regions	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	23,934	1,073	886	14,950	25,047	9,501	22,625	98,016
Segment assets	626,911	38,821	223,435	–	–	–	–	889,167
Capital expenditure	17,257	56	3,433	–	–	–	–	20,746

	Three months ended September 30, 2006							
	Malaysia	Guyana	New Zealand	China	Japan	North America	Other regions	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	20,052	1,402	466	30,250	45,719	17,121	29,905	144,915
Segment assets	543,754	57,062	209,295	19,343	–	–	–	829,454
Capital expenditure	18,449	2,170	3,161	148	–	–	–	23,928

4. Turnover

Turnover mainly represents the sales value of goods supplied to customers less returns and discounts and income from provision of timber extraction, river transportation and repairs and re-conditioning of equipment and machineries services. The amount of each significant category of revenue recognised in turnover during the Relevant Period is as follows:

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Sales of goods	334,393	376,240	366,626	87,799	140,452
Revenue from provision of services	29,898	32,892	22,060	10,217	4,463
	364,291	409,132	388,686	98,016	144,915

5. Other operating income

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Gain on disposal of property, plant and equipment (note (a))	228	12,183	667	77	1,394
Reversal of impairment losses for doubtful debts	512	409	92	6	6
Gain on disposal of plantation licence (note (b))	3,024	–	–	–	–
Gain on disposal of associate	–	609	–	–	–
Rental income	503	371	588	159	126
Sundry income	2,360	1,155	1,433	290	188
	6,627	14,727	2,780	532	1,714

(a) The amount in 2005 included a gain on disposal of property, plant and equipment of $11,530,000 to Magna-Foremost Sdn Bhd, a jointly controlled entity of the Group.

(b) The amount represented income from sale of a plantation licence to Timor Enterprises Sendirian Berhad ("Timor"). Timor is a subsidiary of Glenealy Plantations (Malaya) Berhad ("Glenealy"), an associate of the Group, which is listed on the Main Board of Bursa Malaysia Securities Berhad.

6. Other operating expenses

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Inventories loss	–	–	991	–	–
Loss on deemed disposal of a subsidiary (note 30(b))	–	316	–	–	–
Others	198	208	547	68	28
	198	524	1,538	68	28

Inventories loss represented the carrying value of damaged inventories, net of insurance compensation, during a fire in one of the warehouses of the Group in Bintulu, Malaysia.

7. Net financing costs

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Interest on loans from banks and other borrowings	(21,873)	(21,182)	(22,902)	(5,291)	(6,757)
Interest on loans from shareholders	(2,934)	(2,577)	–	–	–
Less: Borrowing costs capitalised into plantation assets (note 18)	8,150	8,546	8,046	2,175	2,096
Interest expense	(16,657)	(15,213)	(14,856)	(3,116)	(4,661)
Net loss on change in fair value of financial instruments	–	(1,418)	–	–	(1,149)
Foreign exchange losses	–	–	(7,521)	(667)	–
Financial expenses	(16,657)	(16,631)	(22,377)	(3,783)	(5,810)
Interest income	3,203	4,070	4,444	1,043	183
Net gain on change in fair value of financial instruments	17	–	2,432	693	–
Foreign exchange gains	4,101	4,997	–	–	3,679
Financial income	7,321	9,067	6,876	1,736	3,862
	(9,336)	(7,564)	(15,501)	(2,047)	(1,948)

Borrowing costs have been capitalised at a rate of 5.12% – 8.11% per annum during the Relevant Period.

8. Profit/(loss) before taxation

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Profit/(loss) before taxation is arrived at after charging:					
(a) Personnel expenses					
Salaries, wages, bonuses and benefits	49,847	55,932	60,136	14,303	18,889
Contributions to retirement schemes	2,840	3,222	3,409	799	915
	52,687	59,154	63,545	15,102	19,804

Pursuant to the relevant labour rules and regulations in Malaysia, Guyana and the People's Republic of China ("PRC"), the companies comprising the Group participate in defined contribution retirement benefit schemes ("the Schemes") organised by the respective local authorities whereby the Group is required to make contributions to the Schemes at rates in the range of 12% to 20% of the eligible employees' salaries. Contributions to the Schemes vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
(b) Other items					
Impairment losses for doubtful receivables	1,177	661	74	–	–
Auditors' remuneration	206	201	248	50	62
Depreciation (note 14(a))	42,586	42,418	50,392	10,912	14,186
Amortisation of lease prepayments (note 16)	481	518	729	148	180
Amortisation of timber concessions (note 17)	1,720	1,720	1,779	430	1,158
Royalties (note 17)	27,960	29,393	24,703	6,063	8,233
Share of associates' taxation	2,480	1,075	716	(223)	301
Share of jointly controlled entities' taxation	–	680	871	179	213

9. Income tax

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Current tax					
Current year	8,069	6,359	5,310	1,317	6,404
(Over)/under-provision in respect of prior years	(571)	(5,360)	1,073	73	–
	7,498	999	6,383	1,390	6,404
Deferred tax					
Origination and reversal of temporary differences (note 21)	1,333	303	(8,128)	1,794	1,582
Reduction in tax rate (note c)	–	–	–	–	(252)
	1,333	303	(8,128)	1,794	1,330
Total income tax expense/(credit) in combined income statements	8,831	1,302	(1,745)	3,184	7,734

(a) Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands.

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the Relevant Period.

(c) Pursuant to the income tax rules and regulations of Malaysia, the companies comprising the Group in Malaysia are liable to Malaysian income tax at a rate of 28% for the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005. In September 2006, the Malaysian government announced a reduction in the income tax rate from 28% to 27% for the year of assessment 2007 and from 27% to 26% for the year of assessment 2008. Accordingly, the provision for Malaysian income tax for the period ended September 30, 2006 is calculated at 27% of the estimated assessable profits for the period.

(d) The subsidiary in Guyana is liable to Guyana income tax at a rate of 45%. No provision for Guyana income tax has been made as the subsidiary did not have assessable profits subject to Guyana income tax during the Relevant Period.

(e) The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 33%. No provision for New Zealand income tax has been made as the subsidiaries did not have assessable profits subject to New Zealand income tax during the Relevant Period.

(f) Pursuant to the approval obtained from the relevant PRC tax authorities, the subsidiaries in the PRC are entitled to a tax concession period whereby the subsidiaries are fully exempted from PRC enterprise income tax for two years starting from its first profit-making year, followed by a 50% reduction in PRC enterprise income tax for the next three years. The standard income tax rate in the PRC is 33%.

The first profit-making year of Foothill LVL & Plywood (Cangshan) Co., Ltd. (Foothill"), a subsidiary acquired by the Group on June 29, 2006 (note 30(a)), was 2003. Foothill was fully exempted from PRC enterprise income tax from January 1, 2003 to December 31, 2004 and subject to a preferential tax rate of 15% from January 1, 2005 to December 31, 2007.

Being a production oriented enterprise in the Nantong Economic Development Zone of the PRC, Riverside Plywood Corporation ("Riverside"), a subsidiary acquired by the Group on June 29, 2006 (note 30(a)), was entitled to a preferential PRC enterprise income tax rate of 15%. The first profit-making year of Riverside was 2004. Riverside was fully exempted from PRC enterprise income tax from January 1, 2004 to December 31, 2005 and subject to a preferential tax rate of 7.5% from January 1, 2006 to December 31, 2008.

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Reconciliation of effective income tax expense/(credit)					
Profit/(loss) before taxation	54,064	44,567	(199)	7,394	40,105
Income tax calculated at weighted average domestic tax rates applicable to profits in the respective countries	14,116	11,587	(52)	1,922	10,884
Effect of non-deductible expenses (note (i))	2,486	5,025	3,561	1,917	1,120
Effect of non-taxable income (note (ii))	(10,779)	(9,260)	(2,803)	(235)	(1,946)
Effect of tax concessions (note (iii))	(117)	(102)	–	–	–
Effect of tax credit (note (iv))	(5,119)	(5,870)	(5,419)	(1,298)	(1,433)
Effect of unused temporary differences and tax losses not recognised	8,815	5,282	1,895	805	535
Effect of utilisation of temporary differences not recognised in prior years	–	–	–	–	(1,174)
Effect of change in tax rate	–	–	–	–	(252)
(Over)/under-provision of income tax expense in prior years (note (v))	(571)	(5,360)	1,073	73	–
Income tax expense/(credit)	8,831	1,302	(1,745)	3,184	7,734

Notes:

(i) Non-deductible expenses mainly comprise interest expense of non-trade nature and depreciation of non-qualifying assets.

(ii) Non-taxable income mainly comprises offshore interest income and share of profits of associates and jointly controlled entities.

(iii) Part of the income earned by a subsidiary, Sorvino Holdings Sdn Bhd ("Sorvino"), qualified as pioneer income and was exempted from Malaysian income tax. In 1999, Sorvino was granted pioneer status by the Malaysian Inland Revenue Board for its reconditioning of heavy equipment business for a period of 5 years with effect from November 1999.

(iv) Tax credit mainly comprise certain expenses incurred by Samling Plywood (Baramas) Sdn Bhd ("SPB"), Samling Plywood (Bintulu) Sdn Bhd, Samling Plywood (Miri) Sdn Bhd, Samling Housing Products Sdn Bhd and Samling DorFoHom Sdn Bhd which qualified for double deduction for Malaysian income tax purposes. Under the Malaysian tax laws, companies engaged in the manufacturing of wood-based products (excluding sawn timber and veneer) shall be allowed to claim a double deduction of the freight charges incurred by the company in respect of the export of wood-based products.

(v) The reversal of over-provision of income tax in 2005 was in relation to the deemed disposal of a subsidiary, Caliente B.V. (see note 30(b)) in 2005. The reversal was made as the net tax liabilities was confirmed to be not payable.

10. Dividends

No dividend has been paid or declared by the Company since its incorporation. Dividends for the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 represent dividends declared by the following subsidiaries of the Company to their then shareholders.

(a) Dividend attributable to the year/period

	Years ended June 30,			Three months ended September 30,	
	2004	**2005**	**2006**	**2005**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Interim dividend declared and paid:					
Sertama Sdn Bhd	568	–	–	–	–
Sorvino Holdings Sdn Bhd	717	–	–	–	–
Syarikat Samling Timber Sdn Bhd	–	–	1,361	1,316	–
Samling Housing Products Sdh Bhd	–	–	1,088	1,052	–
	1,285	–	2,449	2,368	–
Final dividend proposed after the balance sheet date:					
Lingui Developments Berhad	1,250	2,500	–	–	–
	2,535	2,500	2,449	2,368	–

The final dividend proposed after the balance sheet date has not been recognised as a liability in the balance sheet.

(b) Dividend attributable to the previous financial year, approved and paid during the year/period

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Final dividend in respect of the previous financial year, approved and paid during the year/period	1,250	1,250	2,500	–	–

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

The directors consider that the dividend payments made during the Relevant Period are not indicative of the future dividend policy of the Company.

11. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company for each of the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006 and the 3,094,236,830 shares in issue as at the date of the Prospectus as if the shares were outstanding throughout the entire Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted earnings per share are not presented.

12. Directors' remuneration

	Year ended June 30, 2004				
	Fees	**Basic salaries, allowances and benefits in kind**	**Bonus**	**Retirement scheme contributions**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors					
Yaw Chee Ming	12	108	4	15	139
Cheam Dow Toon	12	66	3	11	92
Non-executive director					
Chan Hua Eng	18	–	–	–	18
Independent non-executive directors					
David William Oskin	–	–	–	–	–
Tan Li Pin, Richard	–	–	–	–	–
Fung Ka Pun	–	–	–	–	–
Total	42	174	7	26	249

	Year ended June 30, 2005				
	Fees	**Basic salaries, allowances and benefits in kind**	**Bonus**	**Retirement scheme contributions**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors					
Yaw Chee Ming	12	123	19	18	172
Cheam Dow Toon	12	67	14	13	106
Non-executive director					
Chan Hua Eng	18	–	–	–	18
Independent non-executive directors					
David William Oskin	–	–	–	–	–
Tan Li Pin, Richard	–	–	–	–	–
Fung Ka Pun	–	–	–	–	–
Total	42	190	33	31	296

	Year ended June 30, 2006				
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors					
Yaw Chee Ming	32	135	41	25	233
Cheam Dow Toon	32	72	30	18	152
Non-executive director					
Chan Hua Eng	48	–	–	–	48
Independent non-executive directors					
David William Oskin	20	20	–	–	40
Tan Li Pin, Richard	20	20	–	–	40
Fung Ka Pun	25	–	–	–	25
Total	177	247	71	43	538

	Three months ended September 30, 2005 (unaudited)				
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors					
Yaw Chee Ming	3	24	–	5	32
Cheam Dow Toon	3	18	–	3	24
Non-executive director					
Chan Hua Eng	5	–	–	–	5
Independent non-executive directors					
David William Oskin	–	–	–	–	–
Tan Li Pin, Richard	–	–	–	–	–
Fung Ka Pun	–	–	–	–	–
Total	11	42	–	8	61

	Three months ended September 30, 2006				
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors					
Yaw Chee Ming	8	84	–	5	97
Cheam Dow Toon	8	62	–	3	73
Non-executive director					
Chan Hua Eng	12	–	–	–	12
Independent non-executive directors					
David William Oskin	5	5	–	–	10
Tan Li Pin, Richard	5	5	–	–	10
Fung Ka Pun	6	–	–	–	6
Total	44	156	–	8	208

No emoluments have been paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period. No director waived or agreed to waive any emoluments during the Relevant Period.

13. Individuals with highest emoluments

The five highest paid individuals of the Group include one, two, one, one and two directors during the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006 respectively whose emoluments are disclosed in note 12. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Basic salaries, allowances and benefits in kind	409	319	705	151	146
Discretionary bonuses	15	91	81	–	–
Retirement scheme contributions	32	40	22	5	–
	456	450	808	156	146

The emoluments of these individuals (pro-rata on a per annum basis for three months ended September 30) are within the following band:

	Number of individuals				
	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
HK$Nil to HK$1,000,000	3	–	–	2	–
HK$1,000,000 to HK$2,000,000	1	3	4	2	3

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period.

14. Property, plant and equipment, net

	Land and buildings	Roads and bridges	Plant and machinery, equipment, river crafts and wharfs	Motor vehicles	Furniture and fittings	Sub-total	Investment properties	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost:								
At July 1, 2003	103,690	65,886	382,849	19,015	5,735	577,175	11,955	589,130
Additions	5,041	5,960	41,929	792	67	53,789	137	53,926
Disposals	(807)	(519)	(3,109)	(537)	(200)	(5,172)	–	(5,172)
Exchange differences	1,231	266	88	–	–	1,585	–	1,585
At June 30, 2004	109,155	71,593	421,757	19,270	5,602	627,377	12,092	639,469
At July 1, 2004	109,155	71,593	421,757	19,270	5,602	627,377	12,092	639,469
Additions	1,989	5,117	60,288	1,866	119	69,379	–	69,379
Transfer from construction in progress (note 15)	1,882	–	–	–	–	1,882	–	1,882
Disposals	(62)	–	(41,713)	(1,052)	(19)	(42,846)	–	(42,846)
Exchange differences	1,772	565	144	–	–	2,481	–	2,481
At June 30, 2005	114,736	77,275	440,476	20,084	5,702	658,273	12,092	670,365
At July 1, 2005	114,736	77,275	440,476	20,084	5,702	658,273	12,092	670,365
Additions through business combinations (note 30(a))	1,778	4,107	2,246	74	31	8,236	–	8,236
Additions	8,948	7,681	77,643	2,219	114	96,605	–	96,605
Transfer from construction in progress (note 15)	1,932	–	4,990	50	27	6,999	–	6,999
Disposals	(164)	(1,567)	(17,784)	(392)	–	(19,907)	–	(19,907)
Exchange differences	330	1,300	12,941	526	64	15,161	411	15,572
At June 30, 2006	127,560	88,796	520,512	22,561	5,938	765,367	12,503	777,870
At July 1, 2006	127,560	88,796	520,512	22,561	5,938	765,367	12,503	777,870
Additions	1,027	988	18,228	162	28	20,433	–	20,433
Transfer from construction in progress (note 15)	562	–	65	–	6	633	–	633
Disposals	(375)	(335)	(8,225)	–	–	(8,935)	–	(8,935)
Exchange differences	1,371	601	143	–	3	2,118	–	2,118
At September 30, 2006	130,145	90,050	530,723	22,723	5,975	779,616	12,503	792,119

	Land and buildings	Roads and bridges	Plant and machinery, equipment, river crafts and wharfs	Motor vehicles	Furniture and fittings	Sub-total	Investment properties	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Accumulated depreciation:								
At July 1, 2003	13,353	18,894	217,994	15,656	5,277	271,174	2,148	273,322
Charge for the year	2,516	5,477	33,240	1,102	163	42,498	225	42,723
Written back on disposal	(238)	(227)	(2,358)	(372)	(173)	(3,368)	–	(3,368)
Exchange differences	–	33	43	–	–	76	–	76
At June 30, 2004	15,631	24,177	248,919	16,386	5,267	310,380	2,373	312,753
At July 1, 2004	15,631	24,177	248,919	16,386	5,267	310,380	2,373	312,753
Charge for the year	2,436	5,837	32,782	1,150	162	42,367	226	42,593
Written back on disposal	(10)	–	(15,361)	(1,013)	(17)	(16,401)	–	(16,401)
Exchange differences	–	98	76	–	–	174	–	174
At June 30, 2005	18,057	30,112	266,416	16,523	5,412	336,520	2,599	339,119
At July 1, 2005	18,057	30,112	266,416	16,523	5,412	336,520	2,599	339,119
Charge for the year	2,272	7,655	39,119	1,198	135	50,379	234	50,613
Written back on disposal	(28)	(1,041)	(10,897)	(289)	–	(12,255)	–	(12,255)
Exchange differences	515	815	7,418	408	54	9,210	89	9,299
At June 30, 2006	20,816	37,541	302,056	17,840	5,601	383,854	2,922	386,776
At July 1, 2006	20,816	37,541	302,056	17,840	5,601	383,854	2,922	386,776
Charge for the period	648	2,347	10,839	329	25	14,188	58	14,246
Written back on disposal	–	(214)	(4,025)	–	–	(4,239)	–	(4,239)
Exchange differences	(5)	94	82	–	1	172	–	172
At September 30, 2006	21,459	39,768	308,952	18,169	5,627	393,975	2,980	396,955
Carrying amount:								
At June 30, 2004	93,524	47,416	172,838	2,884	335	316,997	9,719	326,716
At June 30, 2005	96,679	47,163	174,060	3,561	290	321,753	9,493	331,246
At June 30, 2006	106,744	51,255	218,456	4,721	337	381,513	9,581	391,094
At September 30, 2006	108,686	50,282	221,771	4,554	348	385,641	9,523	395,164

The majority of the Group's land and buildings are located in Malaysia, New Zealand and the PRC.

(a) Depreciation charge for the year is analysed as follows:

	Years ended June 30,			Three months ended September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Expensed in income statement	42,586	42,418	50,392	14,186
Capitalised as plantation assets	137	175	221	60
	42,723	42,593	50,613	14,246

(b) Certain leasehold land and buildings, and plant and machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25.

(c) Net book value of plant and machinery held under finance leases:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Net book value of plant and machinery held under finance leases	52,313	74,557	103,146	106,026

(d) The Group leases out investment property under operating leases. The leases typically run for an initial period of 3 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The fair values of investment property amounted to $13,951,000, $13,667,000, $14,339,000 and $14,339,000 at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively, which were determined based on valuations carried out by an independent firm of surveyors, HASB Consultants Sdn Bhd, who have among their staff members of The Institution of Surveyors, Malaysia with recent experience in the location and category of property being valued.

(e) An analysis of net book value of properties is as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Outside Hong Kong				
— freehold	37,875	39,407	39,159	40,574
— long-term leases	22,246	14,156	17,442	17,764
— medium-term leases	42,922	49,981	55,277	55,348
— short-term leases	200	2,628	4,447	4,523
	103,243	106,172	116,325	118,209

15. Construction in progress

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
At July 1	325	2,510	4,825	1,963
Additions through business combinations (note 30(a))	–	–	14	–
Other additions	2,185	4,197	3,970	57
Transfer to property, plant and equipment (note 14)	–	(1,882)	(6,999)	(633)
Exchange differences	–	–	153	–
At June 30/September 30	2,510	4,825	1,963	1,387

16. Lease prepayments

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cost:				
At July 1	23,480	27,281	27,365	31,815
Additions through business combinations (note 30(a))	–	–	1,648	–
Other additions	3,801	84	1,871	–
Exchange differences	–	–	931	–
At June 30/September 30	27,281	27,365	31,815	31,815
Accumulated amortisation:				
At July 1	3,432	3,913	4,431	5,311
Charge for the year	481	518	729	180
Exchange differences	–	–	151	–
At June 30/September 30	3,913	4,431	5,311	5,491
Carrying amount:				
At June 30/September 30	23,368	22,934	26,504	26,324

Lease prepayments represent leasehold land in Malaysia and the PRC, which expire between 2013 to 2923.

17. Timber concessions

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cost:				
At July 1	23,684	23,684	23,684	40,913
Additions through business combinations (note 30(a))	–	–	16,423	–
Exchange differences	–	–	806	–
At June 30/September 30	23,684	23,684	40,913	40,913
Accumulated amortisation:				
At July 1	3,612	5,332	7,052	9,070
Charge for the year	1,720	1,720	1,779	1,158
Exchange differences	–	–	239	–
At June 30/September 30	5,332	7,052	9,070	10,228
Carrying amount:				
At June 30/September 30	18,352	16,632	31,843	30,685

The Group acquired five timber concession licences through acquisitions of subsidiaries prior to 2004 for a total consideration of $23,684,000 and through acquisition of Merawa Sdn Bhd in 2006 for $16,423,000. The Group has also been granted certain timber concession licences by the government of Malaysia and Guyana at no initial cost. Each licence covers a specific area called a forest management unit or concession. Each concession is divided into annual harvest areas called "coupes" which are sequentially harvested over a number of years. Concessions are harvested according to a schedule of between 5 to 25 years. The annual allowable volume of timber that can be extracted is determined by and agreed with the Sarawak Forest Department or Guyana Forestry Commission. The licences expire between 2007 to 2041. Under the terms of the timber concession licences, the Group is required to pay royalties to the respective governments based on the volume by species harvested each year, subject to an annual minimum royalty payment (see note 33(b)).

The amortisation charge and royalties for the Relevant Period are included in "cost of sales" in the combined income statements.

18. Plantation assets

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
At July 1	146,470	178,119	193,785	165,299
Additions	11,677	12,932	13,284	3,498
Harvested timber transferred to inventories	(2,327)	(2,450)	(1,056)	(473)
Change in fair value less estimated point-of-sale costs	10,416	(14,768)	(15,285)	1,214
Exchange differences	11,883	19,952	(25,429)	12,457
At June 30/September 30	178,119	193,785	165,299	181,995

The analysis of fair value of plantation assets by location is as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
New Zealand	176,609	190,023	157,545	174,097
Malaysia	1,510	3,762	7,754	7,898
	178,119	193,785	165,299	181,995

Included in additions to the Group's plantation assets are interest capitalised of $8,150,000, $8,546,000, $8,046,000 and $2,096,000, and depreciation of property, plant and equipment of $137,000, $175,000, $221,000 and $60,000 for the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, respectively.

A significant portion of trees in New Zealand are planted on freehold forest and a small portion on leasehold forest with 79 years term, expiring in 2060. The Group has been granted 6 plantation licences for a gross area of approximately 438,000 hectares of planted forest in Malaysia. The licences are for 60 years, the earliest of which expires in December 2058.

At June 30, 2004, 2005 and 2006 and September 30, 2006, plantation assets represent standing timber planted by the Group and comprise approximately 30,377 hectares, 33,248 hectares, 35,714 hectares and 37,180 hectares of tree plantations respectively, which range from newly established plantations to plantations that are 27 years old. During the years ended June 30, 2004, 2005 and 2006 and September 30, 2006, the Group harvested approximately 132,218 m^3, 130,025 m^3, 95,608 m^3 and 24,612 m^3 of wood, which had a fair value less estimated point-of-sale costs of $2,327,000, $2,450,000, $1,056,000 and $473,000 respectively at the date of harvest. The fair value includes any gain/loss on initial recognition of the logs at the point of harvesting.

The Group's plantation assets in Malaysia and New Zealand were independently valued by Pöyry Forest Industry Pte Ltd ("Pöyry") and Chandler Fraser Keating Limited ("CFK"), respectively. In view of the non-availability of market value for immature trees in New Zealand and Malaysia, both Pöyry and CFK have applied the net present value approach whereby projected future net cash flows, based on their assessment of current timber log prices, were discounted at the rate of 8.5% (June 30, 2006: 8.5%; June 30, 2004 and 2005: 9%) for plantation assets in New Zealand and 10.2% for plantation assets in Malaysia for each of the years/period applied to pre-tax cash flows to provide a current market value of the plantation assets. The discount rate used in the valuation of the plantation assets in New Zealand as at each balance sheet date was determined by reference to published discount rates, weighted average cost of capital analysis, internal rate of return analysis, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions mainly in New Zealand over a period of time, with more weight given to the implied discount rate. In the absence of forest sales transactions in Malaysia, the discount rate used in Malaysia was based on the weighted average cost of capital which recognises the weighted average cost of debt funded capital and equity capital.

The principal valuation methodology and assumptions adopted are as follows:

— A stand-based approach was employed whereby stands are scheduled to be harvested at or near their optimum economic rotation age.

— The cash flows are those arising from the current rotation of trees only. No account was taken of revenues or costs from re-establishment following harvest, or of land not yet planted.

— The cash flows do not take into account income taxation and finance costs.

— The cash flows have been prepared in real terms and have not therefore included inflationary effects.

— The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account.

— Costs are current average costs. No allowance has been made for cost improvements in future operations.

Certain plantation assets are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25.

19. Interest in associates

	June 30,			September 30,
	2004	**2005**	**2006**	**2006**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Share of net assets:				
Associates listed outside Hong Kong	33,653	35,113	36,685	37,229
Unlisted associates	11,723	7,675	8,198	8,660
	45,376	42,788	44,883	45,889
Market value of listed associates	21,870	20,009	22,614	23,745

Details of the Group's associates, all of which are held indirectly by the Company through intermediate investment holding companies, are as follows:

Name of company	Place of incorporation	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Issued and fully paid share capital	Principal activities
		%	%		
Glenealy Plantations (Malaya) Berhad	Malaysia	21.74	36.42	RM115,361,892 divided into 115,361,892 ordinary shares of RM1 each	Investment holding, operation of oil palm plantations, oil mills and forest plantations
Daiken Miri Sdn Bhd (formerly known as Samling Fibre Board Sdn Bhd)	Malaysia	17.91	30	RM149,960,000 divided into 149,960,000 ordinary shares of RM1 each	Manufacture and sale of high and medium-density fibre board
Sepangar Chemical Industry Sdn Bhd	Malaysia	23.88	40	RM20,000,000 divided into 20,000,000 ordinary shares of RM1 each	Manufacture and sale of formalin and various formaldehyde adhesive resins
Rimalco Sdn Bhd	Malaysia	40	40	RM200,000 divided into 200,000 ordinary shares of RM1 each	Manufacture and sale of sawn timber
Samling-PDT Resources Sdn Bhd	Malaysia	49	49	RM1,000,000 divided into 1,000,000 ordinary shares of RM1 each	Dormant

Summary financial information of associates:

	Assets	Liabilities	Equity	Revenue	Profit (note)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Year ended June 30, 2004					
100 per cent	226,562	(112,830)	113,732	72,712	17,236
Group's interest	87,226	(41,850)	45,376	29,092	5,510
Year ended June 30, 2005					
100 per cent	230,377	(94,458)	135,919	81,069	8,117
Group's interest	81,640	(38,852)	42,788	28,954	2,282
Year ended June 30, 2006					
100 per cent	247,828	(106,420)	141,408	125,526	3,409
Group's interest	88,998	(44,115)	44,883	47,046	1,317
Three months ended September 30, 2006					
100 per cent	253,808	(110,828)	142,980	26,963	2,277
Group's interest	91,390	(45,501)	45,889	9,915	982

Note: The profit for the year/period (Group's interest) includes gain from changes in fair value of plantation assets less estimated point-of-sale costs of $5,046,000, $3,149,000, $2,433,000 and $433,000 for the three years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, respectively.

20. Interest in jointly controlled entities

	June 30, 2004	June 30, 2005	June 30, 2006	September 30, 2006
	US$'000	US$'000	US$'000	US$'000
Group's share of net assets, unlisted	–	3,118	6,039	6,697
Loan to a jointly controlled entity	–	15,000	9,306	7,755
	–	18,118	15,345	14,452

Details of the Group's jointly controlled entities, all of which are held by the Company through intermediate investment holding companies, are as follows:

Name of company	Place of incorporation	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Issued and fully paid share capital	Principal activities
		%	%		
Foremost Crest Sdn Bhd	Malaysia	23.88	50	RM21,483,230 divided into 21,483,230 ordinary shares of RM1 each	Manufacture and sale of doors
Magna-Foremost Sdn Bhd	Malaysia	42.95	50	RM76,459,480 divided into 76,459,480 ordinary shares of RM1 each	Manufacture and sales of door facings

Loan to a jointly controlled entity is unsecured, interest bearing at 1% above the London Inter Bank Offering Rate ("LIBOR") per annum and repayable by 2009.

Summarised financial information of the jointly controlled entities is as follows:

	June 30, 2004	June 30, 2005	June 30, 2006	September 30, 2006
	US$'000	US$'000	US$'000	US$'000
Non-current assets	–	24,094	23,875	23,651
Current assets	–	16,413	13,064	12,762
Total assets	–	40,507	36,939	36,413
Current liabilities	–	2,921	6,485	7,706
Non-current liabilities	–	31,350	18,376	15,313
Total liabilities	–	34,271	24,861	23,019

	Years ended June 30,			Three months ended September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	–	22,306	26,773	6,177
Expenses	–	17,426	21,141	4,861
Group's share of profit after tax	–	2,440	2,816	658

21. Deferred tax

The amounts, determined after appropriate offsetting, are as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Deferred tax liabilities	50,411	60,159	55,717	55,906
Set off of tax	(2,989)	(6,753)	(7,818)	(4,786)
	47,422	53,406	47,899	51,120
Deferred tax assets	7,463	10,152	11,460	8,671
Set off of tax	(2,989)	(6,753)	(7,818)	(4,786)
	4,474	3,399	3,642	3,885

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the Relevant Period are as follows:

	At July 1, 2003	Charged/ (credited) to income statement	Acquisition of subsidiaries	Exchange differences	Charged to reserves	At June 30, 2004
	US$'000	*US$'000* (note 9)	*US$'000*	*US$'000*	*US$'000* (note 29(d)(i))	*US$'000*
Deferred tax liabilities						
Property, plant and equipment	21,242	(323)	–	(51)	–	20,868
Plantation assets	15,494	3,736	–	1,415	–	20,645
Timber concessions	5,619	(482)	–	–	–	5,137
Others	4,019	(258)	–	–	–	3,761
Total	46,374	2,673	–	1,364	–	50,411
Deferred tax assets						
Property, plant and equipment	4,285	2,713	–	–	–	6,998
Unutilised tax losses	1,723	(1,344)	–	–	–	379
Others	115	(29)	–	–	–	86
Total	6,123	1,340	–	–	–	7,463
Net deferred tax liabilities	40,251	1,333	–	1,364	–	42,948

	At July 1, 2004	Charged/ (credited) to income statement	Acquisition of subsidiaries	Exchange differences	Charged to reserves	At June 30, 2005
	US$'000	*US$'000* (note 9)	*US$'000*	*US$'000*	*US$'000* (note 29(d)(i))	*US$'000*
Deferred tax liabilities						
Property, plant and equipment	20,868	(352)	–	(51)	–	20,465
Plantation assets	20,645	3,574	–	2,822	–	27,041
Timber concessions	5,137	(482)	–	–	–	4,655
Others	3,761	252	–	–	3,985	7,998
Total	50,411	2,992	–	2,771	3,985	60,159
Deferred tax assets						
Property, plant and equipment	6,998	(1,031)	–	–	–	5,967
Unutilised tax losses	379	3,059	–	–	–	3,438
Others	86	661	–	–	–	747
Total	7,463	2,689	–	–	–	10,152
Net deferred tax liabilities	42,948	303	–	2,771	3,985	50,007

	At July 1, 2005	Charged/ (credited) to income statement	Acquisition of subsidiaries	Exchange differences	Charged to reserves	At June 30, 2006
	US$'000	*US$'000* (note 9)	*US$'000*	*US$'000*	*US$'000* (note 29(d)(i))	*US$'000*
Deferred tax liabilities						
Property, plant and equipment	20,465	(2,406)	483	644	–	19,186
Plantation assets	27,041	(1,927)	–	(3,285)	–	21,829
Timber concessions	4,655	(498)	4,598	158	–	8,913
Others	7,998	(2,285)	–	76	–	5,789
Total	60,159	(7,116)	5,081	(2,407)	–	55,717
Deferred tax assets						
Property, plant and equipment	5,967	3,502	–	183	–	9,652
Unutilised tax losses	3,438	(1,454)	2	84	–	2,070
Others	747	(1,036)	–	27	–	(262)
Total	10,152	1,012	2	294	–	11,460
Net deferred tax liabilities	50,007	(8,128)	5,079	(2,701)	–	44,257

	At July 1, 2006	Charged/ (credited) to income statement	Acquisition of subsidiaries	Exchange differences	Charged to reserves	At September 30, 2006
	US$'000	*US$'000* (note 9)	*US$'000*	*US$'000*	*US$'000* (note 29(d)(i))	*US$'000*
Deferred tax liabilities						
Property, plant and equipment	19,186	(2,443)	–	–	–	16,743
Plantation assets	21,829	1,461	–	1,648	–	24,938
Timber concessions	8,913	(477)	–	–	–	8,436
Others	5,789	–	–	–	–	5,789
Total	55,717	(1,459)	–	1,648	–	55,906
Deferred tax assets						
Property, plant and equipment	9,652	(1,949)	–	–	–	7,703
Unutilised tax losses	2,070	(1,219)	–	–	–	851
Others	(262)	379	–	–	–	117
Total	11,460	(2,789)	–	–	–	8,671
Net deferred tax liabilities	44,257	1,330	–	1,648	–	47,235

No deferred tax assets is recognised for the following items:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Net deductible temporary differences	15,550	5,334	5,566	3,460
Unutilised tax losses	96,140	123,697	125,296	131,099
	111,690	129,031	130,862	134,559

The unutilised tax losses and net deductible temporary differences do not expire under the current tax legislation in Malaysia, Guyana and New Zealand. Tax losses in Guyana could be used to offset only up to 50% of the assessable profits for the year. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

22. Inventories

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Timber logs	24,886	19,372	18,916	26,925
Raw materials	7,196	5,371	6,767	7,731
Work-in-progress	9,611	6,705	8,867	7,540
Manufactured inventories	15,089	18,729	17,849	17,672
Stores and consumables	16,584	18,812	31,072	32,214
	73,366	68,989	83,471	92,082

The analysis of the amount of inventories recognised as an expense is as follows:

	Years ended June 30,			Three months ended September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Carrying amount of inventories sold	303,969	339,783	341,781	100,031

Certain inventories are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25.

23. Trade and other receivables

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	58,582	46,323	47,478	50,009
Prepayments, deposits and other receivables	9,173	12,534	24,600	29,924
Amounts due from related parties	138,920	159,893	25,183	–
	206,675	218,750	97,261	79,933

Amounts due from related parties comprise advances, which are unsecured, interest free and recoverable upon demand.

Included in trade receivables are amounts due from related parties of $4,932,000, $6,681,000, $8,954,000 and $13,380,000 at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively.

Certain trade and other receivables are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25.

The Group normally allows a credit period ranging from 30 days to 90 days to its customers.

An ageing analysis of trade receivables is as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	31,407	24,694	24,505	28,705
31 – 60 days	5,323	7,294	5,192	6,145
61 – 90 days	5,248	4,559	5,201	4,959
91 – 180 days	6,402	3,941	6,157	4,041
181 – 365 days	1,987	2,916	2,673	3,325
1 – 2 years	5,590	911	3,198	1,683
2 – 3 years	1,000	1,008	552	1,151
3 – 4 years	1,000	1,000	–	–
4 – 5 years	625	–	–	–
	58,582	46,323	47,478	50,009

24. Cash and cash equivalents

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Deposits	11,646	11,258	9,975	9,860
Cash at bank and in hand	8,072	15,278	11,136	20,983
Cash and cash equivalents in the combined balance sheets	19,718	26,536	21,111	30,843
Bank overdrafts (note 25(a))	(24,073)	(20,987)	(28,540)	(23,475)
Fixed deposits and bank balances held as security	(9,996)	(9,957)	(9,664)	(9,865)
Cash and cash equivalents in the combined cash flow statements	(14,351)	(4,408)	(17,093)	(2,497)

Certain deposits are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25.

25. Bank and other borrowings

(a) Bank overdrafts, loans and borrowings

The bank overdrafts, loans and borrowings were repayable as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 1 year or on demand	110,813	91,949	121,792	117,179
After 1 year but within 2 years	4,747	3,012	10,932	10,728
After 2 years but within 5 years	9,199	11,155	34,156	34,557
After 5 years	66,734	68,891	84,153	84,398
	80,680	83,058	129,241	129,683
	191,493	175,007	251,033	246,862

The bank overdrafts, loans and borrowings were secured as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Overdrafts (note 24)				
— unsecured	12,646	9,893	16,435	12,652
— secured	11,427	11,094	12,105	10,823
	24,073	20,987	28,540	23,475
Bank loans and borrowings				
— unsecured	46,873	46,290	94,121	92,631
— secured	120,547	107,730	128,372	130,756
	167,420	154,020	222,493	223,387
	191,493	175,007	251,033	246,862

The carrying value of assets secured for bank loans and borrowings were as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Property, plant and equipment	68,508	29,935	35,634	38,810
Lease prepayments	–	–	1,462	1,451
Plantation assets	176,608	190,024	157,545	174,097
Inventories	2,960	–	–	–
Trade and other receivables	1,383	–	–	–
Cash and cash equivalents	9,996	9,957	9,664	9,865
	259,455	229,916	204,305	224,223

In addition, the Company's bank loan of $12,801,000 as at June 30 and September 30, 2006 was secured by the Company's 59.69% equity interests in Lingui Developments Berhad ("Lingui").

Included in bank loans and borrowings are $50,543,000, $53,325,000 and $54,776,000 and $54,787,000 at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively which are denominated in a currency other than the functional currency of the entity to which they relate.

Certain bank loans and borrowings totalling $56,955,000, $47,485,000, $56,539,000 and $54,215,000 were guaranteed by Samling Strategic Corporation Sdn Bhd ("SSC"), a company owned by the Controlling Shareholders, members of the Yaw Family, Merawa Holding Sdn Bhd ("Merawa Holding") and Anhui Hualin at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively. Merawa Holding is the former parent company of Merawa Sdn Bhd (see note 30(a)) and Anhui Hualin is a company owned by the Controlling Shareholders. The directors of the Company have confirmed that these guarantees would be released prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("SEHK").

The banking facilities of the Group amounted to $217,102,000, $201,779,000, $282,327,000 and $280,211,000, and were utilised to the extent of $191,493,000, $175,007,000, $251,033,000 and $246,862,000 as at June 30, 2004, 2005 and 2006 and September 30, 2006, respectively.

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 34(e). As at June 30, 2004, 2005 and 2006 and September 30, 2006, none of the covenants relating to drawn down facilities had been breached.

(b) Loans from shareholders

Loans from shareholders were unsecured, interest-free for the first $20 million and interest bearing at 10% per annum for the remaining balance, and had no fixed terms of repayment. The loans were repaid in 2005.

(c) Finance lease liabilities

Finance lease liabilities are payable as follows:

	June 30,									September 30,		
	2004			2005			2006			2006		
	Gross	Interest	Principal	Gross	Interest	Principal	Gross	Interest	Principal	Gross	Interest	Principal
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Less than one year	13,684	2,328	11,356	18,369	3,319	15,050	27,386	4,596	22,790	30,731	5,202	25,529
Between one and two years	11,921	1,588	10,333	17,853	2,290	15,563	24,785	3,061	21,724	28,309	3,601	24,708
Between two and five years	17,846	1,410	16,436	26,228	1,954	24,274	36,152	2,367	33,785	39,848	2,609	37,239
	29,767	2,998	26,769	44,081	4,244	39,837	60,937	5,428	55,509	68,157	6,210	61,947
	43,451	5,326	38,125	62,450	7,563	54,887	88,323	10,024	78,299	98,888	11,412	87,476

26. Bonds

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Nominal value	78,947	78,947	40,816	40,816
Deferred issuance cost	(486)	(202)	–	–
	78,461	78,745	40,816	40,816
Less: Current portion	–	(39,474)	–	–
	78,461	39,271	40,816	40,816

The bonds were offered by Lingui to sophisticated third party investors in 2001. The bonds are held by the bondholders in a scripless securities trading system operated by the Central Bank of Malaysia.

The terms of the bonds are as follows:

Outstanding balance	Redemption terms	Interest
Nil (June 30, 2006: Nil; June 30, 2005 and June 30, 2004: $39 million)	Redeemable at par in April 2006	8% per annum
$41 million (June 30, 2006: $41 million; June 30, 2005 and June 30, 2004: $39 million)	Redeemable at par in April 2008	8.5% per annum

The bonds are secured by Debt Service Reserve Accounts which are maintained for coupon payments and principal repayment. Debt Reserve Accounts are part of the "Fixed deposits and bank balances held as security" disclosed in note 24.

27. Trade and other payables

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables	64,354	58,213	67,824	65,620
Other payables	21,491	15,842	32,211	37,297
Accrued expenses	43,108	32,950	36,784	33,684
Amounts due to related parties	65,875	30,592	49,439	17,714
	194,828	137,597	186,258	154,315

Amounts due to related parties are unsecured, interest free and repayable on demand. The directors have confirmed that this payable will be settled prior to the listing of the Company's shares on the SEHK (see note 32(c) and (d)).

Included in trade payables are amounts due to related parties of $10,225,000, $11,430,000, $10,818,000 and $11,505,000 at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively.

An ageing analysis of trade payables is as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	19,713	18,517	18,070	12,867
31 – 60 days	7,708	9,452	8,950	10,417
61 – 90 days	6,722	5,815	6,403	9,742
91 – 180 days	9,671	9,487	9,978	9,686
181 – 365 days	8,656	10,165	13,264	11,080
1 – 2 years	11,305	4,578	10,856	11,444
2 – 3 years	579	77	303	384
3 – 4 years	–	122	–	–
	64,354	58,213	67,824	65,620

28. Share capital

For the purpose of this report, share capital at June 30, 2004 and 2005 represents the aggregate of the share capital of the companies comprising the Group. The issue of new shares in 2004 and 2005 represent the issue of shares by companies comprising the Group.

Upon completion of the Reorganization and Further Acquisitions, the Company becomes the holding company of the Group. Share capital at June 30, 2006 and September 30, 2006 represents the share capital of the Company (note 36(v)).

29. Reserves

	Share premium	Currency translation reserve	Revaluation reserve	Other reserve	Capital reserve	Retained earnings	Total
	US$'000 (note (a))	*US$'000* (note (b))	*US$'000* (note (c))	*US$'000* (note (d))	*US$'000* (note (e))	*US$'000*	*US$'000*
At July 1, 2003	15,332	12,479	6,673	3,600	–	6,966	45,050
Issue of shares, net of issue expenses	4,947	–	–	–	–	–	4,947
Currency translation differences	–	3,398	–	–	–	–	3,398
Profit for the year	–	–	–	–	–	23,521	23,521
Dividends paid during the year	–	–	–	–	–	(1,418)	(1,418)
At June 30, 2004	20,279	15,877	6,673	3,600	–	29,069	75,498
At July 1, 2004	20,279	15,877	6,673	3,600	–	29,069	75,498
Issue of new shares, net of issue expenses	93,474	–	–	–	–	–	93,474
Currency translation differences	–	4,323	–	–	–	–	4,323
Profit for the year	–	–	–	–	–	23,118	23,118
Dividend paid during the year	–	–	–	–	–	(498)	(498)
Acquisition of minority interests (note (d)(i))	–	–	–	6,141	–	–	6,141
Acquisition of additional interests in a subsidiary from the Controlling Shareholders, net of tax (note (d)(i))	–	–	–	(4,710)	–	–	(4,710)
At June 30, 2005	113,753	20,200	6,673	5,031	–	51,689	197,346
At July 1, 2005	113,753	20,200	6,673	5,031	–	51,689	197,346
Issue of new shares, net of issue expenses	72,276	–	–	–	40,477	–	112,753
Currency translation differences	–	174	–	–	–	–	174
Profit for the year	–	–	–	–	–	5,128	5,128
Dividend paid during the year	–	–	–	–	–	(2,849)	(2,849)
Acquisition of minority interests (note (d)(iii))	–	–	–	22,725	–	–	22,725
Arising from Reorganization (note (d)(ii))	(113,753)	(3,778)	–	(60,858)	–	9,561	(168,828)
At June 30, 2006	72,276	16,596	6,673	(33,102)	40,477	63,529	166,449
At July 1, 2006	72,276	16,596	6,673	(33,102)	40,477	63,529	166,449
Currency translation differences	–	4,331	–	–	–	–	4,331
Profit for the period	–	–	–	–	–	22,297	22,297
At September 30, 2006	72,276	20,927	6,673	(33,102)	40,477	85,826	193,077

Notes:

(a) Share premium

For the purpose of this report, the share premium at June 30, 2004 and 2005 represents the share premium of the combined entities. Share premium at June 30, 2006 and September 30, 2006 represents the share premium of the Company.

(b) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(d)(ii).

(c) Revaluation reserve

The revaluation reserve arose in 2001 from (a) the acquisition of subsidiaries by Lingui Development Berhad ("Lingui") from its associate where the identifiable assets and liabilities of the subsidiaries were remeasured to fair values; and (b) the disposal of subsidiaries by Lingui to its associate where the carrying value of Lingui's investment in the associate were remeasured to reflect the fair values of the assets and liabilities of these subsidiaries.

(d) Other reserve

(i) As part of the reorganisation of the Group's operations in Guyana, the Group acquired the remaining minority interests in Barama Company Limited ("Barama"). Under a deed of assignment signed on April 29, 2005, Sunkyong Limited ("Sunkyong"), a minority shareholder of Barama, assigned the shareholders' loan of $6,238,000 and interest payable of $2,128,000 to the Group for a consideration of $650,000. On the even date, the Group acquired a 20% equity interest in Barama from Sunkyong for $1,150,000. The difference, net of tax, between the carrying value of minority interest in Barama and acquisition consideration of $6,141,000 is treated as an equity movement, and recorded in "Other reserve".

Pursuant to a deed of assignment signed on April 29, 2005, Samling International Limited ("SIL"), a company owned by the Controlling Shareholders, assigned shareholders' loan and interest payable totalling $58,309,000 to the Group at the carrying value of $58,309,000. On the even date, the Group acquired a 20% equity interest in Barama from SIL for $1,150,000. The difference, net of tax, between the carrying value and acquisition consideration of $4,710,000 is treated as an equity movement and recorded in "Other reserve".

The deferred tax liability resulted from the above transactions amounted to $3,985,000 (note 21).

(ii) On April 18, 2006, the Controlling Shareholders transferred its 39.87% equity interest in a listed company, Lingui, to the Company for cash consideration of $72,276,000. The difference between the historical carrying value of the shares acquired and acquisition consideration is treated as an equity movement, and recorded in "Other reserve".

In June 2006, the Controlling Shareholders transferred the equity interests in its private companies in Malaysia and Guyana to the Company, which was satisfied by the assignment of non-trade amounts due from related parties from Syarikat Samling Timber Sdn Bhd ("SST"), a subsidiary of the Company, to SSC totalling $150,181,000 and shares of the Company. The difference between the nominal value of the shares acquired and acquisition consideration is treated as an equity movement, and recorded in 'Other reserve'.

(iii) As a consequence of the transfer of the 39.87% equity interest in Lingui from the Controlling Shareholders to the Company, in compliance with the Malaysia Code on Take-overs and Mergers, the Company had on the same day made a Mandatory General Offer ("Offer") for the remaining Lingui shares not already held by the Company. On May 9, 2006, the Company received valid acceptances pursuant to the Offer which had resulted in the Company holding more than 50% of the voting shares of Lingui. Consequently, the Offer was declared unconditional on May 9, 2006.

As at May 24, 2006, on the closing date of the Offer, the Company received valid acceptances from shareholders other than the Controlling Shareholders, representing 19.82% of the voting shares of Lingui, for cash consideration of $35,931,000. The difference between the carrying value of the minority interests and acquisition consideration is recorded in "Other reserve". The Group's equity interest in Lingui increased from 39.87% to 59.69% thereafter.

(e) Capital reserve

The capital reserve represents the nominal value of ordinary shares not yet issued by the Company at June 30 and September 30, 2006 as consideration for acquisition of subsidiaries (note 30(a)) which will be converted into share capital and share premium (if any) upon issuance of additional shares. The directors confirm that such shares will be issued prior to the listing of the Company's shares on the SEHK.

(f) Distributable reserves

The Company was incorporated on June 27, 2005. At June 30, 2005 and 2006 and September 30, 2006, the reserve available for distribution to equity shareholders of the company was $Nil, Nil and $2,533,000, respectively.

On the basis set out in note 1, the aggregate amounts of distributable reserves at June 30, 2004, 2005 and 2006 and September 30, 2006 of the companies comprising the Group were $29,069,000, $51,689,000 and $63,529,000 and $85,826,000 respectively.

30. Acquisitions and deemed disposal of subsidiaries

(a) Acquisitions

As part of the Reorganization, the Company acquired the following timber related businesses in Malaysia and the PRC owned by certain business associates of the Controlling Shareholders (the "Further Acquisitions") who are independent third parties as at the date of acquisition:

Name of company	Date of acquisition	Principal activities	Fair value at date of acquisition
			US$'000
Dayalaba Sdn Bhd	June 29, 2006	Extraction and sale of logs	44
Bedianeka Sdn Bhd	June 29, 2006	Sales agent	1,915
Merawa Sdn Bhd	June 29, 2006	Extraction and sale of logs	16,781
Foothill	June 29, 2006	Manufacture of plywood and veneer	965
Riverside	June 29, 2006	Manufacture of plywood and veneer	6,787

The considerations for the Further Acquisitions were satisfied by issuance of 190,669 ordinary shares in SST and 64,686,840 ordinary shares in the Company which will be issued prior to the listing of the Company's shares on the SEHK.

The total fair value of the shares in SST and the Company issued/to be issued as consideration for the Further Acquisitions was estimated at approximately $26,492,000, which represented the fair value of the net identifiable assets and liabilities of the acquired companies at the date of acquisition.

The revenue and net profit attributable to the equity holders of the Group for the year ended June 30, 2006 as if the dates of the Further Acquisitions had been the beginning of the year were $439,155,000 and $11,735,000 respectively.

The acquisitions had the following effect on the Group's assets and liabilities:

	2006
	US$'000
Property, plant and equipment, net	8,236
Construction in progress	14
Lease prepayments	1,648
Timber concessions	16,423
Deferred tax assets	2
Inventories	4,982
Trade and other receivables	18,279
Cash and cash equivalents	140
Bank and other borrowings	(5,823)
Trade and other payables	(11,984)
Tax payable	(344)
Deferred tax liabilities	(5,081)
Net identifiable assets and liabilities	26,492
Total purchase consideration	(26,492)
	–
Less: Cash acquired	(140)
Net cash inflow in respect of the acquisitions	(140)

(b) Deemed disposal

On August 9, 2004, Caliente B.V. (formerly known as TreeOne B.V.) issued 2,430 ordinary shares of Euro 46 each to a third party. As a result, the Group's effective shareholding in the subsidiary decreased from 100% to 14.9%. The assets and liabilities of Caliente B.V. deemed disposed of and its cash flow effect are as follows:

	2005
	US$'000
Current assets	551
Current liabilities	(235)
Net assets disposed of	316
Net loss on deemed disposal	(316)
	–
Cash disposed of	(542)
Net cash outflow	(542)

31. Note to the combined statements of cash flows

(a) Reconciliation of profit/(loss) before taxation to net cash generated from operations:

	Section B Note	Years ended June 30,			Three months ended September 30,	
		2004	2005	2006	2005	2006
		US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Profit/(loss) before taxation		54,064	44,567	(199)	7,394	40,105
Adjustments for:						
— Depreciation and amortisation		44,787	44,656	52,900	11,490	15,524
— Interest income		(3,203)	(4,070)	(4,444)	(1,043)	(183)
— Interest expense		16,657	15,213	14,856	3,116	4,661
— Share of profits less losses of associates		(5,510)	(2,282)	(1,317)	857	(982)
— Share of profits less losses of jointly controlled entities		–	(2,440)	(2,816)	(524)	(658)
— (Gain)/loss from changes in fair value of plantation assets less estimated point-of-sale costs		(10,416)	14,768	15,285	(1,842)	(1,214)
— (Gain)/loss from changes in fair value of financial instruments		(17)	1,418	(2,432)	(693)	1,149
— Loss on deemed disposal of subsidiaries		–	316	–	–	–
— Gain on disposal of an associate		–	(609)	–	–	–
— Gain on disposal of property, plant and equipment		(228)	(12,183)	(667)	(77)	(1,394)
— Gain on disposal of plantation licence		(3,024)	–	–	–	–
— Foreign exchange (gains)/losses		(4,403)	(5,044)	7,737	666	(3,782)
Operating profit before changes in working capital		88,707	94,310	78,903	19,344	53,226
— Decrease/(increase) in inventories, including harvested timber transferred to inventories		4,743	6,827	(6,098)	(4,066)	(8,138)
— (Increase)/decrease in trade and other receivables		(2,788)	8,196	7,679	(3,241)	(8,627)
— Increase/(decrease) in trade and other payables		2,994	(9,028)	11,265	3,436	(4,715)
Net cash generated from operations		93,656	100,305	91,749	15,473	31,746

(b) Major non-cash transactions

(i) The total consideration for the acquisition of minority interests from Sunkyong and SIL of $2,300,000, as described in note 29(d)(i), were settled through "Amounts due to related parties".

(ii) On June 30, 2005, Caribbean Esskay Limited, a subsidiary of the Company, issued and allotted three shares of $1 each to SIL for capitalisation of a shareholder loan from SIL of $84,394,000. The amount was settled through "Amounts due to related parties".

(iii) On June 24, 2005, Samling Flooring Products Sdn Bhd, a subsidiary of the Company, issued and allotted 500,000 ordinary shares of RM1 (equivalent to $0.26) each to SSC. The total amount of RM500,000 (equivalent to $132,000) was settled through "Amounts due to related parties".

(iv) On June 24, 2005, KTN Timor Sdn Bhd ("KTN Timor"), a subsidiary of the Company, issued and allotted 5,000,000 ordinary shares of RM1 (equivalent to $0.26) each to Rimba Utama Sdn Bhd, the then shareholder of KTN Timor. The total amount of RM5,000,000 (equivalent to $1,316,000) was settled through "Amounts due to related parties".

(v) The Group acquired property, plant and equipment with an aggregate cost of $53,926,000, $69,379,000, $96,605,000, $8,764,000 and $20,433,000 of which $28,088,000, $27,801,000, $41,766,000, $5,321,000 and $16,077,000 during the year ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006, respectively, were acquired by means of finance leases. In addition, included in the purchase of property, plant and equipment is an amount of $Nil, $5,030,000, $Nil, $Nil and $3,341,000 which has been accrued for in other payables at June 30, 2004, 2005 and 2006 and September 30, 2005 and 2006 respectively.

(vi) The acquisition of several companies under the common control of the Controlling Shareholders was satisfied by the assignment of non-trade amounts due from related parties from SST to SSC totalling $150,181,000, as described in note 29(d)(ii).

(vii) The purchase consideration for the Further Acquisitions was satisfied by issuance of ordinary shares, as described in note 30(a).

32. Related party transactions

During the Relevant Period, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Yaw Holding Sdn Bhd ("Yaw Holding"), its subsidiaries and associates ("Yaw Holding Group")	Yaw Holding is the ultimate controlling party of the Company
Glenealy Plantations (Malaya) Berhad ("Glenealy") and its subsidiaries ("Glenealy Group")	Glenealy is an associate of the Group
Sepangar Chemical Industry Sdn Bhd ("Sepangar")	Sepangar is an associate of the Group
Daiken Miri Sdn Bhd ("Daiken")	Daiken is an associate of the Group
Rimalco Sdn Bhd ("Rimalco")	Rimalco is an associate of the Group
Magna-Foremost Sdn Bhd ("Magna-Foremost")	Magna-Foremost is a jointly controlled entity of the Group
Foremost Crest Sdn Bhd ("Foremost Crest")	Foremost Crest is a jointly controlled entity of the Group
Samling International Limited ("SIL") and its subsidiaries ("SIL Group")	SIL is controlled by the father of Mr. Yaw Chee Ming
Perkapalan Damai Timur Sdn Bhd ("PDT")	PDT is a major shareholder of the Company, and is controlled by Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman
Arif Hemat Sdn Bhd ("Arif Hemat")	Arif Hemat is controlled by Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman
3D Networks Sdn Bhd ("3D Networks")	3D Networks is controlled by Mr. Yaw Chee Ming

Name of party	Relationship
Si Khiong Industries Sdn Bhd ("Si Khiong")	Si Khiong is controlled by the father-in-law of Mr. Yaw Chee Ming
PT Batamec ("PT Batamec")	PT Batamec is controlled by the father of Mr. Yaw Chee Ming
Sojitz Building Materials (previously known as Sun Building Material Corporation) ("Sojitz Building")	Sojitz Building is a subsidiary of Sojitz Corporation, a major shareholder of Samling Housing Products Sdn Bhd, a subsidiary of the Group
SUS Company, LLC ("SUS"), Pi Zhou Yanglin Woodware Co Ltd ("Yanglin") and Pacific Plywood Co Ltd ("Pacific Plywood")	SUS, Yanglin and Pacific Plywood are controlled by Mr. Chia Ti Lin, Colin, a senior management of the Group
Yong Joo Sawmill Sdn Bhd ("Yong Joo Sawmill")	Yong Joo Sawmill is an associate of Titimas Global Agencies Sdn Bhd, a company controlled by Mr. Pui Kian Onn, a director of Riverside, a subsidiary of the Group

Particulars of significant transactions between the Group and the above related parties during the Relevant Period are as follows:

(a) Recurring transactions

	Years ended June 30,			Three months ended September 30,	
	2004	**2005**	**2006**	**2005**	**2006**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***
Sale of goods to:					
Sojitz Building	9,538	11,401	11,225	2,851	2,372
Yaw Holding Group	6,647	2,315	374	112	8
Rimalco	4,159	4,389	4,694	1,234	1,500
SIL Group	631	1,166	1,507	1	399
Glenealy Group	277	795	1,436	388	451
Daiken	166	230	51	8	9
Magna-Foremost	–	2,410	2,453	597	889
SUS	–	–	–	–	4,907
Pacific Plywood	–	–	–	–	59
Yong Joo Sawmill	–	–	–	–	252
	21,418	22,706	21,740	5,191	10,846
Provision of services to:					
Yaw Holding Group	2,642	5,126	1,135	492	761
Glenealy Group	160	200	636	47	561
Daiken	262	286	44	13	29
Rimalco	34	30	34	9	2
Magna-Foremost	–	–	–	–	231
Foremost Crest	–	–	–	–	46
	3,098	5,642	1,849	561	1,630

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Rental of properties and equipment to:					
Rimalco	284	253	261	62	65
Daiken	130	140	186	36	50
Yaw Holding Group	21	15	17	4	4
3D Networks	33	33	34	8	11
Glenealy Group	–	81	25	17	–
Magna-Foremost	–	38	21	5	9
	468	560	544	132	139
Sale of property, plant and equipment to:					
Glenealy Group	182	21	–	–	112
Magna-Foremost	–	46,809	23	–	–
	182	46,830	23	–	112
Purchase of goods from:					
Sepangar	8,194	13,171	12,519	2,810	2,690
Yaw Holding Group	2,710	5,125	922	235	946
Si Khiong	1,394	1,878	3,531	818	1,234
Daiken	–	–	3,056	959	610
Glenealy Group	–	–	324	–	473
Magna-Foremost	–	–	–	211	–
Yanglin	–	–	–	–	1,131
Pacific Plywood	–	–	–	–	642
	12,298	20,174	20,352	5,033	7,726
Purchase of services from:					
Yaw Holding Group	1,212	1,140	1,352	574	267
Glenealy Group	28	29	30	–	3
	1,240	1,169	1,382	574	270
Purchase of property, plant and equipment from:					
Si Khiong	10,887	6,607	11,679	2,376	2,272

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business. The directors have confirmed that the above transactions will continue in the future after the listing of the Company's shares on the SEHK.

(b) Non-recurring transactions

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Sale of goods to:					
Yaw Holding Group	183	454	23	1	88
Arif Hemat	10	4	7	1	2
	193	458	30	2	90
Provision of services to:					
Yaw Holding Group	203	423	3,065	1,259	–
SIL Group	–	51	54	–	–
Arif Hemat	1	2	5	–	–
Rimalco	4	19	30	4	5
	208	495	3,154	1,263	5
Rental of properties and equipment to:					
Rimalco	32	40	9	5	4
Yaw Holding Group	13	2	–	–	–
Arif Hemat	5	4	5	1	5
	50	46	14	6	9
Purchase of goods from:					
Yaw Holding Group	1,164	725	1,923	840	–
Rimalco	191	30	11	–	–
SIL Group	4	–	–	–	–
	1,359	755	1,934	840	–
Purchase of services from:					
Yaw Holding Group	15,187	17,806	5,670	2,078	75
SIL Group	100	61	–	–	–
Arif Hemat	4	–	7	–	–
	15,291	17,867	5,677	2,078	75
Purchase of property, plant and equipment from:					
Yaw Holding Group	11,894	–	3,269	–	–
PT Batamac	–	709	–	–	–
	11,894	709	3,269	–	–
Sale of plantation licence to:					
Glenealy Group	3,024	–	–	–	–
Sale of inventories to:					
Magna-Foremost	–	2,181	–	–	–
Foremost Crest	–	2,580	–	–	–
	–	4,761	–	–	–

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business. The directors have confirmed that the above transactions will not continue in the future after the listing of the Company's share on the SEHK.

(c) Amounts due from related parties

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Yaw Holding Group	133,942	154,787	14,046	–
PDT	3,241	3,121	6,058	–
SIL Group	1,725	1,981	5,040	–
Rimalco	–	–	26	–
Arif Hemat	12	4	13	–
	138,920	159,893	25,183	–

Amounts due from related parties are unsecured, interest free and are expected to be recovered within one year. Pursuant to a settlement agreement dated September 30, 2006, the amounts due from and due to related parties (note 32(d)) have been assigned to SSC, the immediate parent of the Company. The directors have confirmed that the remaining net payable balance will be capitalised into the Company's share capital prior to the listing of the Company's shares on the SEHK.

(d) Amounts due to related parties

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Yaw Holding Group	39,601	30,514	47,790	17,714
SIL Group	25,485	78	16	–
PDT	789	–	1,633	–
	65,875	30,592	49,439	17,714

Amounts due to related parties are unsecured, interest free and expected to be repaid within one year.

(e) Guarantees

Guarantees totalling $56,955,000, $47,485,000, $56,539,000 and $54,215,000 were given by SSC, family members of the Controlling Shareholders, Merawa Holding and Anhui Hualin against certain banking facilities granted to the Group at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively as disclosed in note 25.

The directors have confirmed that all the above guarantees will be released prior to the listing of the Company's shares of the SEHK.

33. Commitments and contingent liabilities

(a) Capital commitments

At June 30, 2004, 2005 and 2006 and September 30, 2006, the Group had capital commitments for acquisition and construction of land and buildings and equipment as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Authorised and contracted for	–	21,198	957	7,488
Authorised but not contracted for	27,747	69,866	63,099	31,623

(b) Future minimum royalty payments

As at June 30, 2004, 2005 and 2006 and September 30, 2006, the total future minimum royalty payments payable under the terms of the timber concession licences of the Group are as follows (see note 17):

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 1 year	1,105	1,105	1,359	1,351
After 1 year but within 5 years	3,936	3,442	3,912	3,755
After 5 years	4,348	3,737	3,353	3,131
	9,389	8,284	8,624	8,237

(c) Contingent liabilities

(i) Legal claims from the Penans

Two of the Company's subsidiaries, Syarikat Samling Timber Sdn Bhd ("SST") and Samling Plywood (Baramas) Sdn Bhd ("SPB"), together with the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses, Penans, and settlements situated on timber concessions held by SPB and where SST has been appointed as the contractor to harvest timber logs from the area. The action commenced in 1998 and the plaintiffs are seeking a declaration that they have native customary rights over claimed land located within the relevant timber concession areas. Certain other inhabitants later joined the proceedings as defendants and made an application to stay the proceedings. As at September 30, 2006, the above proceeding remained pending before the Malaysian court.

Separately, another subsidiary, Tamex Timber Sdn Bhd ("Tamex"), together with the Superintendent of Lands and Surveys Department (Bintulu Division) and the State Government of Sarawak, are being jointly sued in the Malaysian courts by the Penans and settlements situated on planted forest licensed areas held by another subsidiary, Samling Reforestation (Bintulu) Sdn Bhd ("SRB") and where Tamex has been appointed as the contractor to harvest timber logs from the area. The action commenced in 2003 and the plaintiffs are claiming various relief including a declaration that issuance of the land title and/or provisional lease of that parcel of land at and/or around the longhouse communities of that area was unconstitutional and wrongful. Tamex denied the claim and also counterclaimed for damages, costs, interest and further or other relief. As at September 30, 2006, the above proceeding also remained pending before the Malaysian court.

The directors believe that the Group has merit in their defence to the claims and have not experienced any material interference to the logging operations as a result of these claims. In the event that the Malaysian courts order a judgement against the Group, the Group may be ordered to terminate their operations on the relevant parcels of land claimed by the plaintiffs, remove the structures, machineries and equipment from those areas and/or pay damages and costs incurred, and/or the courts may order other reliefs as it considers just. Although the outcome of these litigations cannot be ascertained at this stage and the monetary value involved cannot be reliably quantified, the directors believe that these proceedings will not have a material adverse impact on the Group's business, results of operations or financial condition.

(ii) Environmental contingencies

The Group's operations are regulated by various laws and regulations. Laws and regulations protecting the environment and wild life have generally become more stringent in recent years and could become more stringent in the future. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group for violations of existing conditions attached to the licences whether or not caused or known by the Group. The financial position of the Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The directors are not aware of any environmental liabilities as at September 30, 2006. The directors are also not aware of any violation to existing conditions attached to the Group's timber concession and tree plantation licences, or subject to any significant costs, expenses, penalties and liabilities.

34. Financial instruments

(a) Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of:

(i) ensuring that appropriate funding strategies are adopted to meet the Group's short term and long term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections of each project and that of the Group;

(ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

(iii) ensuring that credit risks on sales to customers on deferred terms are properly managed.

The Group is also exposed to financial risks arising from changes in timber prices, the movements of which would have significant impact on the Group's earnings, cash flows as well as the value of the plantation assets. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

(b) Credit risk

The Group's credit risk arises from sales made on deferred terms. Credit risks and exposures are controlled and monitored on an on-going basis by setting appropriate credit limits and terms after credit evaluations have been performed on customers on a case-by-case basis. Appropriate approval limits are set at different level of credit limit and terms. The Group's diversified business base ensures that there are no significant concentrations of credit risk for a particular customer.

(c) Foreign currency exchange risk

The Group's main income from timber related business is mostly derived in US$. The movements of US$ against Ringgit Malaysia ("RM") and Guyana Dollar ("G$") will affect the revenue and costs of some production materials, spare parts and equipment purchases. However, the currency exchange risk during the years ended June 30, 2004 and 2005 was minimised because RM was pegged to US$ at RM3.80 to the dollar until July 2005 when the Malaysian government moved the RM to unpegged float. Between July 2005 and September 30, 2006, RM did not fluctuate significantly against US$, with an exchange rate of US$1: RM3.675 as at September 30, 2006. G$ did not fluctuate significantly against US$ during the Relevant Period.

The Group's investment in a New Zealand subsidiary, which holds plantation assets also exposes the Group to foreign currency exchange risk. Future sales derived from the plantation assets are expected to be made in the international market and generally would be denominated in US$. The Group is exposed to a certain degree of risk resulting from the fluctuation in New Zealand Dollars ("NZ$") against US$.

The revenue generating operations of the Group's PRC subsidiaries are transacted in Renminbi, which is not freely convertible into foreign currencies. On January 1, 1984, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted by the People's Bank of China ("PBOC"). However, the unification of the exchange rate does not imply convertibility of Renminbi into other foreign currencies. All foreign exchange transactions of these PRC subsidiaries continue to take place either through the PBOC or other institutions authorised to buy or sell foreign currencies. Approval of foreign currency payments, including remittances of dividends, by the PBOC or other institutions requires submitting a payment application form together with relevant supporting documents.

(d) Interest rate risk

The Group borrows both fixed and floating interest rate loans. Exposure to floating interest rate presents the Group with a certain element of risk when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are appropriately fixed when necessary.

Management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the market situation and the outlook prevailing then. In addition, interest rate swap agreements have been entered into for loans denominated in US$50.5 million and NZ$27.4 million, US$53.3 million and NZ$29.6 million, US$54.8 million and NZ$30.9 million, and US$54.8 million and NZ$30.9 million as at June 30, 2004, 2005 and 2006 and September 30, 2006, respectively, to ensure that the exposure to changes in interest rates are fixed for the respective tranches throughout the tenure of the loans with swap rates between 5.32% to 8.86% per annum respectively over the loan period. The Group's short term deposits are placed at fixed rate investments which management endeavours to obtain the best rate available in the market.

(e) Liquidity and cash flow risk

The Group's net current (liabilities)/assets amounted to approximately $(20,774,000), $36,176,000, $(121,449,000) and $(90,932,000) at June 30, 2004, 2005, 2006 and September 30, 2006 respectively. The Group recorded a net cash inflow from operating activities of approximately $95,680,000, $91,559,000, $83,806,000 and $29,762,000 for the years ended June 30, 2004, 2005, 2006 and the three months ended September 30, 2006 respectively. For the same periods, the Group had a net cash outflow to investing activities of approximately $48,148,000, $35,625,000, $71,538,000 and $1,710,000 respectively. The Group also recorded a net cash outflow to financing activities of approximately $39,919,000, $46,067,000, $25,894,000 and $12,908,000 for the years ended June 30, 2004, 2005, 2006 and the three months ended September 30, 2006 respectively. The Group had an (increase)/decrease in the negative cash and cash equivalents of approximately $7,613,000, $9,867,000, $(13,626,000) and $15,144,000 for the years ended June 30, 2004, 2005, 2006 and the three months ended September 30, 2006 respectively.

With regard to the year ended June 30, 2006 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as they fall due, and on its ability to obtain external financing, to meet its committed future capital expenditures.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the year ending June 30, 2007. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

Timber prices are constantly affected by both demand and supply cycles of the timber industry. As a result, the movements of the prices would have significant impact on the Group's earnings and valuation of plantation assets as well as cash flows and liquidity. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

The following table shows information about exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	June 30, 2004					
Group	**Effective interest rate per annum**	**Total**	**Within 1 year**	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Financial asset						
— Deposits with financial institutions	2.3 – 3.7	11,646	11,646	–	–	–
Financial liabilities						
— Unsecured overdraft	7.0 – 7.9	12,646	12,646	–	–	–
— Secured overdraft	7.0 – 8.4	11,427	11,427	–	–	–
— Unsecured bank loans and borrowings	2.86 – 15.0	46,873	45,893	263	717	–
— Secured bank loans and borrowings	4.15 – 15.0	120,547	120,547	–	–	–
— Loans from shareholders	4.8	41,943	2,238	39,705	–	–
— Finance lease liabilities	3.7 – 4.7	38,125	11,356	10,333	16,436	–
— Bonds	8.0 – 8.5	78,461	–	39,231	39,230	–

Group	June 30, 2005 Effective interest rate per annum	Total	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Financial assets						
— Deposits with financial institutions	2.3 – 3.7	11,258	11,258	–	–	–
— Loan to a jointly controlled entity	3.78	15,000	15,000	–	–	–
Financial liabilities						
— Unsecured overdraft	7.0 – 7.5	9,893	9,893	–	–	–
— Secured overdraft	7.0 – 8.0	11,094	11,094	–	–	–
— Unsecured bank loans and borrowings	2.75 – 15.0	46,290	45,243	262	785	–
— Secured bank loans and borrowings	4.28 – 15.0	107,730	107,730	–	–	–
— Finance lease liabilities	3.5 – 4.7	54,887	15,050	15,563	24,274	–
— Bonds	8.0 – 8.5	78,745	39,474	–	39,271	–

Group	June 30, 2006 Effective interest rate per annum	Total	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Financial assets						
— Deposits with financial institutions	3.2 – 5.0	9,975	9,975	–	–	–
— Loan to a jointly controlled entity	6.0	9,306	9,306	–	–	–
Financial liabilities						
— Unsecured overdraft	7.0 – 8.25	16,435	16,435	–	–	–
— Secured overdraft	7.0 – 8.75	12,105	12,105	–	–	–
— Unsecured bank loans and borrowings	3.1 – 15.0	94,121	72,305	3,568	8,860	9,388
— Secured bank loans and borrowings	3.8 – 15.0	128,372	128,372	–	–	–
— Finance lease liabilities	3.0 – 4.5	78,299	22,790	21,724	33,785	–
— Bonds	8.5	40,816	–	40,816	–	–

Group	September 30, 2006 Effective interest rate per annum	Total	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
	%	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets						
— Deposits with financial institutions	3.2 – 5.0	9,860	9,860	–	–	–
— Loan to a jointly controlled entity	6.48	7,755	7,755	–	–	–
Financial liabilities						
— Unsecured overdraft	7.0 – 8.25	19,091	19,091	–	–	–
— Secured overdraft	7.0 – 8.75	4,384	4,384	–	–	–
— Unsecured bank loans and borrowings	4.17 – 15.0	102,373	81,449	3,568	8,580	8,776
— Secured bank loans and borrowings	4.3 – 15.0	121,014	121,014	–	–	–
— Finance lease liabilities	3.4 – 4.7	87,476	25,529	24,708	37,239	–
— Bonds	8.5	40,816	–	40,816	–	–

(f) Natural risk

The Group's revenue depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood in the concessions and the growth of the trees in the plantations may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting in the concessions, or otherwise impede the Group's logging operations or the growth of the trees in the plantations, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and in a timely manner.

Moreover, bad weather may adversely affect the condition of the Group's transportation infrastructure, which is critical for the Group to supply timber from the timber concessions to the Group's manufacturing plants and customers. The Group has developed a strategy for utilising different transportation modes and stockpiling, but its daily operations may be unfavourably affected by interruption of transportation due to bad weather or other reasons.

(g) Fair values

Recognised financial instruments

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

The aggregate fair values of other financial assets and liabilities carried on the balance sheet as at June 30, 2004, 2005 and 2006 and September 30, 2006 are shown below:

	June 30,						September 30,	
	2004		2005		2006		2006	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Group								
Financial asset								
— Loan to a jointly controlled entity	–	–	15,000	15,000	9,306	9,306	7,755	7,755
Financial liabilities								
— Unsecured bank loans and borrowings	46,873	46,873	46,290	46,290	94,121	94,121	92,631	92,631
— Secured bank loans and borrowings	120,547	120,547	107,730	107,730	128,372	128,372	130,756	130,756
— Loans from shareholders	39,705	39,705	–	–	–	–	–	–
— Bonds	78,461	83,338	39,271	41,498	40,816	43,265	40,816	43,265

The fair values of secured term loans have been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

The fair values of bonds have been determined by using the market transaction value nearest to the financial year end or in the event of the absence of such information, the published quoted price of the instrument as at the balance sheet date.

The fair value of loan to jointly controlled entity has been determined by discounting the expected cash flows repayments using the Group's average borrowing rate.

35. Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(a) Useful lives of property, plant and equipment

The management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Fair value of plantation assets

The Group's plantation assets are valued at fair value less estimated point-of-sale costs. In determining the fair value of the plantation assets, the professional valuers have applied the net present value approach which requires a number of key assumptions and estimates to be made such as discount rate, log price, harvest profile, plantation costs, growth, harvesting and establishment. Any change in the estimates may affect the fair value of the plantation assets significantly. The professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of plantation assets.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(e) Net realisable value of inventories

Net realisable value of inventories, in particular housing and flooring products, is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycle. Management reassess these estimates at each balance sheet date.

36. The Company's balance sheet

	Note	June 30, 2005	June 30, 2006	September 30, 2006
		US$'000	*US$'000*	*US$'000*
Non-current assets				
Investments in subsidiaries	(i)	–	26,425	26,427
Amounts due from subsidiaries	(ii)	–	257,840	261,329
Total non-current assets		–	284,265	287,756
Current assets				
Other receivables and prepayments		12	7,797	8,829
Cash and cash equivalents		–	1,081	2,191
Total current assets		12	8,878	11,020
Total assets		12	293,143	298,776
Current liabilities				
Bank loan	(iii)	–	12,801	12,801
Amounts due to related companies	(iv)	–	29,479	30,471
Other payables and accrued expenses		–	2,963	4,624
Total current liabilities		–	45,243	47,896
Equity				
Share capital	(v)	12	979	979
Share premium	(v)	–	72,276	72,276
Currency translation reserve		–	34	34
Capital reserve	(vi)	–	175,058	175,058
(Accumulated losses)/retained earnings		–	(447)	2,533
Total equity		12	247,900	250,880
Total liabilities and equity		12	293,143	298,776

Notes:

(i) Investments in subsidiaries are stated at cost and details of the subsidiaries at September 30, 2006 are set out in note 37.

(ii) Amounts due from subsidiaries are unsecured, interest bearing at 1-year LIBOR and not expected to be recovered within one year.

(iii) The bank loan is interest bearing, secured by the Company's 59.69% equity interests in Lingui and is repayable within one year.

(iv) Amounts due to related companies are unsecured, interest free and repayable on demand.

(v) Share capital and share premium

	Share capital Number of shares		Share premium
	('000)	*US$'000*	*US$'000*
Shares issued upon incorporation	12	12	–
At June 30, 2005	12	12	–
At July 1, 2005	12	12	–
Issue of new share to SSC	–	–	72,276
Issue of new shares pursuant to Reorganization	967	967	–
At June 30, 2006 and September 30, 2006	979	979	72,276

The Company was incorporated in Bermuda on June 27, 2005 as an exempted company with an authorised share capital of $12,000, comprising 12,000 ordinary shares of $1 each, all of which were allotted and issued as subscriber shares on June 29, 2005.

Pursuant to resolutions in writing on March 2, 2006, the authorised share capital was increased from $12,000 to $1,200,000 by the creation of an additional 1,188,000 shares.

On April 20, 2006, the Company allotted and issued 1 share to SSC at $72,276,000.

On June 30, 2006, the Company allotted and issued 967,102 shares pursuant to the Reorganization.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(vi) Capital reserve represents the nominal value of shares to be issued by the Company at June 30, 2006 and September 30, 2006 as part of the Reorganisation.

37. Particulars of subsidiaries

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries.

Except for Caribbean Esskay Limited, Samling Malaysia Inc, Samling Guyana Inc, Samling China Inc, Samling Trademark Inc, Samling Tongling Co Ltd, Samling Riverside Co Ltd and Samling Foothill Co Ltd, all subsidiaries are held indirectly by the Company through intermediate investment holding companies.

The following are subsidiaries of the Company upon the completion of the Reorganization and Further Acquisitions:

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Syarikat Samling Timber Sdn Bhd	i, x	Malaysia, October 26, 1976	10,000,000 ordinary shares of RM1 each	100	Contractor for timber extraction and tree plantation
Kayuneka Sdn Bhd	i, x	Malaysia, September 2, 1993	80,000 ordinary shares of RM1 each and 20,000 preference shares of RM1 each	100	Agent for sale of logs
KTN Timor Sdn Bhd	ii, x	Malaysia, January 24, 1983	6,000,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Ravenscourt Sdn Bhd	ii, xii	Malaysia, May 30, 1984	500,000 ordinary shares of RM1 each	100	Extraction and sale of logs
SIF Management Sdn Bhd	i, x	Malaysia, December 28, 1993	300,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Samling Flooring Products Sdn Bhd	i, x	Malaysia, January 17, 1984	10,000,000 ordinary shares of RM1 each	100	Manufacture of flooring products, veneer and plywood
Samling Housing Products Sdn Bhd	i, xii, xvi	Malaysia, August 21, 1993	10,000,000 ordinary shares of RM1 each	54	Manufacture of housing products

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Samling Chipboard Sdn Bhd	i, xii	Malaysia, April 5, 1994	100,000 ordinary shares of RM1 each	54	Manufacture of particle board
Samling Resources Sdn Bhd	i, x	Malaysia, May 8, 1985	1,000,000 ordinary shares of RM1 each and 50,000 preference shares of RM1 each	100	Rental of equipment
Samling Reforestation (Bintulu) Sdn Bhd	i, x	Malaysia, April 5, 1994	200,000 ordinary shares of RM1 each	100	Tree plantation
Samling Wood Industries Sdn Bhd	i, x	Malaysia, June 15, 1970	10,907,002 ordinary shares of RM1 each	100	Extraction and sale of logs
Sorvino Holdings Sdn Bhd	i, xiii, xiv, xvi	Malaysia, January 22, 1992	2,000,000 ordinary shares of RM1 each	100	Provision of machinery repairs and re-conditioning services
Syarikat Reloh Sdn Bhd	ii, xii	Malaysia, May 7, 1983	100,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Majulaba Sdn Bhd	ii, xii, xvi	Malaysia, April 29, 1985	25,000 ordinary shares of RM1 each	70	Extraction and sale of logs
Sertama Sdn Bhd	i, x	Malaysia, November 10, 1986	1,000,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Samling DorFoHom Sdn Bhd	i	Malaysia, April 5, 1994	40,000,000 ordinary shares, 347,143 CRPS (Class A), of RM1 each 379,885 CRPS (Class B1) of RM1 each & 5,700,000 CRPS (Class B2) of RM1 each	86	Investment holding and wood residual trading

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Samling Manufacturing Plantation Sdn Bhd	i	Malaysia, April 2, 1998	200,000 ordinary shares of RM1 each	60.12	Dormant
Lingui Developments Berhad	iii, xv	Malaysia, December 27, 1967	659,630,441 ordinary shares of RM0.5 each	59.69	Investment holding
Samling Plywood (Baramas) Sdn Bhd	iii, xv	Malaysia, August 22, 1987	20,250,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood and veneer, extraction and sale of timber logs
Samling Plywood (Lawas) Sdn Bhd	iii, xv	Malaysia, May 9, 1986	3 ordinary shares of RM1 each	59.69	Extraction and sale of logs
TreeOne (Malaysia) Sdn Bhd	iii, xv	Malaysia, January 20, 1997	1,000,000 ordinary shares of RM1 each, 6,182,947 redeemable preference shares "A" of RM1 each, 1,400 redeemable preference shares "C" of RM1 each and 50,000 deferred shares of RM1 each	59.69	Investment holding
Samling Plywood (Bintulu) Sdn Bhd	iii, xv	Malaysia, March 19, 1986	25,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood and veneer, extraction and sale of timber logs

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Tamex Timber Sdn Bhd	iii, xv	Malaysia, December 23, 1980	1,001,000 ordinary shares of RM1 each, 50,000 redeemable preference shares (type 1) of RM1 each and 50,000 redeemable preference shares (type 2) of RM1 each	59.69	Contractor for timber extraction
Samling Power Sdn Bhd (formerly known as Samling Agro-Forestry Management Sdn Bhd)	iii, xv	Malaysia, May 28, 1996	2,000,000 ordinary shares of RM1 each	59.69	Operation of power generating facilities
Ang Cheng Ho Quarry Sdn Bhd	iii, xv	Malaysia, February 28, 1970	66,000 ordinary shares of RM100 each	59.69	Quarry licensee and operator
Stigang Resources Sdn Bhd	iii, xv	Malaysia, July 15, 1976	6,121,530 ordinary shares of RM1 each	59.69	Quarry licensee and operator
Alpenview Sdn Bhd	iii, xv	Malaysia, October 11, 1991	1,000,000 ordinary shares of RM1 each and 3,070,038 redeemable preference shares of RM1 each	59.69	Investment holding
Lingui Corporation Sdn Bhd	iii, xv	Malaysia, March 29, 1985	2 ordinary shares of RM1 each	59.69	Provision of management services
Hock Lee Plantations Sdn Bhd	iii, xv	Malaysia, April 8, 1970	72,624 ordinary shares of RM100 each and 100 redeemable preference shares of RM100 each	59.69	Investment holding

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
TreeOne Logistic Services Sdn Bhd	iii, xv	Malaysia, April 1, 1997	300,000 ordinary shares of RM1 each	57.9	Provision of logistic services
Grand Paragon Sdn Bhd	iii, xv	Malaysia, October 11, 1996	2,000,000 ordinary shares of RM1 each	47.75	Investment holding
Samling Plywood (Miri) Sdn Bhd	iii, xv	Malaysia, January 18, 1984	40,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood, extraction and sale of timber logs
Tinjar Transport Sdn Bhd	iii, xv	Malaysia, September 15, 1976	2,476,000 ordinary shares of RM1 each	59.69	Riverine transportation services
Miri Parts Trading Sdn Bhd	iii, xv	Malaysia, November 29, 1980	200,000 ordinary shares of RM1 each	59.69	Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services
Ainokitchen (Malaysia) Sdn Bhd (formerly known as Austral Concept Sdn Bhd)	iii, xv	Malaysia, April 7, 2005	2 ordinary shares of RM1 each	59.69	Kitchen retail, tendering of kitchen products in housing development projects
Bukit Pareh Quarry Sdn Bhd	iii, xv	Malaysia, September 29, 1977	3 ordinary shares of RM1 each	59.69	Dormant
TreeOne (NZ) Limited	iv, xv	New Zealand, January 13, 1997	1 ordinary share of NZD10,000 each	59.69	Investment holding
Hikurangi Forest Farms Limited	iv, xv	New Zealand, June 19, 1980	1,200,000 ordinary shares of NZD1 each	59.69	Forest plantation
East Coast Forests Limited	iv, xv	New Zealand, April 23, 1951	1,000 ordinary shares of NZD2 each	59.69	Inactive

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Tasman Forestry (Gisborne) Limited	iv, xv	New Zealand, April 16, 1980	42,500,000 ordinary shares of NZD1 each	59.69	Inactive
Hock Lee Rubber Products Sdn Bhd	iii, xv	Malaysia, January 15, 1980	13,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of rubber retread compounds
Hock Lee Enterprises (M) Sendirian Berhad	iii, xv	Malaysia, November 28, 1967	137,000 ordinary shares of RM100 each	59.69	Property investment and letting of industrial properties
Samling Malaysia Inc	viii	British Virgin Islands, June 24, 2005	1 ordinary share of US$1	100	Investment holding
Barama Company Limited	v, xii	Guyana, August 20, 2001	18,000,000 shares of US$1 each	100	Manufacture of plywood, sawn timber, extraction and sale of timber
Barama Buckhall Inc	v, xii	Guyana, April 15, 2005	500,000 ordinary shares of Guyana Dollar ("G$") 1 each	100	Manufacture and sale of sawn timber
Barama Housing Inc	v, xii	Guyana, October 27, 2003	2 ordinary shares of G$1 each	100	Dormant
Caribbean Esskay Limited	viii	British Virgin Islands, May 8, 1992	4 shares of US$1 each	100	Investment holding
Samling Guyana Inc	viii	British Virgin Islands, June 24, 2005	1 ordinary share of US$1	100	Dormant
Samling China Inc	viii	British Virgin Islands, June 24, 2005	1 ordinary share of US$1	100	Dormant
Samling Trademark Inc	viii	British Virgin Islands, June 24, 2005	1 ordinary share of US$1	100	Ownership of trademark
Samling Tongling Co Ltd	ix	Hong Kong, December 30, 2004	1 ordinary share of HK$1	100	Dormant

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Samling Riverside Co Ltd	ix	Hong Kong, June 16, 2005	1 ordinary share of HK$1	100	Dormant
Samling Foothill Co Ltd	ix	Hong Kong, June 16, 2005	1 ordinary share of HK$1	100	Investment holding
Dayalaba Sdn Bhd	ii, xii	Malaysia, April 29, 1985	25,000 ordinary shares of RM1 each	70	Extraction and sale of logs
Bedianeka Sdn Bhd	i, xiii, xiv	Malaysia, September 10, 1993	2 ordinary shares of RM1 each	100	Sales agent
Merawa Sdn Bhd	i, xii	Malaysia, August 24, 1987	25,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Riverside	vi, xi	PRC, August 13, 2002	US$6,000,000	100	Manufacture of plywood and veneer
Foothill	vii, xi	PRC, November 26, 2002	US$840,000	100	Manufacture of laminated veneer lumber
Samling Global USA Inc	viii	United States of America, September 20, 2006	US$1,500	100	Dormant

Notes:

(i) The statutory financial statements were audited by KPMG Kuching, a firm of certified public accountants registered in Malaysia.
(ii) The statutory financial statements were audited by Lau Hoi Chew & Co, a firm of certified public accountants registered in Malaysia.
(iii) The statutory financial statements were audited by KPMG Kuala Lumpur, a firm of certified public accountants registered in Malaysia.
(iv) The statutory financial statements were audited by KPMG New Zealand, a firm of certified public accountants registered in New Zealand.
(v) The statutory financial statements were audited by Deloitte & Touche Guyana, a firm of certified public accountants registered in Guyana.
(vi) The statutory financial statements were audited by Nantong Sheng Hua United CPA (南通昇華會計師事務所), a firm of certified public accountants registered in the PRC.
(vii) The statutory financial statements were audited by Linyi Jinqao Accountants Firm Ltd (臨沂金橋有限責任會計師事務所), a firm of certified public accountants registered in the PRC.
(viii) No statutory audit is required in the countries/jurisdictions in which these companies are incorporated.
(ix) No statutory audited financial statements have been prepared for these companies as they have not carried on any business since their respective dates of incorporation other than the Reorganization.
(x) These companies changed their financial year end from January 31 to June 30 during the 17 months ended June 30, 2004 to be coterminous with the Group's year end date.
(xi) These entities established in the PRC are wholly foreign owned enterprises. The companies' financial year end is December 31.
(xii) These companies' financial year end is January 31.
(xiii) This company's financial year end is December 31.
(xiv) These companies changed their financial year end from December 31 to June 30 during the 6 months ended June 30, 2006 to be coterminous with the Group's year end date.
(xv) Prior to the Reorganisation, the Controlling Shareholders held a 39.87% equity interest in Lingui. The Group combined the results of Lingui and its subsidiaries ("Lingui Group") during the Relevant Period because the Controlling Shareholders had power to govern the financial and operating policies of Lingui Group. The power to govern the Lingui Group existed during the Relevant Period because the Controlling Shareholders was the single largest shareholder of Lingui, the balance of shareholdings in Lingui was dispersed and the other shareholders of Lingui had not organised their interests in such a way that they would exercise more votes than the Controlling Shareholders .
(xvi) Prior to the Reorganisation, the Controlling Shareholders held 42%, 49% and 30% equity interests in Samling Housing Products Sdn Bhd, Sorvino Holdings Sdn Bhd and Majulaba Sdn Bhd respectively. The Group combined the results of these subsidiaries during the Relevant Period because the Controlling Shareholders had power to govern the financial and operating policies of these subsidiaries by virtue of an arrangement with several shareholders of these subsidiaries that resulted in Controlling Shareholders controlling more than 50% of voting power in these subsidiaries.

38. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on July 1, 2006

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period beginning on July 1, 2006 and which have not been adopted in these financial statements:

		Effective for accounting periods beginning on or after
Amendment to IAS 1	Presentation of financial statements: capital disclosures	January 1, 2007
IFRS 7	Financial instruments: disclosures	January 1, 2007
IFRS 8	Operating segments	January 1, 2009
IFRIC 10	Interim financial reporting and impairment	November 1, 2006
IFRIC 11	IFRS 2 — Group and treasury share transactions	March 1, 2007
IFRIC 12	Service concession arrangements	January 1, 2008

Management of the Group has not completed its review of the possible impact on the Group of the above standards and interpretations.

C SUBSEQUENT EVENTS

The following significant events took place subsequent to September 30, 2006:

1. Valuation of properties

For the purpose of the listing of the Company's shares on the Main Board of the SEHK, the properties of the Group were revalued at December 31, 2006 by Greater China Appraisal Limited.

2. Share Option Scheme

Pursuant to the written resolutions passed by the shareholders of the Company on February 2, 2007 and the directors on February 4, 2007, the Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in Appendix VIII of the Prospectus.

D PARENT AND ULTIMATE CONTROLLING PARTY

At September 30, 2006, the directors consider the immediate parent and ultimate controlling party of the Company to be Samling Strategic Corporation Sdn Bhd and Yaw Holding Sdn Bhd respectively, both of which are incorporated in Malaysia. Neither of them produces financial statements available for public use.

E DIRECTORS' REMUNERATION

Save as disclosed in Section B note 12 above, no remuneration has been paid or is payable in respect of the Relevant Period to the directors of the Company. Under the arrangement presently in force, the estimated aggregate amount of the Company's directors' remuneration payable for the year ending June 30, 2007 is approximately US$959,121, excluding management bonuses which are payable at the Company's discretion.

F SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to September 30, 2006.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA FULLY DILUTED FORECAST EARNINGS PER SHARE

The following unaudited pro forma fully diluted forecast earnings per share for the year ending June 30, 2007 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on July 1, 2006. This unaudited pro forma fully diluted forecast earnings per share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Forecast combined net profit attributable to equity holders of the Company for the year ending June 30, 2007 (Note 2)	Not less than US$72.2 million (approximately HK$562.4 million)
Unaudited pro-forma forecast earnings per share — fully diluted (Note 3)	Not less than US1.74 cents (approximately HK13.57 cents)

Notes:

(1) All statistics in this table are based on the assumption that the over-allotment option is not exercised.

(2) The unaudited forecast combined profit attributable to equity holders of the Company for the year ending June 30, 2007 is extracted from the section headed "Financial Information — Profit Forecast for the Year Ending June 30, 2007''. The bases and assumptions on which the profit forecast has been prepared are set out in Appendix III to this prospectus.

(3) The calculation of the unaudited forecast earnings per share on a pro forma fully diluted basis is based on the forecast combined profit attributable to equity holders of the Company for the year ending June 30, 2007 assuming that we had been listed since July 1, 2006 and a total of 4,144,236,830 shares were issued and outstanding during the entire year. This calculation assumes that the 1,050,000,000 shares to be issued pursuant to the Global Offering had been issued on July 1, 2006 (assuming the over-allotment option is not exercised, no options that may be granted under the Share Option Scheme will be exercised and no Shares will be allotted and issued or repurchased by our Company pursuant to the mandate set out in the paragraph headed "Resolutions of Shareholders of our Company" in Appendix VIII to this prospectus). The forecast combined profit attributable to equity holders of the Company for the year ending June 30, 2007 is based on the combined results of the Group based on the audited combined financial results for the three months ended September 30, 2006, unaudited management accounts of the Group for the three months ended December 31, 2006, and a forecast of the combined results for the remaining six months ending June 30, 2007.

(B) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at September 30, 2006, as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus and adjusted as follows:

	Audited combined net tangible assets of the Group as at September 30 2006	Estimated net proceeds from the Global Offering[1]	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share[2]
	US$'000	*US$'000*	*US$'000*	*US$*
Based on the Offer Price of HK$1.60 per Share	294,628	195,924	490,552	0.12
Based on the Offer Price of HK$2.08 per Share	294,628	258,989	553,617	0.13

Notes:

(1) The estimated net proceeds from the Global Offering are based on the respective Offer Price of HK$1.60 and HK$2.08 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be allotted and issued upon exercise of the Over-allotment Option.

(2) The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraph and on the assumption of a total of 4,144,236,830 Shares being the number of shares in issue as at September 30, 2006, which takes no account any Shares which may be allotted and issued upon exercise of the Over-allotment Option, or which may be allotted and issued upon exercise of options that may be granted under the Share Option Scheme, or which may be allotted and issued or repurchased by the Company pursuant to the mandates as set out in the paragraph headed "Resolutions of Shareholders of the Company" in Appendix VIII to this prospectus.

(3) With reference to the valuation of the property interests of the Group as set out in Appendix V to this prospectus, the aggregate revalued amount of the property interests of the Group as at December 31, 2006 was about HK$1,794.6 million (approximately US$230.3 million). The unaudited net book value of these property interests as at December 31, 2006 was about US$151.1 million. The revaluation surplus is about US$79.2 million and has not been included in the above adjusted net tangible assets of the Group. Such revaluation surplus has not been recorded in the Financial Information as set out in Appendix I and will not be recorded in the financial statements of the Group for the year ending June 30, 2007 as the Group's property interests are carried at cost model. If such revaluation surplus would be included to the financial statements of the Group for the year ending June 30, 2007, an additional depreciation of approximately US$1.4 million per annum would be incurred.

(C) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS AND FULLY DILUTED FORECAST EARNINGS PER SHARE

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the additional unaudited pro forma financial information of the Group.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

February 23, 2007

The Directors
Samling Global Limited
Credit Suisse (Hong Kong) Limited
Macquarie Securities Limited

Dear Sirs,

We report on the unaudited pro forma statement of adjusted net tangible assets and unaudited pro forma fully diluted forecast earnings per share ("the Unaudited Pro Forma Financial Information") of Samling Global Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out in Parts A and B of Appendix II to the prospectus dated February 23, 2007 ("the Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Global Offering might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Parts A and B of Appendix II to the Prospectus.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Group as at September 30, 2006 or any future date; or

— the earnings per share of the Group for the year ending June 30, 2007 or any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described under "Use of Proceeds" in the section headed "Future Plans and Use of Proceeds" set out in the Prospectus.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

The forecast combined profit attributable to the equity holders of our Company for the financial year ending June 30, 2007 is set out in the section headed "Financial Information — Profit Forecast" in this prospectus.

(A) BASES AND ASSUMPTIONS

The Directors have prepared the forecast of our combined profit attributable to the equity holders of our Company for the financial year ending June 30, 2007 based on the audited combined results of our Group for the three months ended September 30, 2006, the unaudited management accounts of our Group for the three months ended December 31, 2006, and a forecast of our combined results for the remaining six months ending June 30, 2007.

The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with those normally adopted by us as summarized in the accountants' report, the text of which is set forth in Appendix I to this prospectus.

Assumptions with respect to change in fair value of plantation assets

Under IAS 41, we are required to reassess the fair value of our plantation assets less estimated point-of-sale costs at each balance sheet date. As there is no active market for such tree plantations, we determine their fair value using a net present value approach based on the projected net cash flows derived from the assets in the future. The aggregate gain or loss arising from changes in the fair value of such assets, less estimated point-of-sale costs, is recognized in our income statement as profit or loss, as the case may be. As a result, our results of operations may be substantially affected by such movements. See "Risk Factors — Risks Relating to Our Business — Our results may fluctuate due to revaluation gains or losses on our plantation assets and those of our associate, Glenealy" and "Risks Factors — Risks Relating to Our Business — Our net profit attributable to equity holders of our Company for the year ending June 30, 2007 will involve gains or losses that may arise on revaluation of our plantation assets, which are subject to certain estimates and assumptions" for further information.

Changes in the fair value of our plantation assets less estimated point-of-sale costs are dependent on market conditions and other factors that are beyond our control. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value of our plantation assets less estimated point-of-sale costs as at June 30, 2007, and our independent forestry asset valuers are of the view that the assumptions upon which the forecast is based are reasonable, the fair value of our plantation assets less estimated point-of-sale costs as at June 30, 2007 may differ materially from our estimate.

The forecast profit of US$72.2 million for the year ending June 30, 2007 includes an unrealized gain due to changes in fair value of plantation assets less estimated point-of-sale costs estimated at US$4.9 million. In arriving at this estimated unrealized gain, we in conjunction with our independent forestry asset valuers have used a basis of valuation which is, so far as practicable, consistent with the basis of valuation which has been adopted by our independent forestry asset valuers in valuing our plantation assets for the purposes of our audited combined financial information for the three months ended September 30, 2006.

We expect the fair value of our plantation assets less estimated point-of-sale costs as at June 30, 2007, and in turn any revaluation increase or decrease on plantation assets, to continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the valuation performed by our independent forestry asset valuers involving the use of assumptions that are, by their nature, subjective and uncertain, including those described in "Financial Information — Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs".

The following table illustrates the sensitivity of the net profit attributable to the equity holders of our Company to levels of revaluation increase/decrease on our Group's plantation assets (including the plantation assets of its associates) for the year ending June 30, 2007:

Changes in the estimated fair value of plantation assets less estimated point-of-sale costs as at June 30, 2007 compared to the relevant estimated revaluation increase of US$4.9 million	-15%	-10%	-5%	5%	10%	15%
Impact on profit attributable to the equity holders of the Company (US$ in millions)	(13.9)	(9.3)	(4.6)	4.6	9.3	13.9

This sensitivity illustration is intended for reference only, and any variation could exceed the amounts indicated. Investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive and is limited to the impact of changes in the fair value of our plantation assets less estimated point-of-sales costs and (ii) the profit forecast is subject to further and additional uncertainties generally. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the revaluation increase on our plantation assets less estimated point-of-sales costs as at June 30, 2007, our actual revaluation increase or decrease as at June 30, 2007 may differ materially from our estimate and is dependent on market conditions and other factors that are beyond our control. See "Risks Factors — Risks Relating to the Global Offering and our Share Performance — Our net profit attributable to equity holders of our Company for the year ending June 30, 2007 will involve gains or losses that may arise on revaluation of our plantation assets, which are subject to certain estimates and assumptions."

General assumptions

The Directors have made the following further assumptions in the preparation of the profit forecast:

- there will be no material change in existing political, legal, fiscal, market or economic conditions in Malaysia, Guyana, New Zealand, Hong Kong and China or any other country or territory in which we currently operate or which are otherwise material to our revenues;

- there will be no change in legislation, regulations or rules in Malaysia, Guyana, New Zealand, Hong Kong and China or any other country or territory in which we operate or with which we have arrangements or agreements, which may materially adversely affect our business;

- there will be no material change in the bases or rates of taxation in the countries or territories in which we operate, except as otherwise disclosed in this prospectus;

- there will be no material change in interest rates or foreign currency exchange rates from those currently prevailing; and

- our operations will not be adversely affected by factors beyond our control, including adverse weather conditions, fire, disease, labor disputes and interruptions in the supplies of operational inputs (for example, glue, fuel. machineries etc).

(B) LETTERS

The following is the text of a letter, prepared for inclusion in this prospectus, received by our Directors from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in connection with the forecast of our combined net profit attributable to our Shareholders for the year ending June 30, 2007.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

February 23, 2007

The Directors
Samling Global Limited
Credit Suisse (Hong Kong) Limited
Macquarie Securities Limited

Dear Sirs,

We have reviewed the accounting policies and calculations adopted in arriving at the forecast combined profit attributable to the equity holders of Samling Global Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending June 30, 2007 (the "Forecast"), for which the Directors of the Company (the "Directors") are solely responsible, as set out under "Profit forecast for the year ending June 30, 2007" in the section headed "Financial Information — Profit forecast for the year ending June 30, 2007" in the prospectus of the Company dated February 23, 2007 (the "Prospectus").

The Forecast has been prepared by the Directors based on the audited combined results of the Group for the three months ended September 30, 2006, the unaudited management accounts of the Group for the three months ended December 31, 2006 and a forecast of the combined results of the Group for the remaining six months ending June 30, 2007.

In our opinion, so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled on the bases and assumptions adopted by the Directors as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated February 23, 2007 the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The following is the text of a letter, prepared for inclusion in this prospectus, received by our Directors from the Sponsor in connection with the forecast of our combined net profit attributable to our Shareholders for the year ending June 30, 2007.

CREDIT SUISSE

MACQUARIE

Credit Suisse (Hong Kong) Limited
45th Floor
Two Exchange Square
Central
Hong Kong

Macquarie Securities Limited
17/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

February 23, 2007

The Board of Directors
Samling Global Limited

Dear Sirs,

We refer to the forecast of the combined net profit attributable to the shareholders of Samling Global Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ending June 30, 2007 (the "Forecast") as set out in the subsection headed "Profit Forecast for the Year Ending June 30, 2007" under the section headed "Financial Information" in the prospectus of the Company dated February 23, 2007 (the "Prospectus").

We have discussed with you the bases and assumptions made by you as set out in Appendix III to the Prospectus upon which the Forecast has been made. We have also considered the letter dated today addressed to yourselves and ourselves from KPMG regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the foregoing and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Credit Suisse (Hong Kong) Limited
Wallace Foo
Director

For and on behalf of
Macquarie Securities Limited
Ronald Tham
Managing Director
Corporate Finance

The following is the text of the unaudited consolidated interim financial information of Lingui Developments Berhad ("Lingui") and its subsidiaries (the "Lingui Group") which comprises the unaudited income statements for the three and the six months ended December 31, 2005 and 2006; unaudited balance sheet as at December 31, 2005 and 2006; unaudited cash flow statements for the six months ended December 31, 2005 and 2006, unaudited statement of changes in equity for the six months ended December 31, 2005 and 2006, prepared in accordance with Financial Reporting Standards 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board, and notes thereon. In addition, the unaudited interim financial information includes a reconciliation of the net profit of Lingui Group for the three months ended December 31, 2006 and the owners' equity of Lingui Group as at December 31, 2006 prepared in accordance with the relevant accounting principles and financial regulations applicable to Malaysian enterprises ("Malaysian GAAP") to International Financial Reporting Standards ("IFRS") for the purpose of inclusion in this Prospectus.

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter December 31, 2006	Preceding Year Corresponding Quarter restated December 31, 2005	Current Year To Date December 31, 2006	Preceding Year Corresponding Period restated December 31, 2005
	RM'000	*RM'000*	*RM'000*	*RM'000*
Revenue	409,870	296,612	845,377	605,546
Other operating income	3,923	4,363	11,447	7,166
Operating expenses	(320,601)	(289,704)	(666,326)	(580,510)
Profit from operations	93,192	11,271	190,498	32,202
Interest income	133	231	255	250
Finance costs*	(2,033)	(18,260)	(4,012)	(35,385)
Share of profits in associated companies	5,510	5,109	10,125	8,299
Profit/(loss) before income tax	96,802	(1,649)	196,866	5,366
Taxation	(20,676)	(686)	(34,597)	(3,140)
Net profit/(loss) for the period	76,126	(2,335)	162,269	2,226
Attributable to:				
Equity holders of the parent	76,126	(2,335)	162,269	2,226
Minority interests	–	–	–	–
Net profit/(loss) for the period	76,126	(2,335)	162,269	2,226
(a) Basic earnings/(loss) per share (sen)	11.54	(0.35)	24.60	0.34
Net profit/(loss) for the period (RM'000)	76,126	(2,335)	162,269	2,226
Weighted average number of ordinary shares on issue during the reporting period ('000)	659,630	659,630	659,630	659,630
(b) Diluted earnings per share (sen)	Not applicable	Not applicable	Not applicable	Not applicable

* Included in the finance costs is unrealised foreign exchange gain of RM13,069,000 for the current year quarter (current year to date: RM26,876,000) and unrealised foreign exchange loss of RM2,386,000 for the preceding year corresponding quarter (preceding year to date loss: RM4,918,000).

CONDENSED CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2006 — UNAUDITED

	AS AT December 31, 2006	AS AT June 30, 2006 restated
	RM'000	*RM'000*
Property, plant and equipment	774,397	779,306
Investment properties	18,410	18,642
Forest assets	1,203,574	1,068,998
Investment in associates	206,441	198,725
Timber concession	53,401	56,669
Deferred tax assets	11,782	9,386
Current assets		
Inventories	181,424	144,576
Debtors	542,522	452,834
Tax recoverable	12,118	27,902
Cash and bank balances	48,887	47,502
	784,951	672,814
Current liabilities		
Creditors	315,444	340,398
Borrowings	218,975	213,606
Taxation	13,791	1,978
	548,210	555,982
Net current assets	236,741	116,832
	2,504,746	2,248,558
Share capital	329,815	329,815
Reserves	1,213,568	982,805
	1,543,383	1,312,620
Non current liabilities		
Borrowings	648,635	658,960
Deferred tax liabilities	312,728	276,978
	2,504,746	2,248,558
Net assets per share (RM)	2.34	1.99

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2006 — UNAUDITED

	Current Period Ended December 31, 2006	Corresponding Period Ended December 31, 2005
	RM'000	*RM'000*
Profit before taxation	196,866	5,366
Adjustments:		
Depreciation and amortisation	51,612	49,368
Depletion of forest crop	2,766	2,131
Finance costs	30,888	30,467
Interest income	(255)	(250)
Unrealised foreign exchange differences	(26,876)	4,918
Share of profits in associated companies	(10,125)	(8,299)
Other non-cash and non-operating items	(7,825)	(1,903)
	237,051	81,798
Changes in working capital		
Current assets	(125,910)	(36,914)
Current liabilities	(46,792)	(12,127)
Net tax paid	(360)	(7,364)
Net cash flow from operating activities	63,989	25,393
Purchase of property, plant and equipment and forest assets	(29,524)	(56,272)
Proceeds from disposal of property, plant and equipment	20,986	10,266
Interest received	255	250
Dividend received	2,393	2,393
Fixed deposit pledged	206	(403)
Net cash flow from investing activities	(5,684)	(43,766)
Interest paid	(19,408)	(11,575)
Net borrowings	(12,636)	(7,431)
Dividends paid to shareholders	(9,499)	(9,499)
Net cash flow from financing activities	(41,543)	(28,505)
Net changes in cash and cash equivalents	16,762	(46,878)
Cash and cash equivalents at beginning of the year	(40,265)	(5,837)
Exchange adjustment account	(3,025)	(759)
Cash and cash equivalents at end of the period	(26,528)	(53,474)
Cash and cash equivalents as at December 31, 2006 is represented by:		
Cash and bank balances	17,188	19,189
Short term deposits	31,699	38,524
Bank overdraft	(44,008)	(72,945)
	4,879	(15,232)
Less: fixed deposits and bank balances held as security	(31,407)	(38,242)
	(26,528)	(53,474)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2006 — UNAUDITED

	Share capital	Share premium	Exchange reserve	Fair valuation reserve	Distributable retained earnings	Proposed dividend reserve	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
At July 1, 2005							
As previously stated	329,815	130,089	174,818	64,455	601,755	9,499	1,310,431
Effect of adopting FRS 121	–	–	(38,675)	–	38,675	–	–
At July 1, 2005 (restated)	329,815	130,089	136,143	64,455	640,430	9,499	1,310,431
Net gain/(loss) not recognised in income statement							–
— Currency translation differences as previously stated	–	–	(28,617)	–	–	–	(28,617)
Effect of adopting FRS 121	–	–	4,918	–	–	–	4,918
Restated currency translation differences	–	–	(23,699)	–	–	–	(23,699)
— Share of currency translation differences of an associate	–	–	120	–	–	–	120
Net profit for the period as previously stated	–	–	–	–	7,144	–	7,144
Effect of adopting FRS 121	–	–	–	–	(4,918)	–	(4,918)
Restated net profit for the period	–	–	–	–	2,226	–	2,226
Dividends paid during the period	–	–	–	–	–	(9,499)	(9,499)
At December 31, 2005 (restated)	329,815	130,089	112,564	64,455	642,656	–	1,279,579
At July 1, 2006							
As previously stated	329,815	130,089	163,761	64,535	614,921	9,499	1,312,620
Effect of adopting FRS 121	–	–	(11,035)	–	11,035	–	–
At July 1, 2006 (restated)	329,815	130,089	152,726	64,535	625,956	9,499	1,312,620
Net gain not recognised in income statement							
— Currency translation differences	–	–	78,010	–	–	–	78,010
— Share of currency translation differences of an associate	–	–	(17)	–	–	–	(17)
Net profit for the period	–	–	–	–	162,269	–	162,269
Dividends paid during the period						(9,499)	(9,499)
At December 31, 2006	329,815	130,089	230,719	64,535	788,225	–	1,543,383

NOTES TO 2nd QUARTER FINANCIAL STATEMENTS
for the financial quarter ended December 31, 2006

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") No. 134: Interim Financial Reporting and Part K of the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2006 which is available at www.klse.com.my. 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 Lingui Group since the financial year ended June 30, 2006.

2. Changes in Accounting Policies

The significant accounting policies adopted in the unaudited interim statements are consistent with those adopted in Lingui Group's audited financial statements for the year ended June 30, 2006 except for the adoption of the following revised Financial Reporting Standards ("FRS") issued by MASB that are effective for Lingui Group's financial statements commencing July 1, 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 131	Interest in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above mentioned standards does not have significant impact on Lingui Group. The principal effects of the changes in accounting policies with respect to the adoption of the new and revised FRS are discussed below:

(a) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. Minority interest is now presented within total equity in the consolidated balance sheet and as an allocation from net profit for the period in the consolidated income statement. The movement of minority interest is now presented as in the consolidated statement of changes in equity.

The presentation of the comparative figures in the financial statements of Lingui Group has been restated to conform with the current period's presentation.

(b) FRS 3: Business Combinations and FRS 136: Impairment of Assets

The new FRS 3 has resulted in the consequential amendment to FRS 136 Impairment of Assets.

The adoption of these new FRSs has resulted in the following:

(i) All business combinations are to be accounted for using the purchase method. Prior to January 1, 2006, acquisition of subsidiaries which meet the criteria for merger are accounted for using the merger accounting principles.

Upon the adoption of the new FRS 3, acquisition of subsidiaries which meet the criteria for merger on or after January 1, 2006 ceased to be accounted for using the merger accounting policy and are to be accounted for using the purchase method. This change in accounting policy is applied prospectively and do not have any impact to Lingui Group nor result in any restatement of the comparatives as at June 30, 2006.

(ii) In prior years, positive goodwill was written off against reserves upon acquisition of subsidiaries and negative goodwill in excess of the fair values of the net identifiable assets acquired is recognised immediately in reserves. Upon the adoption of the new FRS 3 and FRS 136, Lingui Group no longer write off goodwill against reserves. Any positive goodwill arising from new acquisition of subsidiaries is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Also in accordance with FRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of goodwill has been applied prospectively in accordance with the transitional arrangements under FRS 3.

(c) FRS 116: Property, Plant and Equipment

In accordance with FRS 116, the asset's residual values, useful lives and depreciation method will be assessed at each financial year and adjusted if necessary. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

(d) FRS 121: The Effects of Changes in Foreign Exchange Rates

Under the revised FRS 121, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are to be recognized in profit or loss in the consolidated financial statements. Previously, such exchange differences were taken to equity.

The effect of the adoption of revised FRS121 has been accounted for retrospectively and certain comparatives have been restated.

(e) FRS 140: Investment Property

With the adoption of the new FRS 140, properties held for rental or capital appreciation have been reclassified to investment properties. Prior to July 1, 2006, these properties were classified under Property, Plant and Equipment in the balance sheet.

The above change in accounting policy has been accounted for prospectively and in accordance with the transitional provision of FRS 140.

Comparatives

The following comparative amounts of Lingui Group have been restated due to the adoption of abovementioned new and revised FRSs:

Balance Sheet **At June 30, 2006/July 1, 2006**	**As previously reported**	**Adjustments** **FRS 121**	**FRS 140**	**As restated**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment	797,948	–	(18,642)	779,306
Investment properties	–	–	18,642	18,642
Exchange reserve	163,761	(11,035)	–	152,726
Distributable earnings	614,921	11,035	–	625,956

Income Statement **3 months ended December 31, 2005**	**As previously reported**	**Adjustments** **FRS 101**	**FRS 121**	**As restated**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Finance costs	15,874	–	2,386	18,260
Share of profits in associated companies	6,619	(1,510)	–	5,109
Profit before income tax	2,247	(1,510)	(2,386)	(1,649)
Taxation	(2,196)	1,510	–	(686)
Net profit for the period	51	–	(2,386)	(2,335)
6 months ended December 31, 2005				
Finance costs	30,467	–	4,918	35,385
Share of profits in associated companies	10,851	(2,552)	–	8,299
Profit before income tax	12,836	(2,552)	(4,918)	5,366
Taxation	(5,692)	2,552	–	(3,140)
Net profit for the period	7,144	–	(4,918)	2,226

3. Preceding annual financial statements

The audit report of the preceding annual financial statements for the year ended June 30, 2006 was unqualified.

4. Seasonality or Cyclical Factors

The timber operations results are to a certain extent 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.

5. 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.

6. 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.

7. 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.

8. Dividends paid

Lingui paid a final dividend of 4% less tax totalling RM9,499,000 in respect of the financial year ended June 30, 2006 on December 11, 2006.

9. Segmental information

The segment information in respect of Lingui Group's business segment for the fiscal year to date are as follows:

Revenue	**External sales**	**Inter-segment sales**	**Total sales**
	RM'000	***RM'000***	***RM'000***
Timber and plywood	715,777		715,777
Trading and services	110,453	73,865	184,318
Manufacturing — Rubber	8,660		8,660
Properties and quarry operations	10,487	58	10,545
	845,377	73,923	919,300
Eliminations			(73,923)
Group revenue			845,377

Segment results	**Total**
	RM'000
Timber and plywood	188,904
Trading and services	5,531
Manufacturing — Rubber	848
Properties and quarry operations	1,258
Plantations **	4,504
	201,045
Unallocated corporate expenses	(422)
Interest income	255
Financing costs	(4,012)
	196,866
Taxation	(34,597)
	162,269

** The segment results for plantations arise from Lingui's investment in an associate.

10. Valuations of property, plant and equipment

Lingui does not have a policy on revaluing its property, plant and equipment.

11. 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.

12. Changes in the composition of Lingui Group

There were no changes in the composition of Lingui Group during the quarter which were previously not announced.

13. Contingent liabilities or contingent assets

No contingent liabilities or contingent assets has arisen since the last annual balance sheet date except as disclosed in Note 20.

14. Taxation

Taxation comprises:

	Individual Quarter Oct 06 – Dec 06	Cumulative YTD July 06 – Dec 06
	RM'000	*RM'000*
Current taxation	12,548	26,658
Deferred taxation	8,128	14,325
	20,676	40,983
Underprovision in respect of prior years	–	–
Reversal of prior year deferred tax over provided	–	(6,386)
	20,676	34,597

Lingui Group's effective tax rate for the quarter under review is lower than the statutory tax rate due to the effect of double deductions available for certain expenses.

15. 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.

16. Quoted securities

(a) There were no purchase or disposals of quoted securities for the current quarter and financial year to date.

(b) Total investments in quoted securities as at December 31, 2006 were as follows:

		RM'000
(i)	At cost after writedown of premium on acquisition	134,426
(ii)	At carrying value/book value	118,930
(iii)	At market value	118,427

Lingui Group has not provided for diminution of investment in quoted securities as the net tangible assets of this investment exceeds the carrying value as at December 31, 2006.

17. Status of Corporate Proposals

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

18. Group borrowings and debt securities

Total Group borrowings as at December 31, 2006 were as follows:

		Long term liabilities	Long term liabilities	Short term bank borrowings
		RM'000	*In foreign currency*	*RM'000*
Secured	— Foreign currency — USD'000	190,281	54,034	–
	— Foreign currency — NZD'000	86,803	35,268	–
	— Local currency	65,509		40,636
	— Bond-Local currency	150,000		–
Unsecured		156,042		178,339
Total		648,635		218,975

19. Off balance sheet financial instruments

Lingui Group has entered into interest rate swap agreements for loans denominated in USD and NZD to ensure that the exposure to changes in interest are fixed for the respective tranches throughout the tenure of the term loan. The interest rate swaps range from fixed rates of 3.77% to 7.31% per annum over the loan period.

The net unfavourable fair value adjustment not recognised as at December 31, 2006 of interest rate swap agreement which hedge interest rates amounted to RM1.1 million.

20. 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 ("SPK") and Syarikat Samling Timber Sdn Bhd ("SST") (hereinafter collectively referred to as "Defendants")

The Government of Sarawak, SPK and SST are being jointly sued by Penan of four longhouses and settlements situated on the timber concessions held by SPK. The Penans are seeking declaration that they have native customary rights over their claimed land located within the said timber concession areas.

An application was filed by Matthew Uchat Kajan and Jalong Bilong to have themselves added as defendants in this action (on behalf of themselves as well as other inhabitants of the 2 Kenyah kampongs known as Long Semiang and Lio Mato) ("1st Application").

An application was filed by Gabriel Ajan Jok and Anthony Belarek to have themselves added as defendants in this action (on behalf of themselves as well as some of the other inhabitants of the Kenyah kampongs known as Long Tungan) ("2nd Application").

On January 15, 2003, the Court had

(a) granted leave to the Government of Sarawak to amend its defence

(b) granted leave to SPK & SST to amend its defence and counterclaim

(c) granted leave to the Plaintiffs to amend its pleadings in reply to all the Defendants' amended pleadings

The Court granted an order in terms as stated in both the 1st and 2nd Applications on April 7, 2003. The Plaintiffs' advocates appealed against the Court orders dated April 7, 2003 in respect of the 1st and 2nd Applications. The Plaintiffs' advocates have since withdrawn the said appeal.

The Plaintiffs and the 1st to 3rd Defendants have filed and served their amended pleadings pursuant to the Court Order dated January 15, 2003.

On January 14, 2003, another application was taken out by Joachim Engan Sigau to have himself added as plaintiff in this action (on behalf of himself as well as all other inhabitants of Long Tungan) ("3rd Application"). The 3rd Application was withdrawn by Joachim Engan Sigau's advocates and Joachim was ordered to pay the cost of the 3rd Application, such costs to be taxed unless otherwise agreed.

The matter was called up for mention on March 27, 2004 and again on April 21, 2004, wherein the Plaintiffs' counsel undertook to serve the Amended Writ listing on Matthew Uchat Kajan, Jalong Bilong, Gabriel Ajan Jok and Anthony Belarek, (the applicants in the 1st and 2nd Applications) as the 4th to 7th defendants in this action. By a court order dated June 21, 2004, it was ordered *inter alia*, that the Plaintiffs file and serve the Amended Writ of Summons and Amended Statement of Claim within 14 days from the date thereof and thereafter, the defendants have 14 days to file and serve their amended pleadings. The Defendants have been served with the Amended Writ of Summons and Amended Statement of Claim on August 6, 2004 and these were received on a without prejudice' basis. The Defendants have filed the Amended Defence and Counterclaim.

The pre trial case management for the above matter which was originally scheduled on August 26, 2004 had been rescheduled to February 24, 2005 pending the outcome of the hearing of an application to stay this action taken out by the advocates for the 4th to 7th Defendants ("the Stay Application"). The Stay Application was heard on July 28, 2005, where the court ordered that this action be stayed pending the conclusion and determination of native court claim filed by the 4th to 7th Defendants in the native court against the Plantiffs and awarded cost of the Stay Application to the 4th to 7th Defendants to be taxed unless otherwise agreed ("the Court Order of July 28, 2005"). The court adjourned the pre trial case management of this action to a date to be fixed or to a date to be requested by counsels. The Plaintiff has filed an appeal in the Court of Appreal against the Court Order of July 28, 2005.

On October 4, 2006, the Court has fixed the Civil Suit for Trial on January 18, 2007 and has brought forward for mention before the Senior Assistant Registrar, High Court Bintulu in Miri on October 6, 2006. At the mention on October 6, 2006, the Plaintiffs' counsel informed the Court that an appeal has been filed against the Court Order July 28, 2005. The Senior Assistant Registrar, High Court Bintulu in Miri fixed the matter for further mention in Miri before the Judicial Commissioner on November 6, 2006 and after hearing counsels, the Court maintained the trial date of January 18, 2007. On January 18, 2007, the Senior Assistant Registrar fixed the matter for further mention on March 28, 2007.

Suit II: Lasah Mering & Ors v Tamex Timber Sdn Bhd & Ors

A Writ of Summons had been served on June 5, 2003 upon Tamex Timber Sdn Bhd ("Tamex"), a wholly-owned subsidiary company, in respect of Suit II, and named as first defendant. The Superintendent of Lands & Surveys Department Bintulu Division and the Government of the State of Sarawak as second and third defendants respectively, are being jointly sued by Lasah Mering, Mering Anak Madang, Mering Anak Lasah, Imut Anak Ding and Bilong Anak Pudang who are suing on behalf of themselves and all other proprietors, occupiers, holders and claimants of native customary rights land at Kayan Longhouse community known as Rumah Lasah Mering, Sg. Pesu, Jelulong, Tubau, Bintulu, Sarawak (hereinafter collectively known as "Plaintiffs").

The Plaintiffs are claiming for various reliefs including declarations that issuance of the land title and/or provisional lease of that parcel of land at and/or around the Longhouse community of Rumah Lasah Mering, Sg. Pesu, Jelulong, Tubau, Bintulu, Sarawak where Tamex is the appointed timber logging contractor, was bad and/or void as it was unconstitutional and/or wrongful.

The first defendant had on August 7, 2003 filed its defence and counterclaim against the Plaintiffs and each of them, from interfering or attempting to interfere with the first defendant's right to carry out its business and harvesting operations in the License Area including its performance of its contract under the Letter Contract with Samling Reforestation (Bintulu) Sdn Bhd. The first defendant is also claiming against the Plaintiffs and each of them for damages, costs, interest and further or other relief. The Plantiffs had filed its Reply and Defence to Counterclaim on August 29, 2003 and served a copy thereof on Tamex on September 10, 2003. In compliance with procedural requirements, the Plaintiffs had on February 6, 2004 served the Defendants with the following:

(i) Summons for Directions pursuant to Order 25 dated November 18, 2003

This application originally fixed for hearing on March 8, 2004 was heard on September 6, 2004. At the hearing, it was directed that expert evidence be limited to 2 witnesses for the Plaintiff and the 1st Defendant and 1 witness for the 2nd and 3rd Defendants, a plan and photographs of the locus in quo be agreed, if possible, and at the trial, the Plaintiff will have 8 witnesses and require 5 days, the 1st Defendant 9 witnesses and 5 days and the 2nd and 3rd Defendants 6 witnesses and 5 days. No date has been fixed for the hearing of the action.

(ii) Notice to Attend Pre-Trial Case Management dated November 18, 2003

Counsel for the respective parties attended the Case Management Meeting with the Judge presiding in Chambers on March 9, 2005. The affidavit and the List of Documents were filed on the April 4, 2005 and a copy therefore served on the Plaintiff and the 2nd and 3rd Defendant. A Pre-Trial Case Management was held on the February 21, 2006 at the High Court. Counsel for the Plaintiff informed the Court that documents had been exchanged between the parties but Statement of Facts has not been agreed and that the Plaintiffs require time to carry out a survey of their area. The Judge then fixed tentative trial date from 9 to October 13, 2006 with another Pre-Trial Management fixed for August 14, 2006 to monitor progress. At the Pre-Trial Case Management hearing on August 14, 2006, the Plaintiffs have not completed their survey works and the Court fixed another Pre-Trial Case Management hearing on November 8, 2006. The said Pre-Trial Case Management was further adjourned to February 7, 2007.

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

For the financial quarter under review, Lingui Group sold 151,994 m3 of logs at average price of RM581/m^3 compared to 122,839 m^3 sold in the preceding quarter at an average price of RM595/m^3 which resulted improvement in operating profits from log trading in the current quarter under review as compared to the preceding financial quarter.

For plywood, Lingui Group sold 102,550 m^3 which was about 18% lower than that of the preceding financial quarter. The impact of this lower volumes sold was however partially offset by higher average prices obtained from the sales. Average plywood prices of RM1,915/m^3 were 7.7% higher than that of the immediate preceding quarter.

As a consequence of the factors above, the operating profit of Lingui Group has decreased marginally for the quarter under review achieving RM93.2 million compared to the immediate preceding financial quarter of RM97.3 million.

Lingui Group continued to write off an amount of RM7.4 million, equivalent to the amount of interest capitalized in its New Zealand forest asset in the financial quarter under review.

As a result of New Zealand Dollar strengthening against US Dollar, Lingui Group recognised an unrealised gain of RM13.1 million (following the adoption of FRS 121: The Effects of Changes in Foreign Exchange Rates) during the quarter arising from the translation of US Dollar loan by a foreign subsidiary in New Zealand.

22. Review of performance of Lingui Group for the quarter under review and financial year-to-date

Lingui Group managed to sustain its performance largely due to favourable timber prices. For the financial quarter under review, Lingui Group recorded a profit before taxation of RM96.8 million and an earnings before interest, taxation, depreciation and amortisation ("EBITDA") of RM123.5 million. The profit before taxation was after the aforesaid write down of RM7.4 million and the unrealised gain of RM13.1 million.

For the financial year to date, Lingui Group sold 274,833 m^3 of logs and 227,864 m^3 of plywood. Average prices achieved were RM588/m^3 for logs and RM1,840/m^3 for plywood. This has brought about an increase in operational profit to RM190.5 million from RM32.2 million recorded in the previous financial year to date.

23. Variation of actual profit from forecast profit and shortfall in profit guarantee

Lingui 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.

25. Reconciliation of net profit of the Lingui Group for the three months ended December 31, 2006 and its owners' equity as at December 31, 2006 from Malaysian GAAP to IFRS

The Directors of SGL, the immediate holding company of Lingui, have prepared a summary of the major differences of the net profit and owners' equity of the Lingui Group as at and for the three months ended December 31, 2006, prepared under Malaysian GAAP and as compared to IFRS:

	Net profit for the three months ended December 31, 2006	Owners' equity as at December 31, 2006
	RM'000	*RM'000*
As reported under Malaysian GAAP (unaudited)	76,126	1,543,383
Adjustment on plantation assets (a)	5,958	(294,487)
Adjustment on interest rate swaps (b)	(777)	(753)
Adjustment on share of associate's plantation assets (c)	(743)	17,480
Adjustment on goodwill arising from business combinations (d)	–	2,318
As adjusted under IFRS (unaudited)	80,564	1,267,941

Notes:

(a) Plantation assets are stated at fair value less point-of-sale costs, with any resultant gain or loss recognised in the income statement. Under Malaysian GAAP, plantation assets are stated at cost less impairment loss.

(b) Under IFRS, interest rate swaps are stated at fair value, with any resultant gain or loss recognized in the income statement. Under Malaysian GAAP, interest rate swaps are not revalued to fair value at balance sheet date and gain or loss on the change in fair value is not recognized in the income statement.

(c) Plantation assets of associate, Glenealy, are stated at fair value less point-of-sale costs, with any resultant gain or loss recognised in the income statement. Under Malaysian GAAP, plantation assets are stated at cost and amortised over the useful life of the rootstock commencing from the date of maturity of the rootstock.

(d) Under IFRS, goodwill arising from business combination is tested annually for impairment. Goodwill arising from business combination for the year ended June 30, 2003 which was previously written off against retained earnings, has been restated in the balance sheet and is tested annually for impairment.

REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED INTERIM FINANCIAL INFORMATION OF LINGUI

The following is a text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

February 23, 2007

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF SAMLING GLOBAL LIMITED

Introduction

We have been instructed by Samling Global Limited (the "Company") to review the unaudited interim financial information of Lingui Developments Berhad ("Lingui") and its subsidiaries (collectively the "Lingui Group") set out on pages IV-2 to IV-16 of Appendix IV which comprises the unaudited income statements for the three and the six months ended December 31, 2005 and 2006; unaudited balance sheet as at December 31, 2006 and June 30, 2006; unaudited cash flow statements for the six months ended December 31, 2005 and 2006, unaudited statement of changes in equity for the six months ended December 31, 2005 and 2006 and notes to the unaudited interim financial information (collectively referred to as the "Malaysian Interim Financial Information").

Respective responsibilities of the directors of Lingui and the Company and Reporting Accountants

The Malaysian Interim Financial Information is prepared based on the unaudited interim financial statements of Lingui. The interim financial statements of Lingui has been prepared in accordance with Financial Reporting Standard 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standard Board. The interim financial statements are the responsibility of, and have been approved by, the directors of Lingui. The Malaysian Interim Financial Information is the responsibility of the Company's directors. It is our responsibility to form an independent conclusion, based on our review, on the Malaysian Interim Financial Information.

Review work performed

We conducted our review with reference to Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management of Lingui Group and the Company, and applying analytical procedures to the Malaysian Interim Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Malaysian Interim Financial Information.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Malaysian Interim Financial Information for the three and six months ended December 31, 2005 and 2006.

KPMG
Certified Public Accountants
Hong Kong, China

The following is the text of a letter, summary of valuations and valuation certificate prepared for the purpose of incorporation in this prospectus received from Greater China Appraisal Limited, an independent valuer, in connection with their valuations as at December 31, 2006 of the property interests of the Group.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6 – 8 Harbour Road
Wanchai
Hong Kong

February 23, 2007

The Directors
Samling Global Limited
Room 2205, 22nd Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties of Samling Global Limited (referred to as the "Company") and its subsidiaries (together referred to as the "Group") in Malaysia, New Zealand, Guyana, the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information for each jurisdiction as we consider necessary for the purpose of providing the capital value of such property interest as at December 31, 2006 (referred to as the "date of valuation").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of properties and the limiting conditions.

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

VALUATION METHODOLOGY

Unless stated as otherwise, all property interests are valued by the comparison method where comparison based on prices realized or market prices of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

For specialized property such as production facilities, due to the nature of buildings and structures constructed, there are no readily identifiable market comparables to these properties. We have applied the cost method of valuation in assessing these properties. The cost method of valuation is a method of using current replacement costs to arrive at the value to the business in occupation of the property as existing at the date of valuation.

The cost method of valuation is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. The cost method generally furnishes the most reliable indication of value for property in the absence of a known market based on market comparable. The cost method has been adopted for property numbered 1 – 5, 9, 14 – 17, 19 – 22 and 27 – 28 in Malaysia, property numbered 61 in Guyana and property numbered 63 and 64 in the PRC.

ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interests on the open market in their existing states without the benefit of any deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the property interests.

As the properties are held under long term government leases/land use rights, we have assumed that the owners of the properties have free and uninterrupted rights to use or transfer the properties for the whole of the unexpired term of the respective government leases/land use rights. In our valuation, we have assumed that the properties can be freely disposed of and transferred to third parties on the open market without any additional payment to the relevant government authorities. Unless stated as otherwise, vacant possession is assumed for the properties concerned.

Unless otherwise stated, we have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected thereon have been granted.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in this report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the site held by the owner or permitted to be occupied by the owner. In addition, we have assumed that no encroachment or trespass exists, unless noted in this report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which this report covers.

Other special assumptions of each property, if any, have been stated out in the footnotes of the valuation certificate for the respective properties.

TITLE INVESTIGATION

We have been provided with copies of title documents of the properties owned by the Group. However, due to the current registration system of the PRC and Guyana, no investigations have been made for the legal title or any liabilities attached to the properties.

In this respect, we have relied upon the legal opinions given by,

- Cameron & Shepherd on February 23, 2007 in relation to the legal title to the properties located in Guyana under valuation; and

- Global Law Office ("PRC legal adviser") on February 23, 2007 in relation to the legal title to the properties located in the PRC under valuation.

Moreover, we have been provided with copies of tenancy agreements of the properties rented to the Group. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copies handed to us.

All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the properties set out in this report.

LIMITING CONDITIONS

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the relevant property but have assumed that the areas shown on the legal documents provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the properties included in the attached valuation certificates. However, no structural survey has been made and we are therefore unable to report as to whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the facilities.

No soil investigations have been carried out to determine the suitability of the ground conditions or the services for any property development.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenure, occupation, rentals, site and floor areas and in the identification of the property in which the Group has valid interest. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material factors have been omitted from the information to enable us to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the interest is free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Since some of the properties are located in relatively under-developed markets of the PRC and Guyana, the above assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised his professional judgement in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

OPINION OF VALUE

Valuations of the property interests held by the Group are shown in the attached summary of valuation and their respective valuation certificates.

For the properties which are held under tenancy agreements or licences, classified under Group IV in Malaysia, New Zealand, Guyana and Hong Kong, they have no commercial value due to inclusion of non-alienation clauses or otherwise due to the lack of substantial profit rents or short-term nature of the leases.

REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In valuing the property interest, we have complied with the requirements contained in the RICS Appraisal and Valuation Standards (5th Edition) published by the Royal Institution of Chartered Surveyors effective from May 2003 and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors effective from January 1, 2005 (collectively "the Standards").

For the properties in Malaysia, New Zealand and Guyana, our valuation conclusion is reached having regard to the valuation work performed by the overseas valuers listed below, in accordance with the Standards.

The overseas valuers are:

- Mr. Mohamad Basri Rahmat of HASB Consultants Sdn Bhd, a member of the Royal Institution of Chartered Surveyor, has over 15 years experience in property valuation in Malaysia;

- Mr. Bruce Douglas Cowper of Ag First Valuations Limited, a Registered Valuer, an Associate of the New Zealand Institute of Valuers and a Senior Member of the New Zealand Property Institute, has over 24 years experience in land valuation in New Zealand; and

- Mr. Albert Rodrigues of Rodrigues Architects Limited, a member of the Royal Institute of British Architects and the Guyana Institute of Architects, has over 30 years experience in property valuation in Guyana.

All property values are stated in Hong Kong Dollars (HK$). Where applicable, exchange rates of HK$1 to RM0.45349 Malaysian Ringgit, HK$1 to NZD0.18234 New Zealand Dollar, HK$1 to GYD24.42599 Guyanese Dollars and HK$1 to RMB0.99535 Chinese Renminbi were adopted which are the prevailing exchange rates as at the date of valuation.

We enclose herewith the summary of valuation and valuation certificates.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
K. K. Ip *BLE, LLD*
Chartered Valuation Surveyor
Registered Professional Surveyor
Managing Director

Note: Mr. K. K. Ip, a Chartered Valuation Surveyor and Registered Professional Surveyor, has substantial experience in valuation of property in the Asia Pacific Region (including Hong Kong, the PRC and Malaysia) since 1992.

SUMMARY OF VALUATION

PROPERTY INTERESTS HELD, RENTED OR LICENCED BY THE GROUP IN MALAYSIA (PROPERTY NOS. 1 – 45)

Group I — Property Interests Held For Owner Occupation (Property Nos. 1 – 28)

No.	Property	Capital Value in Existing State as at December 31, 2006	Interest attributable to the Group	Capital Value in Existing State attributable to the Group as at December 31, 2006
		(HK$)	*(%)*	*(HK$)*
1.	Land and Buildings held under Lot 827 Kuala Baram Industrial Estate Miri Sarawak Malaysia	37,481,000	100	37,481,000
2.	Land and Buildings held under Lots 77, 78 & 83 Kuala Baram Industrial Estate Miri Sarawak Malaysia	21,156,000	100	21,156,000
3.	Land and Buildings held under Lot 814 Jepak Industrial Estate Bintulu Sarawak Malaysia	116,329,000	85.89	99,914,978
4.	Land and Buildings held under Lot 2355, Lot 2352 & Lot 2944 Kemena Industrial Estate Bintulu Sarawak Malaysia	8,940,000	100	8,940,000
5.	Land and Buildings held under Lot 340, Lot 341, Lot 342, Lot 343 & Lot 344 Lawas Land District Limbang Sarawak Malaysia	14,481,000	100	14,481,000

No.	Property	Capital Value in Existing State as at December 31, 2006	Interest attributable to the Group	Capital Value in Existing State attributable to the Group as at December 31, 2006
		(HK$)	*(%)*	*(HK$)*
6.	Land and Buildings held under Lot 460, Lot 461 & Lot 462, Block 2 Miri Consession Land District Miri Sarawak Malaysia	1,224,000	100	1,224,000
7.	No. 89 Jalan Jee Foh Krokop/Lorong 10 Miri Sarawak Malaysia	783,000	100	783,000
8.	Land and Buildings held under Lot 2302 Bintulu Town District Bintulu Sarawak Malaysia	2,812,000	100	2,812,000
9.	Land and Buildings held under Lot 364, Lot 562 & Lot 563 Sibu Occupation Ticket No. 7324, 25523, 33537 & 37159 Sungai Naman Sibu Sarawak Malaysia	15,087,000	100	15,087,000
10.	Land held under Lot 324 Seberang Pujut Miri Sarawak Malaysia	159,000	100	159,000
11.	Land held under part of Lot 904 Lopeng Miri Sarawak Malaysia	1,248,000	100	1,248,000

No.	Property	Capital Value in Existing State as at December 31, 2006	Interest attributable to the Group	Capital Value in Existing State attributable to the Group as at December 31, 2006
		(HK$)	*(%)*	*(HK$)*
12.	Land held under Lot 208 & Lot 94 Batu Niah Miri Sarawak Malaysia	512,000	100	512,000
13.	Land held under Lot 29, Block 16 Batang Kemena Sebauh Bintulu Sarawak Malaysia	216,000	100	216,000
14.	Land and Buildings held under Lot 533 Kuala Baram Industrial Estate Miri Sarawak Malaysia	183,559,000	59.69	109,566,367
15.	Land and Buildings held under part of Lot 831 (by Samling Plywood (Baramas) Sdn Bhd) Kuala Baram Industrial Estate Miri Sarawak Malaysia	53,549,000	59.69	31,963,398
16.	Land and Buildings held under part of Lot 831 & Lot 832 (by Samling Plywood (Miri) Sdn Bhd) Kuala Baram Industrial Estate Miri Sarawak Malaysia	131,282,000	59.69	78,362,226

No.	Property	Capital Value in Existing State as at December 31, 2006 (HK$)	Interest attributable to the Group (%)	Capital Value in Existing State attributable to the Group as at December 31, 2006 (HK$)
17.	Land and Buildings held under Lot 818 Kuala Baram Land Industrial Estate Miri Sarawak Malaysia	169,219,000	59.69	101,006,821
18.	Land and Buildings held under Lot 2671 Jalan Desaseri 6 Taman Desa Seri Miri Sarawak Malaysia	794,000	59.69	473,939
19.	Land and Buildings held under Lot 826 Kuala Baram Industrial Estate Miri Sarawak Malaysia	27,229,000	59.69	16,252,990
20.	Land and Buildings held under Lots 367, 388, 389 & 783 Kemena Industrial Estate Bintulu Sarawak Malaysia	227,530,000	59.69	135,812,657
21.	Land and Buildings held under Lot 1363 Pending Industrial Estate Kuching Sarawak Malaysia	5,094,000	59.69	3,040,609
22.	Land and Buildings held under Lot 1184, Lot 1186, Lot 129, Lot 1248, Lot 1247, Lot 1002 & Lot 1188 Jalan Batu Kawa Kuching Sarawak Malaysia	26,091,000	59.69	15,573,718

No.	Property	Capital Value in Existing State as at December 31, 2006	Interest attributable to the Group	Capital Value in Existing State attributable to the Group as at December 31, 2006
		(HK$)	*(%)*	*(HK$)*
23.	Land held under Lot 198, Lot 891 & Lot 597 Batu 15 Kuching-Serian Road Kuching Sarawak Malaysia	17,515,000	59.69	10,454,704
24.	Land held under Lot 21, Lot 99 & Lot 100 7th Mile Penrissen Road Kuching Sarawak Malaysia	5,484,000	59.69	3,273,400
25.	Land held under Lot 977 & Lot 980 Kuching North Land District Kuching Sarawak Malaysia	591,000	59.69	352,768
26.	Nos. 174 & 175 Taman Bandar Raya Jalan Tun Hussein Onn Bintulu Sarawak Malaysia	860,000	59.69	513,334
27.	Land and Buildings held under Lot 4156, Lot 4157 & Lot 2830 Batu 15 1/2, Sungei Pelong 47500 Sungai Buloh Selangor Darul Ehsan Malaysia	67,537,000	59.69	40,312,835
28.	Land and Buildings held under Lot 2831 Batu 15 1/2, Sungei Pelong 47500 Sungai Buloh Selangor Darul Ehsan Malaysia	36,166,000	59.69	21,587,485
	Sub-total:	**1,172,928,000**		**772,561,229**

Group II — Property Interests Held For Investment (Property Nos. 29 – 31)

No.	Property	Capital Value in Existing State as at December 31, 2006	Interest attributable to the Group	Capital Value in Existing State attributable to the Group as at December 31, 2006
		(HK$)	*(%)*	*(HK$)*
29.	Sublots Nos. 63 – 68, Block A Taman Sri Sarawak Mall Jalan Borneo Kuching Sarawak Malaysia	6,748,000	59.69	4,027,881
30.	Land and Building held under Lot 8196 Jalan Pending Kuching Sarawak Malaysia	1,014,000	59.69	605,257
31.	Unit No. C-10-3A & Unit No. C-10-5 10th Floor Block C Megan Phileo Avenue 12 Jalan Yap Kwan Seng 50450 Kuala Lumpur Malaysia	4,891,000	59.69	2,919,438
	Sub-total:	**12,653,000**		**7,552,576**

Group IV — Property Interests Rented or Licenced By the Group (Property Nos. 32 – 45)

No.	Property	Capital Value in Existing State as at December 31, 2006 (HK$)	Capital Value in Existing State attributable to the Group as at December 31, 2006 (HK$)
32.	Wisma Samling Lot 296 Block 11 Miri Concession Land District Jalan Temenggung Datuk Oyong Lawai Jau 98000 Miri Sarawak Malaysia	No commercial value	No commercial value
33.	Block A3, 2nd Floor Sentosa Court Mile 2.5, Jalan Labuk Sandakan Sabah Malaysia	No commercial value	No commercial value
34.	Land and Buildings held under ML513 Lot 9177 & LM 773 Lot 9178 Kampung Teluk Gong 42000 Port Klang Selanöür Malaysia	No commercial value	No commercial value
35.	Buildings held under Lot 9201 Teluk Gong Mukim Kelang 42000 Port Klang Selangor Malaysia	No commercial value	No commercial value
36.	No. 21 Solok Seri Sarawak 35A Taman Seri Andalas 41200 Klang Selangor Malaysia	No commercial value	No commercial value

No.	Property	Capital Value in Existing State as at December 31, 2006 (HK$)	Capital Value in Existing State attributable to the Group as at December 31, 2006 (HK$)
37.	No. 23 Solok Seri Sarawak 35A Taman Seri Andalas 41200 Klang Selangor Malaysia	No commercial value	No commercial value
38.	No. 2 Lorong Permai 4C Taman Kota Pendamar 42000 Port Klang Selangor Malaysia	No commercial value	No commercial value
39.	Level 42 Menara Maxis Kuala Lumpur City Centre 50088 Kuala Lumpur Malaysia	No commercial value	No commercial value
40.	Brighton Condominium Lot 901, Block 11 Miri Concession Land District Jalan Temenggong Datuk Oyong Lawai Jau 98000 Miri Sarawak Malaysia	No commercial value	No commercial value
41.	No. 124, Jalan Tun Ahmad Zaidi Bintulu Sarawak Malaysia	No commercial value	No commercial value
42.	Land and buildings held under a state land located at Tebanyi Ulu Baram Miri Sarawak Malaysia	No commercial value	No commercial value

No.	Property	Capital Value in Existing State as at December 31, 2006 (HK$)	Capital Value in Existing State attributable to the Group as at December 31, 2006 (HK$)
43.	Land and buildings held under a state land located at Sg. Linau Camp Ulu Baram Miri Sarawak Malaysia	No commercial value	No commercial value
44.	Land and buildings held under a state land located at Layun Camp Ulu Baram Miri Sarawak Malaysia	No commercial value	No commercial value
45.	Land and buildings held under a state land located at Lana Camp Belaga Sarawak Malaysia	No commercial value	No commercial value
	Sub-total:	**No commercial value**	**No commercial value**

PROPERTY INTERESTS HELD OR RENTED BY THE GROUP IN NEW ZEALAND (PROPERTY NOS. 46 – 60)

Group I — Property Interests Held For Owner Occupation (Property Nos. 46 – 58)

No.	Property	Capital Value in Existing State as at December 31, 2006	Interest attributable to the Group	Capital Value in Existing State attributable to the Group as at December 31, 2006
		(HK$)	*(%)*	*(HK$)*
46.	Waimanu Forest Glenroy Road Whangara and Riverside Road New Zealand	27,388,000	59.69	16,347,897
47.	Kopua Forest Wharerata Road Muriwai New Zealand	13,326,000	59.69	7,954,289
48.	Wakaroa Forest Hokoroa Road Waimata New Zealand	10,771,000	59.69	6,429,210
49.	Mangarara Forest Hokoroa Road Waimata New Zealand	27,903,000	59.69	16,655,301
50.	Findlay Forest Part Lot 1 Deposited Plan 1739 Paritu Road Wharerata New Zealand	2,632,000	59.69	1,571,041
51.	Okiwa Forest Hokoroa Road Waimata New Zealand	31,589,000	59.69	18,855,474

No.	Property	Capital Value in Existing State as at December 31, 2006 (HK$)	Interest attributable to the Group (%)	Capital Value in Existing State attributable to the Group as at December 31, 2006 (HK$)
52.	Hineroa Forest Tarewa Road Wharerata New Zealand	25,063,000	59.69	14,960,105
53.	Te Marunga Forest Tauwhareparae Road Tauwhareparae New Zealand	121,392,000	59.69	72,458,885
54.	Huanui Forest Hokoroa Road Tauwhareparae New Zealand	56,103,000	59.69	33,487,881
55.	Wairangi Forest Tarndale Road Mangatu New Zealand	51,666,000	59.69	30,839,435
56.	Whareongaonga Forest Wharerata Road Bartletts New Zealand	7,760,000	59.69	4,631,944
57.	Mill Site Dunstan Road Matawhero New Zealand	14,698,000	59.69	8,773,236
58.	Mill Site 156 Dunstan Road Matawhero New Zealand	10,118,000	59.69	6,039,434
	Sub-total:	**400,409,000**		**239,004,132**

Group IV — Property Interests Rented By The Group (Property Nos. 59 – 60)

No.	Property	Capital Value in Existing State as at December 31, 2006 (HK$)	Capital Value in Existing State attributable to the Group as at December 31, 2006 (HK$)
59.	First Level of the National Mutual Building Corner Gladstone Road and Derby Street Gisborne New Zealand	No commercial value	No commercial value
60.	Store Room on Leith Street Gisborne New Zealand	No commercial value	No commercial value
	Sub-total:	**No commercial value**	**No commercial value**

PROPERTY INTERESTS HELD OR RENTED BY THE GROUP IN GUYANA (PROPERTY NOS. 61 – 62)

Group I — Property Interests Held For Owner Occupation (Property No. 61)

No.	Property	Capital Value in Existing State as at December 31, 2006	Interest attributable to the Group	Capital Value in Existing State attributable to the Group as at December 31, 2006
		(HK$)	*(%)*	*(HK$)*
61.	Land and Buildings located at Pln. Land of Canaan and Pln. Sarah Johanna East Bank Demerara Guyana	160,540,000	100	160,540,000
	Sub-total:	**160,540,000**		**160,540,000**

Group IV — Property Interests Rented By The Group (Property No. 62)

No.	Property	Capital Value in Existing State as at December 31, 2006	Capital Value in Existing State attributable to the Group as at December 31, 2006
		(HK$)	*(HK$)*
62.	A Parcel of Land Situated on the Left Bank Essequibo River County of Essequibo Guyana	No commercial value	No commercial value
	Sub-total:	**No commercial value**	**No commercial value**

PROPERTY INTERESTS HELD BY THE GROUP IN THE PRC (PROPERTY NOS. 63 – 65)

Group I — Property Interests Held For Owner Occupation (Property Nos. 63 – 65)

No.	Property	Capital Value in Existing State as at December 31, 2006	Interest attributable to the Group	Capital Value in Existing State attributable to the Group as at December 31, 2006
		(HK$)	*(%)*	*(HK$)*
63.	Land and Buildings located at East of the North Segment of West Loop Industrial Park of Cangshan Country Linyi Shandong Province The PRC	13,625,000	100	13,625,000
64.	Land and Buildings located at No. 38, Guangzhou Road Nantong Economic & Technology Development Zone Nantong Jiangsu Province The PRC	34,088,000	100	34,088,000
65.	Rooms 501 and 502 Block 10 Huiyuan Residential Area Shanghai Road Nantong Economic & Technology Development Zone Nantong Jiangsu Province The PRC	385,000	100	385,000
	Sub-total:	**48,098,000**		**48,098,000**

PROPERTY INTERESTS RENTED BY THE GROUP IN HONG KONG (PROPERTY NO. 66)

Group IV — Property Interests Rented By The Group (Property No. 66)

No.	Property	Capital Value in Existing State as at December 31, 2006 *(HK$)*	Capital Value in Existing State attributable to the Group as at December 31, 2006 *(HK$)*
66.	Room 2205 22nd Floor Harbour Centre 25 Harbour Road Wanchai Hong Kong	No commercial value	No commercial value
	Sub-total:	**No commercial value**	**No commercial value**
	Grand Total:	**HK$1,794,628,000**	**HK$1,227,755,937**

VALUATION CERTIFICATE

PROPERTY INTERESTS HELD, RENTED OR LICENCED BY THE GROUP IN MALAYSIA (PROPERTY NOS. 1 – 45)

Group I — Property Interests Held For Owner Occupation (Property Nos. 1 – 28)

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
1.	Land and Buildings held under Lot 827, Kuala Baram Industrial Estate, Miri, Sarawak, Malaysia Lot 827, Block 1, Kuala Baram Land District, Miri, Sarawak, Malaysia held by Samling Flooring Products Sdn Bhd	The property comprises a parcel of land (the "Land") on which 1 unit of 1-storey office building, 1 unit of 1-storey factory building and 8 units of 1-storey ancillary structures (the "Buildings") were erected. The Buildings were completed in 1995. The area of the Land is approximately 64,212 square metres (approximately 691,179 square feet). The total gross floor area of the Buildings is approximately 14,036 square metres (approximately 151,085 square feet). The property is held under a lease of State land for a term of 60 years from February 15, 1995 and expiring on February 14, 2055 subject to an annual ground rent of RM8,737 for industrial purposes.	The property is currently occupied by the Group as an office and factory complex.	37,481,000 (100% interest attributable to the Group: 37,481,000)

Note:

(i) The registered owner of the property is Samling Flooring Products Sdn Bhd (a wholly-owned subsidiary of the Company).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
2.	Land and Buildings held under Lot 77, Lot 78 and Lot 83, Kuala Baram Industrial Estate, Miri, Sarawak, Malaysia Lot 77 and Lot 78, Kuala Baram Land District, Miri, Sarawak, Malaysia Lot 83, Block 1, Kuala Baram Land District, Miri, Sarawak, Malaysia	The property comprises 3 adjoining parcels of land (the "Land") which include 2 parcels of vacant land held under Lot 77 and Lot 78 and 1 parcel of land held under Lot 83 on which 1 unit of 1-storey office building, 1 unit of 1-storey industrial building and 5 units of 1-storey ancillary structures (the "Buildings") were erected. The Buildings were completed in 1990. The total area of the Land is approximately 92,745 square metres (approximately 998,304 square feet). The total gross floor area of the Buildings is approximately 18,387 square metres (approximately 197,914 square feet). Lot 77 and Lot 78 are held under lease of Crown land for a term of 60 years from January 2, 1959 and expiring on December 31, 2019 subject to an annual ground rent of RM262 and RM351 respectively for agricultural purposes. Lot 83 is held under lease of State land for a term of 60 years from September 26, 1990 and expiring on September 25, 2050 subject to an annual ground rent of RM8,447 for industrial purposes.	Lot 77 and Lot 78 are currently vacant. Lot 83 together with the Buildings thereon is currently rented to Rimalco Sdn Bhd (an associate of the Company) for a term of 3 years from May 1, 2006 and expiring on April 30, 2009 at a rental of RM30,000 per month.	21,156,000 (100% interest attributable to the Group: 21,156,000)

Notes:

(i) The registered owner of the property is Samling Wood Industries Sdn Bhd (a wholly-owned subsidiary of the Company).

(ii) The Buildings are of timber construction and are currently in a fair state of repair and condition.

(iii) The occupation permits for the Buildings have not been obtained.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
3.	Land and Buildings held under Lot 814, Jepak Industrial Estate, Bintulu, Sarawak, Malaysia Lot 814, Block 37, Kemena Land District, Bintulu, Sarawak, Malaysia	The property comprises a parcel of land (the "Land") on which 1 unit of 1-storey office building, 1 unit of 1-storey industrial building and 10 units of 1-storey ancillary structures (the "Buildings") were erected. The Buildings were completed in various stages between 1998 and 2004. The area of the Land is approximately 324,039 square metres (approximately 3,487,956 square feet). The total gross floor area of the Buildings is approximately 18,980 square metres (approximately 204,299 square feet). The property is held under a lease of State land for a term of 60 years from May 22, 2002 and expiring on May 21, 2062 subject to an annual ground rent of RM55,112 for industrial purposes.	The property is currently occupied by the Group as an office and factory complex.	116,329,000 (85.89% interest attributable to the Group: 99,914,978)

Note:

(i) The registered owner of the property is Samling DorFoHom Sdn Bhd (in which the Company effectively holds 85.89% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
4.	Land and Buildings held under Lot 2355, Lot 2352 and Lot 2944, Kemena Industrial Estate, Bintulu, Sarawak, Malaysia Lot 2355, Lot 2352 and Lot 2944, Block 32, Kemena Land District, Bintulu, Sarawak, Malaysia	The property comprises 3 parcels of land (the "Land") which includes 2 parcels of vacant land held under Lot 2352 and Lot 2944 and 1 parcel of land on which 1 unit of 2-storey office building and 2 units of ancillary structures (the "Buildings") were erected. The Buildings were completed in 1992. The total area of the Land is approximately 33,971 square metres (approximately 365,667 square feet). The total gross floor area of the Buildings is approximately 559 square metres (approximately 6,022 square feet). Lot 2355 is held under a lease of State land for a term of 60 years from November 18, 1997 and expiring on November 17, 2057 subject to an annual ground rent of RM1,780 for industrial purposes. Lot 2352 is held under a lease of State land for a term of 60 years from November 13, 1998 and expiring on November 12, 2058 subject to an annual ground rent of RM1,271 for industrial purposes. Lot 2944 is held under a lease of State land for a term of 60 years from April 10, 1996 and expiring on April 9, 2056 subject to an annual ground rent of RM4,224 for industrial purposes.	The property is currently vacant.	8,940,000 (100% interest attributable to the Group: 8,940,000)

Notes:

(i) The registered owner of the property is Samling Flooring Products Sdn Bhd (a wholly-owned subsidiary of the Company).

(ii) The occupation permits for the Buildings have not been obtained.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
5.	Land and Buildings held under Lot 340, Lot 341, Lot 342, Lot 343 and Lot 344, Lawas Land District, Limbang, Sarawak, Malaysia Lot 340, Lot 341, Lot 342, Lot 343 and Lot 344, Block 10, Lawas Land District, Limbang, Sarawak, Malaysia	The property comprises 5 adjoining parcels of land (the "Land") on which 2 units of 2-storey office building, 1 unit of 1-storey industrial building, 85 units of 1-storey staff quarters and 13 units of ancillary structures (the "Buildings") were erected. The Buildings were completed in various stages between 1991 and 2004. The total area of the Land is approximately 2,392,899 square metres (approximately 25,757,167 square feet). The total gross floor area of the Buildings is approximately 27,388 square metres (approximately 294,806 square feet). Lot 340, Lot 341 and Lot 343 are held under grant of State land for a term of 999 years from March 3, 1924 and expiring on December 31, 2923 subject to annual ground rent of RM126, RM30 and RM70 respectively for agricultural purposes. Lot 342 is held under grant of State land for a term of 999 years from March 3, 1924 and expiring on December 31, 2923 subject to annual ground rent of RM8,328 for sawmill purposes. Lot 344 is held under grant of State land for a term of 999 years from January 1, 1923 and expiring on December 31, 2922 subject to annual ground rent of RM345 for agricultural purposes.	The property is currently occupied by the Group as an office, staff quarters, sawmill and log storage site. The sawmill and ancillary structures located on Lot 341, Lot 342 and part of Lot 343 are currently rented to Rimalco Sdn Bhd (an associate of the Company) for a term of 3 years from June 15, 2006 and expiring on June 14, 2009 at a rental of RM50,000 per month.	14,481,000 (100% interest attributable to the Group: 14,481,000)

Notes:

(i) The registered owner of the property is Ravenscourt Sdn Bhd (a wholly-owned subsidiary of the Company).

(ii) Lot 342 is subject to a charge in favour of Malayan Banking Berhad dated December 20, 2000.

(iii) The Buildings are of timber frame construction and are currently in a fair state of repair and condition.

(iv) The occupation permits for the Buildings have not been obtained.

(v) In respect of Lot 340, Lot 341, Lot 343 and Lot 344 which are categorised as agricultural lands but were used for office/staff quarters/structures for log storage site purposes since 1991, there are possibilities for the State to require the lands to be converted into 'industrial' category land use. In our valuation, market values of agricultural lands have been considered in these lots.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
6.	Land and Buildings held under Lot 460, Lot 461 and Lot 462, Block 2, Miri Consession Land District, Miri, Sarawak, Malaysia Lot 460, Lot 461 and Lot 462, Block 2, Miri Consession Land District, Miri, Sarawak, Malaysia	The property comprises 3 adjoining parcels of land (the "Land") on which 3 units of 2-storey semi-detached houses (the "Buildings") were erected. The Buildings were completed in 1982. The total area of the Land is approximately 1,002 square metres (approximately 10,787 square feet). The total gross floor area of the Buildings is approximately 441 square metres (approximately 4,752 square feet). The property is held under a lease of State land for a term of 60 years from January 20, 1982 and expiring on January 19, 2042 subject to an annual ground rent of RM27, RM27 and RM27 respectively for residential purposes.	The property is currently occupied by the Group for residential use.	1,224,000 (100% interest attributable to the Group: 1,224,000)

Note:

(i) The registered owner of the property is Syarikat Samling Timber Sdn Bhd (a wholly-owned subsidiary of the Company).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
7.	No. 89, Jalan Jee Foh Krokop/Lorong 10, Miri, Sarawak, Malaysia Lot 735, Block 5, Miri Concession Land District, Miri, Sarawak, Malaysia	The property comprises a parcel of land (the "Land") on which 1 unit of 2-storey detached house (the "Building") was erected. The Building was completed in 1985. The area of the Land is approximately 1,020 square metres (approximately 10,977 square feet). The gross floor area of the Buildings is approximately 195 square metres (approximately 2,097 square feet). The property is held under a lease of State land for a term of 60 years from February 28, 1978 and expiring on February 27, 2038 subject to an annual ground rent of RM82 for residential purposes.	The property is currently occupied by the Group for residential use.	783,000 (100% interest attributable to the Group: 783,000)

Notes:

(i) The registered owner of the property is Syarikat Samling Timber Sdn Bhd (a wholly-owned subsidiary of the Company).

(ii) The occupation permit for the Building has not been obtained. The Building has been in occupation since completion in 1985 and it is currently in a fair state of repair and condition.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
8.	Land and Building held under Lot 2302, Bintulu Town District, Bintulu, Sarawak, Malaysia Lot 2302, Bintulu Town District, Bintulu, Sarawak, Malaysia	The property comprises a parcel of land (the "Land") on which 1 unit of 4-storey shophouse (the "Building") was erected. The Building was completed in 1983. The area of the Land is approximately 196 square metres (approximately 2,109 square feet). The gross floor area of the Building is approximately 692 square metres (approximately 7,450 square feet). The property is held under a lease of State land for a term of 60 years from June 7, 1983 and expiring on June 6, 2043 subject to an annual ground rent of RM137 for commercial and residential purposes.	The ground, first and third floors are rented to Sarawak Land (Kemena Park) Sdn Bhd, which occupies the property as office and residential use, from September 1, 2006 until June 30, 2009 at a monthly rent of RM5,000. The rest of the property is currently vacant.	2,812,000 (100% interest attributable to the Group: 2,812,000)

Note:

(i) The registered owner of the property is Syarikat Samling Timber Sdn Bhd (a wholly-owned subsidiary of the Company).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
9.	Land and Buildings held under Lot 364, Lot 562 and Lot 563, Sibu Occupation Ticket No. 7324, 25523, 33537 and 37159, Sungai Naman, Sibu, Sarawak, Malaysia Lot 364, Lot 562 and Lot 563, Menyan Land District, Sibu, Sarawak, Malaysia and Sibu Occupation Ticket No. 7324, 25523, 33537 and 37159, Sibu, Sarawak, Malaysia	The property comprises 7 adjoining parcels of land (the "Land") on which 3 units of 1-storey industrial building, 21 units of 1-storey staff quarters and 7 units of ancillary structures (the "Buildings") were erected. The Buildings were completed in 1991. The total area of the Land is approximately 281,493 square metres (approximately 3,029,989 square feet). The total gross floor area of the Buildings is approximately 54,254 square metres (approximately 583,985 square feet). Lot 364 is held under a lease of Crown land for a term of 60 years from July 27, 1991 and expiring on July 26, 2051 subject to an annual ground rent of RM2,138 for industrial purposes. Lot 562 and Lot 563 are held under a lease of State land for a term of 99 years from August 5, 1941 and expiring on December 31, 2040 subject to an annual ground rent of RM5 and RM5 respectively for agricultural purposes. Sibu Occupation Ticket No. 7324 is held under a Pre-Land Code for a term of 99 years from November 15, 1926 and expiring on December 31, 2025 subject to an annual ground rent of RM9 for agricultural purposes. Sibu Occupation Ticket No. 25523 is held under a Pre-Land Code for a term of 99 years from May 13, 1935 and expiring on December 31, 2034 subject to an annual ground rent of RM2 for agricultural purposes. Sibu Occupation Ticket No. 33537 and 37159 are held under Pre-Land Code for a term of 99 years from August 5, 1941 and expiring on December 31, 2040 subject to an annual ground rent of RM8 and RM11 respectively for agricultural purposes.	The property is currently occupied by the Group as a factory, office and staff quarters.	15,087,000 (100% interest attributable to the Group: 15,087,000)

Notes:

(i) The registered owner of the property is Samling Flooring Products Sdn Bhd (a wholly-owned subsidiary of the Company).

(ii) The occupation permits for the Buildings have not been obtained. The Buildings have been in occupation since completion in 1991 and they are currently in a fair state of repair and condition.

(iii) In respect of Lot 562, Lot 563, Sibu Occupation Ticket Nos. 7324, 25523, 33527 and 37159 which are categorised as agricultural lands but were used for industrial/residential purposes since 1991, there are possibilities for the State to require the lands to be converted into 'industrial' category land use. In our valuation, market values of agricultural lands have been considered in these lots.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
10.	Land held under Lot 324, Seberang Pujut, Miri, Sarawak, Malaysia Lot 324, Block 13, Kuala Baram Land District, Miri, Sarawak, Malaysia	The property comprises a parcel of vacant land (the "Land"). The area of the Land is approximately 2,873 square metres (approximately 30,925 square feet). The property is held under a grant of State land in perpetuity from July 24, 1980 subject to an annual ground rent of RM1 for agricultural purposes.	The property is currently vacant.	159,000 (100% interest attributable to the Group: 159,000)

Note:

(i) The registered owner of the property is Syarikat Samling Timber Sdn Bhd (a wholly-owned subsidiary of the Company).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
11.	Land held under part of Lot 904, Lopeng, Miri, Sarawak, Malaysia The 200/321 share of Lot 904, Kuala Baram Land District, Miri, Sarawak, Malaysia held by Syarikat Samling Timber Sdn Bhd	The property comprises a parcel of vacant land (the "Land") with an old timber farm building. The area of the Land is approximately 8,090 square metres (approximately 87,080 square feet). The property is held under a lease of State land for a term of 99 years from May 28, 1941 and expiring on December 31, 2040 subject to an annual ground rent of RM260 for agricultural purposes.	The property is currently vacant.	1,248,000 (100% interest attributable to the Group: 1,248,000)

Note:

(i) The registered co-owner of Lot 904 are Jong Fah (121/321 share) and Syarikat Samling Timber Sdn Bhd (a wholly-owned subsidiary of the Company) (200/321 share). Those interests other than the Group (namely, those held by Jong Fah) have been excluded in our valuation.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
12.	Land held under Lot 208 and Lot 94, Batu, Niah, Miri, Sarawak, Malaysia Lot 208, Niah Land District, Niah, Miri, Sarawak, Malaysia Lot 94, Block 15, Niah Land District, Niah, Miri, Sarawak, Malaysia	The property comprises 2 adjoining parcels of vacant land (the "Land"). The total area of the Land is approximately 82,643 square metres (approximately 889,570 square feet). Lot 208 is held under a lease of State land for a term of 60 years from July 1, 1963 and expiring on December 31, 2023 subject to an annual ground rent of RM18 for agricultural purposes. Lot 94 is held under a lease of State land for a term of 60 years from August 19, 1954 and expiring on August 18, 2014 subject to an annual ground rent of RM3 for agricultural purposes.	The property is currently vacant.	512,000 (100% interest attributable to the Group: 512,000)

Note:

(i) The registered owner of the property is Syarikat Samling Timber Sdn Bhd (a wholly-owned subsidiary of the Company).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
13.	Land held under Lot 29, Block 16, Batang Kemena, Sebauh, Bintulu, Sarawak, Malaysia Lot 29, Block 16, Rasan Land District, Bintulu, Sarawak, Malaysia	The property comprises a parcel of vacant land (the "Land"). The area of the Land is approximately 24,469 square metres (approximately 263,388 square feet). The property is held under a lease of State land for a term of 99 years from November 10, 1936 and expiring on December 31, 2035 subject to an annual ground rent of RM6 for the cultivation of rubber.	The property is currently vacant.	216,000 (100% interest attributable to the Group: 216,000)

Note:

(i) The registered owner of the property is Syarikat Samling Timber Sdn Bhd (a wholly-owned subsidiary of the Company).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
14.	Land and Buildings held under Lot 533, Kuala Baram Industrial Estate, Miri, Sarawak, Malaysia Lot 533, Block 1, Kuala Baram Land District, Miri, Sarawak, Malaysia.	The property comprises a parcel of land (the "Land") on which 1 unit of 1-storey office building, 1 unit of 1-storey industrial building, 6 units of 1-storey staff quarters and 12 units of 1-storey ancillary structures (the "Buildings") were erected. The Buildings were completed in 1991. The area of the Land is approximately 494,785 square metres (approximately 5,325,863 square feet). The total gross floor area of the Buildings is approximately 41,327 square metres (approximately 444,845 square feet). The property is held under a lease of State land for a term of 60 years from October 8, 1991 and expiring on October 7, 2051 subject to an annual ground rent of RM58,905 for industrial purposes.	The property is currently occupied by the Group as a factory complex, office and staff quarters.	183,559,000 (59.69% interest attributable to the Group: 109,566,367)

Note:

(i) The registered owner of the property is Samling Plywood (Baramas) Sdn Bhd (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
15.	Land and Buildings held under part of Lot 831, Kuala Baram Industrial Estate, Miri, Sarawak, Malaysia The 16851/38453 share of Lot 831, Block 1, Kuala Baram Land District, Miri, Sarawak, Malaysia held by Samling Plywood (Baramas) Sdn Bhd	The property comprises a parcel of land (the "Land") on which 456 units of 1-storey staff quarters and 17 units of 1-storey ancillary structures (the "Buildings") were erected. The Buildings were completed in various stages between 1994 and 1996. The area of the Land is approximately 168,437 square metres (approximately 1,813,053 square feet). The total gross floor area of the Buildings is approximately 14,520 square metres (approximately 156,290 square feet). The property is held under a lease of State land for a term of 60 years from February 15, 1995 and expiring on February 14, 2055 subject to an annual ground rent of RM30,762 for residential purposes.	The property is currently occupied by the Group as staff quarters.	53,549,000 (59.69% interest attributable to the Group: 31,963,398)

Note:

(i) The registered co-owners of Lot 831 are Samling Plywood (Baramas) Sdn Bhd (in which the Company effectively holds 59.69% interest) (16851/38453 share) and Samling Plywood (Miri) Sdn Bhd (in which the Company effectively holds 59.69% interest) (21602/38453 share).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
16.	Land and Buildings held under part of Lot 831 and Lot 832, Kuala Baram Industrial Estate, Miri, Sarawak, Malaysia The 21602/38453 share of Lot 831, Block 1, Kuala Baram Land District, Miri, Sarawak, Malaysia and 1/1 share of Lot 832, Block 1, Kuala Baram Land District, Miri, Sarawak, Malaysia held by Samling Plywood (Miri) Sdn Bhd	The property comprises 2 adjoining parcels of land (the "Land") on which 688 units of 1-storey staff quarters and 17 units of 1-storey ancillary structures (the "Buildings") were erected. The Buildings were completed in various stages between 1994 and 1996. The total area of the Land is approximately 482,630 square metres (approximately 5,195,030 square feet). The total gross floor area of the Buildings is approximately 32,214 square metres (approximately 346,756 square feet). Lot 831 is held under a lease of State land for a term of 60 years from February 15, 1995 and expiring on February 14, 2055 subject to an annual ground rent of RM30,762 for residential purposes. Lot 832 is held under a lease of State land for a term of 60 years from January 29, 1992 and expiring on January 28, 2052 subject to an annual ground rent of RM21,346 for residential purposes.	The property is currently occupied by the Group as staff quarters. A portion of the property comprising 68 units in Village B and Village D, with a total gross floor area of approximately 3,675 square metres (approximately 39,555 square feet), is leased to Samling Flooring Products Sdn Bhd (a subsidiary of the Company) for a term of 3 years from January 1, 2005 to December 31, 2008 at a monthly rent of RM37,590. A portion of the property comprising 49 units in Village C and Village D, with a total gross floor area of approximately 2,616 square metres (approximately 28,156 square feet), is leased to Samling Housing Products Sdn Bhd (a subsidiary of the Company) for a term of 3 years from January 1, 2005 to December 31, 2008 at a monthly rent of RM25,970.	131,282,000 (59.69% interest attributable to the Group: 78,362,226)

Notes:

(i) The registered co-owners of Lot 831 are Samling Plywood (Baramas) Sdn Bhd (in which the Company effectively holds 59.69% interest) (16851/38453 share) and Samling Plywood (Miri) Sdn Bhd (in which the Company effectively holds 59.69% interest) (21602/38453 share).

(ii) The registered owner of Lot 832 is Samling Plywood (Miri) Sdn Bhd (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
17.	Land and Buildings held under Lot 818, Kuala Baram Land Industrial Estate, Miri, Sarawak, Malaysia Lot 818, Block 1, Kuala Baram Land District, Miri, Sarawak, Malaysia	The property comprises a parcel of land (the "Land") on which 1 unit of 1-storey office building, 1 unit of 1-storey industrial building and 13 units of ancillary structures (the "Buildings") were erected. The Buildings were completed in various stages between 1993 and 1997. The area of the Land is approximately 395,398 square metres (approximately 4,256,064 square feet). The total gross floor area of the Buildings is approximately 50,433 square metres (approximately 542,860 square feet). The property is held under a lease of State land for a term of 60 years from October 8, 1991 and expiring on October 7, 2051 subject to an annual ground rent of RM67,247 for industrial purposes.	The property is currently occupied by the Group as a factory complex and office. A portion of the Land with an area of approximately 31,347 square metres (approximately 337,423 square feet) is leased to Samling Housing Products Sdn Bhd (a subsidiary of the Company) for a term of 1 year from November 1, 2006 to October 31, 2007 at a monthly rent of RM4,900.	169,219,000 (59.69% interest attributable to the Group: 101,006,821)

Notes:

(i) The registered owner of Lot 818 is Samling Plywood (Miri) Sdn Bhd (in which the Company effectively holds 59.69% interest).

(ii) On the land leased to Samling Housing Products Sdn Bhd (the "lessee"), a 1-storey office building, a 1-storey factory building and ancillary structures were erected and occupied by the lessee as an office and factory complex. We have attributed no commercial value to these buildings since these buildings are improvements carried out by the lessee. For reference purposes, the depreciated replacement cost of these buildings as at the date of valuation is RM12,323,000 which is excluded from our valuation.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
18.	Lot 2671, Jalan Desaseri 6, Taman Desa Seri, Miri, Sarawak, Malaysia Lot 2671, Block 5, Miri Consession Land District, Miri, Sarawak, Malaysia	The property comprises a parcel of land (the "Land") on which a 2-storey detached house (the "Building") was erected. The Building was completed in 1993. The area of the Land is approximately 540 square metres (approximately 5,813 square feet). The gross floor area of the Building is approximately 259 square metres (approximately 2,793 square feet). The property is held under a lease of State land for a term of 60 years from October 28, 1987 and expiring on October 27, 2047 subject to an annual ground rent of RM43 for residential purposes.	The property is currently occupied by the Group for residential use.	794,000 (59.69% interest attributable to the Group: 473,939)

Note:

(i) The registered owner of the property is Samling Plywood (Miri) Sdn Bhd (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
19.	Land and Buildings held under Lot 826, Kuala Baram Industrial Estate, Miri, Sarawak, Malaysia Lot 826, Block 1, Kuala Baram Land District, Miri, Sarawak, Malaysia held by Miri Parts Trading Sdn Bhd	The property comprises a parcel of land (the "Land") on which 1 unit of 2-storey office building, 1 unit of 1-storey industrial building and 6 units of ancillary structures (the "Buildings") were erected. The Buildings were completed in 1993. The area of the Land is approximately 66,371 square metres (approximately 714,419 square feet). The total gross floor area of the Buildings is approximately 7,454 square metres (approximately 80,236 square feet). The property is held under a lease of State land for a term of 60 years from February 15, 1995 and expiring on February 14, 2055 subject to an annual ground rent of RM9,030 for industrial purposes.	The property is currently occupied by the Group as office, warehouse and workshop. A portion of the property comprising certain spaces on ground floor of a 2-storey office building and a 1-storey industrial building and an open space area, with a total gross floor area of approximately 3,003 square metres (approximately 32,324 square feet) and open space area of approximately 26,089 square metres (approximately 280,818 square feet), is leased to Sorvino Holdings Sdn Bhd (a subsidiary of the Company) for a term of 1 year from February 1, 2006 to January 31, 2007 at a monthly rent of RM10,000, which has been renewed for a year with the same terms subsequently. A portion of the property comprising 2 office units on first floor of a 2-storey office building, with a total gross floor area of approximately 74.40 square metres (approximately 801 square feet), is leased to TreeOne Logistics Services Sdn Bhd (a subsidiary of the Company) for a term of 2 years from February 1, 2006 to January 31, 2008 at a monthly rent of RM3,100.	27,229,000 (59.69% interest attributable to the Group: 16,252,990)

Notes:

(i) The registered owner of the property is Miri Parts Trading Sdn Bhd (in which the Company effectively holds 59.69% interest).

(ii) The occupation permits for the Buildings have not been obtained.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
20.	Land and Buildings held under Lot 367, Lot 388, Lot 389 and Lot 783, Kemena Industrial Estate, Bintulu, Sarawak, Malaysia Lot 367, Lot 388, Lot 389 and Lot 783, Block 38, Kemena Land District, Bintulu, Sarawak, Malaysia	The property comprises 4 parcels of land (the "Land") on which 1 unit of 2-storey office building, 5 units of 1-storey industrial buildings, 304 units of 1-storey staff quarters and 18 units of ancillary structures (the "Buildings") were erected. The Buildings were completed in various stages between 1992 and 1995. The total area of the Land is approximately 381,174 square metres (approximately 4,102,959 square feet). The total gross floor area of the Buildings is approximately 98,339 square metres (approximately 1,058,526 square feet). Lot 367 is held under a lease of State land for a term of 60 years from October 13, 1993 and expiring on October 12, 2053 subject to an annual ground rent of RM19,273 for industrial purposes. Lot 783 is held under a lease of State land for a term of 60 years from October 10, 2005 and expiring on October 9, 2065 subject to an annual ground rent of RM11,288 for industrial purposes. Lot 388 and Lot 389 are held under a lease of State land for a term of 60 years from October 25, 2005 and expiring on October 24, 2065 subject to an annual ground rent of RM9,764 and RM26,719 respectively for industrial purposes.	The property is currently occupied by the Group as a factory complex, office and staff quarters. A portion of the property comprising a 1-storey staff quarter on Lot 389, with a gross floor area of approximately 185 square metres (approximately 1,992 square feet), is leased to Samling Flooring Products Sdn Bhd (a subsidiary of the Company) for a term of 2 years from September 1, 2005 to September 1, 2007 at a monthly rent of RM2,300.	227,530,000 (59.69% interest attributable to the Group: 135,812,657)

Notes:

(i) The registered owner of Lot 367, Lot 388, Lot 389 and Lot 783 is Samling Plywood (Bintulu) Sdn Bhd (in which the Company effectively holds 59.69% interest).

(ii) The occupation permit for the Buildings has been obtained except the buildings on Lot 389 which are being occupied as staff quarters with a total gross floor area of approximately 1,336.77 square metres.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
21.	Land and Buildings held under Lot 1363, Pending Industrial Estate, Kuching, Sarawak, Malaysia Lot 1363, Section 66, Kuching Town Land District, Kuching, Sarawak, Malaysia	The property comprises a parcel of land (the "Land") on which 1 unit of 1-storey warehouse with an adjoining 2-storey office block (the "Buildings") were erected. The Buildings were completed in 1980. The area of the Land is approximately 11,460 square metres (approximately 123,356 square feet). The total gross floor area of the Buildings is approximately 1,486 square metres (approximately 16,000 square feet). The property is held under a lease of State land for a term of 60 years from October 21, 1980 and expiring on October 20, 2040 subject to an annual ground rent of RM2,476 for industrial purposes.	The property is currently occupied by the Group as an office and warehouse.	5,094,000 (59.69% interest attributable to the Group: 3,040,609)

Note:

(i) The registered owner of the property is Stigang Resources Sdn Bhd (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
22.	Land and Buildings held under Lot 1184, Lot 1186, Lot 129, Lot 1248, Lot 1247, Lot 1002 and Lot 1188, Jalan Batu Kawa, Kuching, Sarawak, Malaysia Lot 1184, Lot 1186, Lot 129, Lot 1248, Lot 1247, Lot 1002 and Lot 1188, Block 224, Kuching North Land District, Kuching, Sarawak, Malaysia	The property comprises 7 adjoining parcels of land (the "Land") on which 1 unit of 1-storey office building, 1 unit of 1-storey industrial building, 4 units of 1-storey staff quarters and 2 units of 1-storey ancillary structures ("the Buildings") were erected. The Buildings were completed in 1975. The total area of the Land is approximately 105,748 square metres (approximately 1,138,275 square feet). The total gross floor area of the Buildings is approximately 3,453 square metres (approximately 37,168 square feet). Lot 1184, Lot 1186, Lot 1248, Lot 1247 and Lot 1188 are held under a lease of State land for a term of 99 years from July 12, 1939 and expiring on December 31, 2038 subject to an annual ground rent of RM117, RM27, RM96, RM54 and RM291 respectively for agricultural purposes. Lot 129 and Lot 1002 are held under a lease of State land for a term of 99 years from July 13, 1939 and expiring on December 31, 2038 subject to an annual ground rent of RM215 and RM51 respectively for nil and agricultural purpose respectively.	The property is currently occupied by the Group as quarry operation site and staff quarters.	26,091,000 (59.69% interest attributable to the Group: 15,573,718)

Notes:

(i) The registered owner of the property is Ang Cheng Ho Quarry Sdn Bhd (in which the Company effectively holds 59.69% interest).

(ii) The occupation permits for the Buildings have not been obtained.

(iii) In respect of lands which are categorised as agricultural lands but were used for wooden site office/sheds for quarry operations in another land nearby and staff quarters purposes since 1975, there are possibilities for the State to require the lands to be converted into 'industrial' category land use. In our valuation, market values of agricultural lands have been considered.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
23.	Land held under Lot 198, Lot 891 and Lot 597, Batu 15, Kuching-Serian Road, Kuching, Sarawak, Malaysia Lot 198, Lot 891 and Lot 597, Block 5, Sentah Segu Land District, Kuching, Sarawak, Malaysia	The property comprises 3 adjoining parcels of vacant land (the "Land"). The total area of the Land is approximately 158,881 square metres (approximately 1,710,194 square feet). Lot 198 is held under a lease of State land for a term of 99 years from November 8, 1936 and expiring on December 31, 2035 subject to an annual ground rent of RM12 for agricultural purposes. Lot 891 is held under a lease of State land for a term of 60 years from July 13, 1988 and expiring on July 12, 2048 subject to an annual ground rent of RM8 for agricultural purposes. Lot 597 is held under a lease of State land for a term of 99 years from September 30, 1937 and expiring on December 31, 2036 subject to an annual ground rent of RM496 for agricultural purposes.	The property is currently vacant.	17,515,000 (59.69% interest attributable to the Group: 10,454,704)

Note:

(i) The registered owner of the property is Ang Cheng Ho Quarry Sdn Bhd (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
24.	Land held under Lot 21, Lot 99 and Lot 100, 7th Mile Penrissen Road, Kuching, Sarawak, Malaysia Lot 21, Lot 99 and Lot 100, Block 238, Kuching North Land District, Kuching, Sarawak, Malaysia	The property comprises 3 adjoining parcels of vacant land (the "Land"). The total area of the Land is approximately 56,679 square metres (approximately 610,088 square feet). Lot 21 is held under a lease of State land for a term of 99 years from July 11, 1939 and expiring on December 31, 2038 subject to an annual ground rent of RM266 for nil purposes. Lot 99 is held under a lease of State land for a term of 60 years from November 11, 1953 and expiring on November 10, 2013 subject to an annual ground rent of RM39 for agricultural purposes. Lot 100 is held under a lease of Crown land for a term of 60 years from November 11, 1953 and expiring on November 10, 2013 subject to an annual ground rent of RM91 for agricultural purposes.	The property is currently vacant.	5,484,000 (59.69% interest attributable to the Group: 3,273,400)

Note:

(i) The registered owner of the property is Ang Cheng Ho Quarry Sdn Bhd (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
25.	Land held under Lot 977 and Lot 980, Kuching North Land District, Kuching, Sarawak, Malaysia Lot 977 and Lot 980, Block 216, Kuching North Land District, Kuching, Sarawak, Malaysia	The property comprises 2 adjoining parcels of vacant land (the "Land"). The total area of the Land is approximately 1,220 square metres (approximately 13,127 square feet). Lot 977 and Lot 980 are held under a lease of State land for a term of 60 years from June 5, 1987 and expiring on June 4, 2047 subject to an annual ground rent of RM12 and RM12 respectively for residential purposes.	The property is currently vacant.	591,000 (59.69% interest attributable to the Group: 352,768)

Note:

(i) The registered owner of the property is Ang Cheng Ho Quarry Sdn Bhd (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
26.	Nos. 174 and 175, Taman Bandar Raya, Jalan Tun Hussein Onn, Bintulu, Sarawak, Malaysia Lot 4366 and 4367, Block 32, Kemena Land District, Bintulu, Sarawak, Malaysia	The property comprises 2 adjoining parcels of land (the "Land") on which 2 units of 2-storey terrace houses (the "Buildings") were erected. The Buildings were completed in 1990. The total area of the Land is approximately 352 square metres (approximately 3,789 square feet). The total gross floor area of the Buildings is approximately 302 square metres (approximately 3,252 square feet). The property is held under a lease of State land for a term of 60 years from November 5, 1998 and expiring on November 4, 2058 subject to an annual ground rent of RM14 for residential purposes.	The property is currently rented to Magna-Foremost Sdn Bhd (a jointly controlled entity), which occupies the property for residential use, for a term of 2 years from January 1, 2007 to December 31, 2008 at a monthly rent of RM1,400.	860,000 (59.69% interest attributable to the Group: 513,334)

Note:

(i) The registered owner of the property is Stigang Resources Sdn Bhd (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
27.	Land and Buildings held under Lot 4156, Lot 4157 and Lot 2830, Batu 15½, Sungei Pelong, 47500 Sungai Buloh, Selangor Darul Ehsan, Malaysia Lot 4156 Geran 19457, Lot 4157 Geran 19458 and Lot 2830 Geran 45284, Mukim of Sungai Buloh, District of Kuala Lumpur, Selangor Darul Ehsan, Malaysia	The property comprises 3 adjoining parcels of land (the "Land") on which 2 units of administration buildings, 7 units of 1-storey industrial buildings, 6 units of 1-storey staff quarters and 7 units of ancillary structures (the "Buildings") were erected. The Buildings were completed in various stages between 1970 and 1992. The total area of the Land is approximately 81,427 square metres (approximately 876,483 square feet). The total gross floor area of the Buildings is approximately 24,892 square metres (approximately 267,938 square feet). The property is held under freehold titles subject to an annual ground rent of RM7,306, RM30,476 and RM38,225 for nil and industrial purposes.	The property is occupied by the Group as factory buildings and office. A portion of the property comprising certain spaces of the Buildings on Lot 2830, with a total gross floor area of approximately 1,598 square metres (approximately 17,200 square feet), is leased to Hock Lee Rubber Products Sdn Bhd (a subsidiary of the Company) for a term of 5 years from July 1, 2005 to June 30, 2010 at a monthly rent of RM10,212 as office, factory buildings warehouse and staff quarters. A portion of the property comprising certain spaces of the Buildings on Lot 4156, with a total gross floor area of approximately 21,545 square metres (approximately 231,906 square feet), is leased to Foremost-Crest Sdn Bhd (a jointly controlled entity) for a term of 10 years from June 14, 2005 to June 13, 2015 at a monthly rent of RM65,943.80 as office, factory buildings, warehouse and staff quarters.	67,537,000 (59.69% interest attributable to the Group: 40,312,835)

Notes:

(i) The registered owner of the property is Hock Lee Enterprises (Malaysia) Sdn Bhd (in which the Company effectively holds 59.69% interest).

(ii) The occupation permits for the Buildings have not been obtained.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
28.	Land and Buildings held under Lot 2831, Batu 15½, Sungei Pelong, 47500 Sungai Buloh, Selangor Darul Ehsan, Malaysia Lot 2831 Geran 42585, Mukim of Sungai Buloh, District of Kuala Lumpur, Selangor Darul Ehsan, Malaysia	The property comprises a parcel of land (the "Land") on which 1-storey office, 3 units of 1-storey industrial buildings and 3 units of 1-storey ancillary structures (the "Buildings") were erected. The Buildings were completed in 1992. The area of the Land is approximately 40,747 square metres (approximately 438,601 square feet). The total gross floor area of the Buildings is approximately 6,788 square metres (approximately 73,070 square feet). The property is held under a freehold title subject to an annual ground rent of RM38,157 for industrial purposes.	The property is currently occupied by the Group as factory buildings and office. A portion of the property comprising 3 factory buildings on Lot 2831, with a total gross floor area of approximately 6,763 square metres (approximately 72,800 square feet), is leased to Hock Lee Rubber Products Sdn Bhd (a subsidiary of the Company) for a term of 5 years from July 1, 2005 to June 30, 2010 at a monthly rental of RM16,920 as office and factory buildings.	36,166,000 (59.69% interest attributable to the Group: 21,587,485)

Notes:

(i) The registered owner of the property is Hock Lee Plantations Sdn Bhd (in which the Company effectively holds 59.69% interest).

(ii) The property is subject to a charge in favour of RHB Bank Berhad dated May 25, 2001.

(iii) The occupation permits for the Buildings have not been obtained.

Group II — Property Interests Held For Investment (Property Nos. 29 – 31)

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
29.	No. 63–68, Block A, Taman Sri Sarawak Mall, Jalan Borneo, Kuching, Sarawak, Malaysia Subsidiary Titles: Parcel 281-1-55, 281-2-55, 281-3-55, 281-4-55; Parcel 281-1-54, 281-2-54, 281-3-54, 281-4-54; Parcel 281-1-53, 281-2-53, 281-3-53, 281-4-53; Parcel 281-1-52, 281-2-52, 281-3-52, 281-4-52; Parcel 281-1-51, 281-2-51, 281-3-51, 281-4-51; Parcel 281-1-50, 281-2-50, 281-3-50, 281-4-50; Section 48, Kuching Town Land District, Kuching, Sarawak, Malaysia	The property comprises 6 blocks of 4-storey shophouse (the "Buildings") which were completed in 1979. The total gross floor area of the Buildings is approximately 1,804 square metres (approximately 19,418 square feet). The parent title of the property is held under a grant of State land for a term of 783 years from November 25, 1988 and expiring on August 11, 2771 subject to an annual ground rent of RM12,937 for commercial and residential purposes.	Ground floor of Nos. 66-67 with a total gross floor area of approximately 220 square metres (approximately 2,368 square feet) is occupied by the Group as an office. Level 2 of Sublots 66 and 67 currently rented out to Samling Plywood (Lawas) Sdn Bhd (a subsidiary of the Company) for 2 years expiring on August 31, 2007 at a monthly rent of RM5,000. Level 3 of Sublot 65 and Level 1 of Sublot 68 rented out to Stigang Resources Sdn Bhd (a subsidiary of the Company) for 2 years expiring on June 30, 2007 at a monthly rent of RM1,200. Level 2 of Sublot 63 rented to the British Council for 3 years from April 1, 2004 expiring on March 31, 2007 at a monthly rent of RM950 for first year and increased rent of not more than 10% be agreed for second and third years. Level 3 of Sublot 63 rented to AmBank (M) Bhd for 2 years from July 1, 2005 expiring on June 30, 2007 at a monthly rent of RM600. Level 3 of Sublot 68 rented to SRD Bina Sdn Bhd for 2 years from June 15, 2005 expiring on June 14, 2007 at a monthly rent of RM600.	6,748,000 (59.69% interest attributable to the Group: 4,027,881)

Notes:

(i) The property was purchased by Ang Cheng Ho Quarry Sdn Bhd (in which the Company effectively holds 59.69% interest) under Deed of Assignment dated July 14, 1986 made between Wilfred Mah Min Poh and Ang Cheng Ho Quarry Sdn Bhd with purchase price paid in full.

(ii) The strata title to the property has not been issued yet.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
30.	Land and Building held under Lot 8196, Jalan Pending, Kuching, Sarawak, Malaysia Lot 8196, Section 64, Kuching Town Land District, Kuching, Sarawak, Malaysia	The property comprises a parcel of land (the "Land") on which 1 unit of 4-storey shophouse (the "Building") was erected. The Building was completed in 1982. The area of the Land is approximately 112 square metres (approximately 1,201 square feet). The gross floor area of the Building is approximately 446 square metres (approximately 4,805 square feet). The property is held under a lease of State land for a term of 60 years from May 12, 1988 and expiring on May 11, 2048 subject to an annual ground rent of RM73 for commercial and residential purposes.	The property is currently vacant.	1,014,000 (59.69% interest attributable to the Group: 605,257)

Note:

(i) The registered owner of the property is Ang Cheng Ho Quarry Sdn Bhd (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
31.	Unit No. C-10-3A & Unit No. C-10-5 10th Floor Block C Megan Phileo Avenue, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia Geran 37731/M1-C/10/ 344, No. Petak 344, Tingkat 10, Bangunan No. M1-C, Lot 144, Seksyen 44, Bandar Kuala Lumpur, Malaysia Geran 37731/M1-C/10/ 343, No. Petak 343, Tingkat 10, Bangunan No. M1-C, Lot 144, Seksyen 44, Bandar Kuala Lumpur, Malaysia	The property comprises 2 adjoining office units located on the 10th floor of a 22-storey office building known as Block C, Megan Phileo Avenue II. The building was completed in 1995. The total gross floor area of the property is approximately 674 square metres (approximately 7,255 square feet). The property is held in perpetuity for commercial use.	The property is currently rented to 3D Networks Sdn Bhd from April 1, 2005 and expiring on March 31, 2007. The revised monthly rental from October 1, 2006 is RM13,727.50.	4,891,000 (59.69% interest attributable to the Group: 2,919,438)

Note:

(i) The registered owner of the property is Lingui Developments Berhad (a 59.69%-owned subsidiary of the Company).

Group IV — Property Interests Rented or Licenced By The Group (Property Nos. 32 – 45)

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
32.	Wisma Samling, Lot 296, Jalan Temenggung Datuk Oyong, Lawai Jau, 98000 Miri, Sarawak, Malaysia Lot 296, Block 11, Miri Concession Land District, Miri, Sarawak, Malaysia	The property comprises certain office spaces in CEO Wing and President Wing of a 3-storey office building ("the Building") known as Wisma Samling which was completed in 1991. The gross floor area of the property is approximately 7,618 square metres (approximately 82,000 square feet). The lettable area occupied by the Group is approximately 4,877 square metres (approximately 52,500 square feet). The property is held under eight tenancy agreements by the Group as lessee for a term from September 1, 2006 and expiring on June 30, 2009 at a total monthly rent of RM225,750. The tenancy is not assignable. The property is currently occupied by the Group as an office.	No commercial value

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
33.	Block A3, 2nd Floor, Sentosa Court, Mile 2.5, Jalan Labuk, Sandakan, Sabah, Malaysia	The property comprises a staff quarter completed in 1987. The gross floor area of the property is approximately 100 square metres (approximately 1,076 square feet). The property is held under a tenancy agreement dated November 10, 2004 between Kwan Pun Cho as lessor and Samling Chipboard Sdn Bhd as lessee for a term of 3 years from November 1, 2004 to October 31, 2007 at a monthly rent of RM1,300. The tenancy is not assignable. The property is currently occupied by the Group as staff quarters.	No commercial value

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
34.	Land and Buildings held under ML513 Lot 9177 & LM 773 Lot 9178, Kampung Teluk Gong, 42000 Port Klang, Selangor, Malaysia	The property comprises 2 parcels of land (the "Land") on which an office building, staff quarters and industrial building (the "Buildings") were completed in 1991. The area of the Land is approximately 21,727 square metres (approximately 233,873 square feet) and the total gross floor area of the Buildings is approximately 14,146 square metres (approximately 152,270 square feet). The property is held under a tenancy agreement dated December 21, 2006 between Perkayuan T.M. (Malaysia) Sdn Bhd as lessor and Samling Housing Products Sdn Bhd as lessee for a term of 3 years from November 1, 2006 to October 31, 2009 at a monthly rent of RM65,000. The tenancy is not assignable. The property is currently occupied by the Group as office, staff quarters and factory complex.	No commercial value

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
35.	Buildings held under Lot 9201, Teluk Gong, Mukim Kelang, 42000 Port Klang, Selangor, Malaysia HSM 3112 Lot 9201, Teluk Gong, Mukim Kelang, Selangor, Malaysia	The property comprises a staff quarter completed in 2002. The gross floor area of the property is approximately 929 square metres (approximately 10,000 square feet). The property is held under a notice of extension of rental agreement dated December 22, 2006 between Brilliant Vintage Sdn Bhd as lessor and Samling Housing Products Sdn Bhd as lessee for a term of 1 year from November 1, 2006 to October 31, 2007 at a monthly rent of RM1,000. The tenancy is not assignable. The property is currently occupied by the Group as staff quarters.	No commercial value

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006
			(HK$)
36.	No. 21, Solok Seri Sarawak 35A, Taman Seri Andalas, 41200 Klang, Selangor, Malaysia	The property comprises a staff quarter completed in 1999. The gross floor area of the property is approximately 101 square metres (approximately 1,087 square feet). The property is held under a tenancy agreement dated November 1, 2006 between Chan Kok Suan as lessor and Samling Housing Products Sdn Bhd as lessee for a term of 2 years from November 1, 2006 to October 31, 2008, with an option to renew for another one year at the same rental, at a monthly rent of RM1,750. The tenancy is not assignable. The property is currently occupied by the Group as a staff quarter.	No commercial value

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006
			(HK$)
37.	No. 23 Solok Seri Sarawak 35A, Taman Seri Andalas, 41200 Klang, Selangor, Malaysia	The property comprises a staff quarter completed in 1999. The gross floor area of the property is approximately 101 square metres (approximately 1,087 square feet). The property is leased under a tenancy agreement dated November 1, 2006 between Ch'ng Ping Lan as lessor and Samling Housing Products Sdn Bhd as lessee for a term of 2 years from November 1, 2006 to October 31, 2008, with an option to renew for another one year at the same rental, at a monthly rent of RM1,500. The tenancy is not assignable. The property is currently occupied by the Group as a staff quarter.	No commercial value

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
38.	No. 2 Lorong Permai 4C, Taman Kota Pendamar, 42000 Port Klang, Selangor, Malaysia	The property comprises a staff quarter completed in 2004. The gross floor area of the property is approximately 168 square metres (approximately 1,808 square feet). The property is leased under a tenancy agreement dated August 30, 2006 between Eng Chiew Tiang as lessor and Samling Housing Products Sdn Bhd as lessee for a term of 2 years from October 1, 2006 to September 30, 2008 at a monthly rent of RM1,050. The tenancy is not assignable. The property is currently occupied by the Group as a staff quarter.	No commercial value

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
39.	Level 42 Menara Maxis Kuala Lumpur City Centre 50088 Kuala Lumpur Malaysia	The property comprises an office premise within a 49-storey office building completed in 1998. The gross floor area of the property is approximately 793 square metres (approximately 8,536 square feet). The property is held under a tenancy agreement between Tanjong City Centre Property Management Sdn Bhd as lessor and Lingui Developments Berhad as lessee for a term of 3 years from April 1, 2004 to March 31, 2007 at a monthly rent at RM52,923.20. The tenancy is not assignable. The property is currently occupied by the Group as office.	No commercial value

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
40.	Brighton Condominium Lot 901, Block 11, Jalan Temenggong Datuk Oyong Lawai Jau, 98000 Miri, Sarawak, Malaysia	The property comprises 6 units of condominium within a building known as the Brighton Condominium which was completed in 1999. The total gross floor area of the property is approximately 754 square metres (approximately 8,114 square feet). The property is held under six tenancy agreements by the Group as lessee for a term from September 1, 2006 to June 30, 2009 at a total monthly rent at RM19,700. The tenancy is not assignable. The property is currently occupied by the Group for residential use.	No commercial value

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
41.	No. 124, Jalan Tun Ahmad Zaidi, Bintulu, Sarawak, Malaysia Lot 4756, Block 31, Kemena Land District, Bintulu, Sarawak, Malaysia	The property comprises a double storey semi-detached house which was completed in 1999. The gross floor area of the property is approximately 160 square metres (approximately 1,720 square feet). The property is held under a tenancy agreements by the Group as lessee for a term from March 15, 2006 to March 14, 2008 at a total monthly rent of RM3,500. The tenancy is not assignable. The property is currently occupied by the Group for residential use.	No commercial value

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006
			(HK$)
42.	Buildings held under a state land located at Tebanyi, Ulu Baram, Miri, Sarawak, Malaysia	The property comprises 2 units of 1-storey industrial buildings, 12 units of staff quarters and 16 units of ancillary structures (the "Buildings") completed in between 2004 and 2005. The total gross floor area of the Buildings is approximately 22,783 square metres (approximately 245,239 square feet). An extension to the existing factory comprises a factory, warehouse and ancillary buildings are currently being constructed and is about 80% completed. The total gross floor area of the extended buildings is approximately 8,499 square metres (approximately 91,483 square feet). The property is currently occupied by the Group as veneer mill and power plant.	No commercial value

Notes:

(i) The registered owner of the land, on which the Buildings were erected, is the State.

(ii) The property is occupied by Samling Plywood (Bintulu) Sdn Bhd as a licence holder to operate the Veneer Mill, pursuant to the Licence to Operate a Veneer Mill granted by the Forestry Department Head Quarter, Kuching to Lingui Developments Berhad dated July 23, 2003.

(iii) Since the Buildings were built by the Group on a parcel of land not owned by the Group (the Land is held by the State), we have attributed no commercial value to them. For reference purposes, the depreciated replacement cost of the Buildings (excluding the land) as at the date of valuation is RM19,398,000 which is excluded from our valuation.

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006
			(HK$)
43.	Buildings held under a state land located at Sg. Linau Camp, Ulu Baram, Miri, Sarawak, Malaysia	The property comprises 1 unit of industrial building, 10 units of staff quarters and 10 units of ancillary structures (the "Buildings") completed in 1994. The total gross floor area of the Buildings is approximately 18,329 square metres (approximately 197,298 square feet). The property is currently occupied by the Group as a veneer mill.	No commercial value

Notes:

(i) The registered owner of the land, on which the Buildings were erected, is the State.

(ii) The property is occupied by S.I.F. Management Sdn Bhd as a licence holder to operate the Veneer Mill, pursuant to the Licence to Operate a Veneer Mill granted by the Forestry Department Head Quarter, Kuching to S.I.F. Management Sdn Bhd dated November 14, 2005.

(iii) Since the Buildings were built by the Group on a parcel of land not owned by the Group (the Land is held by the State), we have attributed no commercial value to them. For reference purposes, the depreciated replacement cost of the Buildings (excluding the land) as at the date of valuation is RM10,677,000 which is excluded from our valuation.

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
44.	Buildings held under a state land located at Layun Camp, Ulu Baram, Miri, Sarawak, Malaysia	The property comprises 1 unit of industrial building, 3 units of staff quarters and 6 units of ancillary structures (the "Buildings") completed in 2005. The total gross floor area of the Buildings is approximately 20,096 square metres (approximately 216,308 square feet). The property is currently occupied by the Group as a veneer mill.	No commercial value

Notes:

(i) The registered owner of the land, on which the Buildings were erected, is the State.

(ii) The property is occupied by Samling Plywood (Baramas) Sdn Bhd as a licence holder to operate the Veneer Mill, pursuant to the Licence to Operate a Veneer Mill granted by the Forestry Department Head Quarter, Kuching to Samling Plywood (Baramas) Sdn Bhd dated November 14, 2005.

(iii) Since the Buildings were built by the Group on a parcel of land not owned by the Group (the Land is held by the State), we have attributed no commercial value to them. For reference purposes, the depreciated replacement cost of the Buildings (excluding the land) as at the date of valuation is RM18,258,000 which is excluded from our valuation.

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
45.	Buildings held under a state land located at Lana Camp, Belaga, Sarawak, Malaysia	The property comprises 1 unit of industrial building, 3 units of staff quarters and 9 units of ancillary structures (the "Buildings") completed in 2004. The total gross floor area of the Buildings is approximately 17,064 square metres (approximately 183,678 square feet). The property is currently occupied by the Group as a veneer mill.	No commercial value

Notes:

(i) The registered owner of the land, on which the Buildings were erected, is the State.

(ii) The property is occupied by Samling Flooring Products Sdn Bhd as a licence holder to operate the Veneer Mill, pursuant to the Licence to Operate a Veneer Mill granted by the Forestry Department Head Quarter, Kuching to Samling Flooring Products Sdn Bhd dated May 26, 2004.

(iii) Since the Buildings were built by the Group on a parcel of land not owned by the Group (the Land is held by the State), we have attributed no commercial value to them. For reference purposes, the depreciated replacement cost of the Buildings (excluding the land) as at the date of valuation is RM13,164,000 which is excluded from our valuation.

PROPERTY INTERESTS HELD OR RENTED BY THE GROUP IN NEW ZEALAND (PROPERTY NOS. 46 – 60)

Group I — Property Interests Held For Owner Occupation (Property Nos. 46 – 58)

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
46.	Waimanu Forest Glenroy Road Whangara and Riverside Road New Zealand **GS5D/487** — Lots 2 Deposited Plan 762 and Lot 4, Part Lot 3 and Part Lot 5 Deposited Plan 4406 **GS5A/1082** — Part Lot 2 Deposited Plan 2754 **GS5B/544** — Part Section 2 Block XII Waimata Survey District	The property comprises a parcel of land with an area of approximately 20,688,790 square metres (approximately 2,068.8790 hectares). The potentially plantable area is approximately 19,130,000 square metres (approximately 1,913.0000 hectares). The ground based harvesting area is approximately 1,913,000 square metres (approximately 191.3000 hectares). The property is held under freehold title for forestry purpose.	The property is currently occupied by the Group for forestry purpose.	27,388,000 (59.69% interest attributable to the Group: 16,347,897)

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
47.	Kopua Forest Wharerata Road Muriwai New Zealand **GS103/63** — Puninga 12B1A2 Block **GS3A/530** — Puninga 12B1B Block **GS2D/1086** — Puninga 12B2A Block **GS3A/531** — Puninga 12B1C Block **GS5B/501** — Section 1 – 2 Survey Office Plan 8273 and Part Maraetaha 1D Block	The property comprises a parcel of land with an area of approximately 10,488,000 square metres (approximately 1,048.8000 hectares). The potentially plantable area is approximately 8,510,000 square metres (approximately 851.0000 hectares). The ground based harvesting area is approximately 2,553,000 square metres (approximately 255.3000 hectares). The property is held under freehold title for forestry purpose.	The property is currently occupied by the Group for forestry purpose.	13,326,000 (59.69% interest attributable to the Group: 7,954,289)

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
48.	Wakaroa Forest Hokoroa Road Waimata New Zealand **GS5D/386** — Lot 1 – 2 Deposited Plan 7888, Lot 1 – 2 Deposited Plan 7886, Lot 6 Deposited Plan 6573, Lot 1 Deposited Plan 5624, Part Papakorokoro 5 Block and Section 18 and Section 21 – 22 Block III Waimata Survey District **GS5B/428** — Sections 7 – 9, Part Section 6 and Part Section 12 Block III Waimata Survey District and Lot 2 Deposited Plan 7682 **GS4C/196** — Section 11 Block III Waimata Survey District	The property comprises a parcel of land with an area of approximately 8,926,011 square metres (approximately 892.6011 hectares). The potentially plantable area is approximately 8,280,000 square metres (approximately 828.0000 hectares). The ground based harvesting area is approximately 1,656,000 square metres (approximately 165.6000 hectares). The property is held under freehold title for forestry purpose.	The property is currently occupied by the Group for forestry purpose.	10,771,000 (59.69% interest attributable to the Group: 6,429,210)

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
49.	Mangarara Forest Hokoroa Road Waimata New Zealand **GS4C/1388** — Section 3 Block IV Waimata Survey District **GS4D/307** — Lot 1 Deposited Plan 6514, Lot 1 Deposited Plan 6515, Lot 1 – 3 Deposited Plan 6721, Lot 1 Deposited Plan 6722 and Lot 1 Deposited Plan 6723 **GS5B/993** — Lot 1 Deposited Plan 6599, Sections 6 – 8 Block XV Waingaromia Survey District and Part Section 8 Block XVI Waingaromia Survey District **GS5C/686** — Section 13 and Section 17 Block III Waimata Survey District	The property comprises a parcel of land with an area of approximately 27,273,230 square metres (approximately 2,727.3230 hectares). The potentially plantable area is approximately 22,100,000 square metres (approximately 2,210.000 hectares). The ground based harvesting area is approximately 4,199,000 square metres (approximately 419.9000 hectares). The property is held under freehold title for forestry purpose.	The property is currently occupied by the Group for forestry purpose.	27,903,000 (59.69% interest attributable to the Group: 16,655,301)

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
50.	Findlay Forest Paritu Road Wharerata New Zealand **GS4D/1152** — Part Lot 1 Deposited Plan 1739	The property comprises a parcel of land with an area of approximately 2,497,731 square metres (approximately 249.7731 hectares). The potentially plantable area is approximately 1,850,000 square metres (approximately 185.0000 hectares) with no ground based harvesting. The property is held under freehold title for forestry purpose.	The property is currently occupied by the Group for forestry purpose.	2,632,000 (59.69% interest attributable to the Group: 1,571,041)

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
51.	Okiwa Forest Hokoroa Road Waimata New Zealand **GS4B/1156** — Section 9 Block XI Waingaromia Survey District **GS4C/43** — Lot 1 Deposited Plan 4246, Lot 1 Deposited Plan 6600, Section 5 Block XVI Waingaromia Survey District and Section 4 Block XII Waingaromia Survey District **GS5B/363** — Section 14 – 15 Block XII Waingaromia Survey District **GS5B/364** — Section 7 Block XI Waingaromia Survey District and Section 12 and Section 16 – 17 Block XII Waingaromia Survey District **GS5C/505** — Section 2 and Section 8 Block XI Waingaromia Survey District	The property comprises a parcel of land with an area of approximately 30,211,210 square metres (approximately 3,021.1210 hectares). The potentially plantable area is approximately 24,720,000 square metres (approximately 2,472.0000 hectares). The ground based harvesting area is approximately 5,191,200 square metres (approximately 519.1210 hectares). The property is held under freehold title for forestry purpose.	The property is currently occupied by the Group for forestry purpose.	31,589,000 (59.69% interest attributable to the Group: 18,855,474)

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
52.	Hineroa Forest Tarewa Road Wharerata New Zealand **HB204/61** — Lot 2 Deposited Plan 10369 **HBA2/812** — Part Section 1 Block XI Nuhaka North Survey District **HBA2/813** — Section 5R Block X Nuhaka North Survey District **HBA2/814** — Section 6R Block X Nuhaka North Survey District **HBA2/815** — Section 7R Block X Nuhaka North Survey District **HBA2/816** — Section 3 Block X Nuhaka North Survey District **GS3B/70** — Part Maraetaha 2C Block **GS3B/1470** — Section 2R Block VII Nuhaka North Survey District **HBD4/106** — Section 14 Block XI Nuhaka North Survey District **HBH4/1200** — Part Section 2 Block VI Nuhaka North Survey District and Section 1 – 3 Block VII Nuhaka North Survey District **HBK1/738** — Lot 1 Deposited Plan 17396	The property comprises a parcel of land with an area of approximately 21,486,500 square metres (approximately 2,148.6500 hectares). The potentially plantable area is approximately 18,030,000 square metres (approximately 1,803.0000 hectares). The ground based harvesting area is approximately 7,572,600 square metres (approximately 757.2600 hectares). The property is held under freehold title for forestry purpose.	The property is currently occupied by the Group for forestry purpose.	25,063,000 (59.69% interest attributable to the Group: 14,960,105)

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
53.	Te Marunga Forest Tauwhareparae Road Tauwhareparae New Zealand **GS1D/642** — Matatuatonga 1 Block **GS4B/716** — Section 1 Block 1 Uawa Survey District and Part Section 1 and Part Section 9 Block XIII Tokomaru Survey District **GS4B/207** — Lot 1 Deposited Plan 6172, Section 2 Block 1 Uawa Survey District and Section 7, Section 12 – 14 and Part Section 1 Block IV Waingaromia Survey District **GS4B/206** — Lot 1 Deposited Plan 6171, Section 6 and Section 10 Block IV Waingaromia Survey District and Part Ngatawakawaka 1 Block **GS5C/610** — Section 15, Section 21, Section 33, Section 35, Section 42 – 44 and Part Section 41 Block V Uawa Survey District and Section 17 Block VI Uawa Survey District **GS5C/687** — Section 7 – 9 Block II Uawa Survey District **GS4C/881** — Part Lot 1 Deposited Plan 1479 **GS4D/66** — Lot 1 Deposited Plan 6764 **GS4D/208** — Part Mangaheia 2A2 Block and Lot 1 Deposited Plan 6629 **GS4D/771** — Section 4 – 5 Block II Uawa Survey District	The property comprises a parcel of land with an area of approximately 97,486,410 square metres (approximately 9,748.6410 hectares). The potentially plantable area is approximately 82,670,000 square metres (approximately 8,267.0000 hectares). The ground based harvesting area is approximately 18,187,400 square metres (approximately 1,818.7400 hectares). The property is held under freehold title for forestry purpose.	The property is currently occupied by the Group for forestry purpose.	121,392,000 (59.69% interest attributable to the Group: 72,458,885)

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
	GS4D/988 — Lot 1 Deposited Plan 6759 and Section 24, Part Section 9 and Part Section 23 Block V Uawa Survey District **GS4D/1008** — Section 38 – 39 Block V Uawa Survey District **GS4D/1341** — Lot 2 – 5 Deposited Plan 7053 **GS4D/1342** — Part Lot 19 Deposited Plan 3395, Part Lot 1 Deposited Plan 6303, Part Section 2 Block XIII Tokomaru Survey District and Part Section 4 Block I Uawa Survey District **GS5C/149** — Section I Block XIV Tokomaru Survey District **GS5C/150** — Section 7 Block XIV Tokomaru Survey District and Section 9 Block XV Tokomaru Survey District **GS5C/151** — Section 1 and Section 3 – 4 Survey Office Plan 8231 **GS5C/152** — Section 1 – 3, Section 5, Section 9, Section 11 and Section 18 Survey Office Plan 8275 **GS5D/362** — Section 5 – 10 Block I Uawa Survey District			

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
54.	Huanui Forest Hokoroa Road Tauwhareparae New Zealand **GS2C/260** — Part Waingaromia 2 Block and Deposited Plan 3260 **GS5B/495** — Part Lot 1 Deposited Plan 1104 **GS5C/213** — Section 3 Block II Waingaromia Survey District, Part Lot 1 Deposited Plan 4278 and Part Lot 2 and Part Lot 4 Deposited Plan 1104	The property comprises a parcel of land with an area of approximately 47,160,310 square metres (approximately 4,716.0310 hectares). The potentially plantable area is approximately 41,850,000 square metres (approximately 4,185.0000 hectares). The ground based harvesting area is approximately 18,832,500 square metres (approximately 1,883.2500 hectares). The property is held under freehold title for forestry purpose.	The property is currently occupied by the Group for forestry purpose.	56,103,000 (59.69% interest attributable to the Group: 33,487,881)

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
55.	Wairangi Forest Tarndale Road Mangatu New Zealand **GS5D/1176** — Section 6 and Part Section 7 – 8 Block V Tutamoe Survey District and Lot 1 Deposited Plan 6256 **GS6D/209** — Lot 3 Deposited Plan 9828 and Part Section 1 Block VI Tutamoe Survey District **GS4C/954** — Section 9 Block V Tutamoe Survey District **GS6D/208** — Lot 2 Deposited Plan 9828 and Part Section 10 Block V Tutamoe Survey District **GS4C/956** — Section 3 Block IX Tutamoe Survey District **GS4D/1042** — Section 4R Block V Tutamoe Survey District **GS6B/851** — Section 11 Block V Tutamoe Survey District	The property comprises a parcel of land with an area of approximately 51,610,500 square metres (approximately 5,161.0500 hectares). The potentially plantable area is approximately 42,760,000 square metres (approximately 4,276.0000 hectares). The ground based harvesting area is approximately 11,545,200 square metres (approximately 1,154.5200 hectares). The property is held under freehold title for forestry purpose.	The property is currently occupied by the Group for forestry purpose.	51,666,000 (59.69% interest attributable to the Group: 30,839,435)

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
56.	Whareongaonga Forest Wharerata Road Bartletts New Zealand **Part of GS6B/952** — Part of part Whareongaonga 5 Block	The property comprises a parcel of land with an area of approximately 11,000,000 square metres (approximately 1,100 hectares). The potentially plantable area is approximately 9,390,000 square metres (approximately 939 hectares). The ground based harvesting area is approximately 1,502,400 square metres (approximately 150.24 hectares). The property is held under an unregistered memorandum of lease dated February 1, 1981 between The Mãori Trustee as lessor and Hikurangi Forest Farms Limited as lessee. The lease is for a term of 79 years and renewable by agreement on February 1, 2051. The rental is 1% of Unimproved Value plus 13% stumpage. The rent was reviewed January 31, 2006 to NZD9,800 per annum.	The property is currently occupied by the Group for forestry purpose.	7,760,000 (59.69% interest attributable to the Group: 4,631,944)

Note:

(i) The property is held under an unregistered memorandum of lease dated February 1, 1981 for a term of 79 years and renewable by agreement on February 1, 2051 between The Mãori Trustee as lessor and Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest) as lessee.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
57.	Mill Site Dunstan Road Matawhero New Zealand **GS5B/1089** — Lot 1 Deposited Plan 7966	The property comprises a parcel of land with an area of approximately 358,710 square metres (approximately 35.8710 hectares). The property is held under freehold title for rural industrial purpose.	The property is currently vacant for proposed mill.	14,698,000 (59.69% interest attributable to the Group: 8,773,236)

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (in which the Company effectively holds 59.69% interest).

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
58.	Mill Site 156 Dunstan Road Matawhero New Zealand **GS4B/932** — Lot 2 Deposited Plan 6362 **GS4C/1109** — Lot 1 Deposited Plan 6694 **GS4C/1110** — Lot 2 Deposited Plan 6694	The property comprises a parcel of land with an area of approximately 222,633 square metres (approximately 22.2633 hectares) on which a 1930's dwelling, carport, detached garage, woolshed and hayshed were built. The property is held under freehold title for rural industrial purpose.	The property is currently mainly vacant for proposed mill.	10,118,000 (59.69% interest attributable to the Group: 6,039,434)

Note:

(i) The registered owner of the property is Hikurangi Forest Farms Limited (a 59.69%-owned subsidiary of the Company).

Group IV — Property Interests Rented By The Group (Property Nos. 59 – 60)

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
59.	First Level of the National Mutual Building Corner Gladstone Road and Derby Street Gisborne New Zealand	The property comprises one level of office spaces within a 2-storey office building completed in the early 1970's. The gross floor area of the property is approximately 307 square metres. The property is held under a tenancy agreement dated April 1, 2005 between Blake Keane (now transferred to Alan Wilmot Mossman) as lessor and Tasman Forestry (Gisborne) Limited as lessee for a term of 3 years from April 1, 2005 to March 31, 2008 at a rent of NZD2,378.43 per month inclusive of goods and services tax and operating expenses. The rent reviews are annually. The tenancy is not assignable without the landlord's written consent. The property is currently occupied by the Group as office.	No commercial value

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
60.	Store Room on Leith Street Gisborne New Zealand	The property comprises a 1-storey building completed in the mid 1970's. The gross floor area of the property is approximately 403 square metres. The property is held under a tenancy agreement dated October 29, 2001 between Thos Corson Holdings Limited (now transferred to Julian Wilfred Kohn and Denis Redding Kohn) as lessor and Hikurangi Forest Farms Limited as lessee for a term of 3 years from July 1, 2004 to June 30, 2007 at a rent of NZD1,400 per month inclusive of goods and service tax. The lease contains one further right of renewal of three years. The tenancy is not assignable without the lessor's written consent. The property is currently occupied by the Group as store for fire fighting equipment.	No commercial value

PROPERTY INTERESTS HELD OR RENTED BY THE GROUP IN GUYANA (PROPERTY NOS. 61 – 62)

Group I — Property Interests Held For Owner Occupation (Property No. 61)

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
61.	Land and Buildings located at Pln. Land of Canaan & Pln. Sarah Johanna East Bank Demerara/ Tinehri Public Road Guyana	The property comprises 3 parcels of land ("the Land") on which a number of 1- to 2-storey buildings and ancillary structures (the "Buildings") were erected. The Buildings were completed in between 1992 and 2006. The total area of the Land is approximately 1,711,002 square metres (approximately 171.1022 hectares) and the total gross floor area of the Buildings is approximately 56,254 square metres. The property is held under Transport No. 752 of September 16, 1992 — Lots 'A', 'B', 'C', 'A & B'; Transport Number 1323 of November 30, 1994 — Lots 'D'; and Transport Number 518 of June 5, 1996 — sublot 'B'. The property is held under freehold title with land use zoning for industrial, commercial, agricultural and residential purposes.	The property is currently occupied by the Group as production centre and office. A portion of the property, with a land area of approximately 0.283 acres, is leased to Guyana Telephone and Telegraph Company Limited for a term of 25 years from January 24, 2006 at a monthly rent of GYD35,000 for the purpose of installing telecommunication facilities.	160,540,000 (100% interest attributable to the Group: 160,540,000)

Notes:

(i) The registered owner of the property is Barama Company Limited (a wholly-owned subsidiary of the Company).

(ii) There are no mortgages nor other encumbrances.

Group IV — Property Interests Rented By The Group (Property No. 62)

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
62.	A Parcel of Land Situated on the Left Bank Essequibo River County of Essequibo Guyana	The property comprises a parcel of State Land containing approximately 2,023,428 square metres (approximately 500 acres). The property is leased under a Lease of State Land For Integrated Industrial Purposes dated June 20, 2002 between Commissioner of Lands and Surveys for the President of Guyana as lessor and Barama Company as lessee for a term of 50 years from September 1, 2000. The rent is payable on yearly basis at US$4,150. The lessee shall be liable to pay all rates and taxes levied by the local authority. The lease is not assignable. The property is currently occupied by the Group as integrated industrial purposes.	No commercial value

PROPERTY INTERESTS HELD BY THE GROUP IN THE PRC (PROPERTY NOS. 63 – 65)

Group I — Property Interests Held For Owner Occupation (Property Nos. 63 – 65)

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
63.	Land and Buildings located at East of the North Segment of West Loop Industrial Park of Cangshan County Cangshan Linyi Shandong Province The PRC	The property comprises a parcel of land ("the Land"), with a land area of approximately 40,021 square metres, 12 blocks of 1- to 2-storey buildings and ancillary structures (the "Buildings") erected on the Land. The Buildings were completed in 2004. The total gross floor area of the Buildings is approximately 12,481 square metres. The property is held under a State-owned Land Use Rights Certificate for a term expiring on November 4, 2053 for industrial use.	The property is currently occupied by the Group as production centre and office.	13,625,000 (100% interest attributable to the Group: 13,625,000)

Notes:

(i) According to a State-owned Land Use Rights Certificate issued by the Cangshan County People's Government (蒼山縣人民政府) dated December 30, 2003, the Land is held by Foothill LVL & Plywood (Cangshan) Co., Ltd. (魯林木業(蒼山)有限公司) ("Foothill", a wholly-owned subsidiary of the Company).

(ii) According to a Building Ownership Certificate issued by Cangshan County People's Government dated June 16, 2006, the Buildings are held by Foothill.

(iii) The opinion of the Company's PRC legal adviser states that:

(a) The Land is held by Foothill under a Land Use Rights Certificate issued by the Cangshan County People's Government on December 30, 2003 for a term of 50 years expiring on November 4, 2053 for industrial use.

(b) The buildings are held by Foothill under a Building Ownership Certificate for industrial, office, warehouse, residential and other uses.

(c) Current use of the property is in conformity with the use specified in the Land Use Rights Certificate.

(d) The property is subject to mortgage in favour of Cangshan Branch of the Agricultural Bank of China from November 14, 2006 to November 13, 2008.

(e) Foothill has validly and effectively obtained the rights to use the Land and the ownership of the Buildings. It is the legal and beneficial owner of the land use rights and the Buildings under the Land Use Rights Certificate and the Building Ownership Certificate.

(f) Foothill is entitled to freely sell, transfer, mortgage, lease, licence or otherwise dispose of such land use rights, within the specified term of use, subject to the consent of the mortgagee during the mortgage term.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006 (HK$)
64.	Land and Buildings located at No. 38, Guangzhou Road, Nantong Economic & Technology Development Zone Nantong Jiangsu Province The PRC	The property comprises 2 parcels of land ("the Land") with a land area of approximately 121,679 square metres, 14 blocks of 1- to 3-storey buildings and ancillary structures (the "Buildings") erected on the Land. The Buildings and decoration works were completed in 1992. The total gross floor area of the Buildings is approximately 35,997 square metres. The property is held under two sets of State-owned Land Use Rights Certificate for a term expiring on December 17, 2040 for industrial use and two sets of Building Ownership Certificate.	The property is currently occupied by the Group as production centre and office.	34,088,000 (100% interest attributable to the Group: 34,088,000)

Notes:

(i) According to two sets of State-owned Land Use Rights Certificate issued by the Nantong Municipal People's Government (南通市人民政府) dated September 27, 2002 and January 19, 2005 respectively, the Land is held by Riverside Plywood Corporation (三林合板（南通）有限公司) ("Riverside", a wholly-owned subsidiary of the Company).

(ii) According to two sets of Building Ownership Certificate issued by Land Planning, Environmental Protection and Building Administration Bureau of Nantong Economic & Technology Development Zone (南通經濟技術開發區土地規劃環保房產局) and Building Administration Bureau of Nantong (南通市土地房產局) dated October 17, 2002, the Buildings are held by Riverside.

(iii) As at the date of valuation, there were 6 buildings (other than the Buildings), being used as workshops and warehouse, with a total gross floor area of approximately 2,968 square metres of which no Building Ownership Certificates were issued. We have attributed no commercial value to these 6 buildings. For reference purpose, we are of the opinion that, assuming free of any encumbrances, the depreciated replacement cost of these 6 buildings (excluding the land) as at the valuation date would be approximately RMB1,346,000 which is excluded from our valuation.

(iv) The opinion of the Company's PRC legal adviser states that:

(a) The Land is held by Riverside under two Land Use Rights Certificates issued by the Nantong Municipal People's Government on September 27, 2002 for a term expiring on December 17, 2040 for industrial use.

(b) The Buildings are held by Riverside under two Building Ownership Certificates for employees' dormitory, canteen, employees' club, bath rooms and manufacturing uses.

(c) The land use rights over the Land and parts of the Buildings with a total gross floor area of approximately 31,498 square metres for manufacturing use have been mortgaged.

(d) Current use of the property is in conformity with the use specified in the Land Use Rights Certificates.

(e) Riverside has validly and effectively obtained the rights to use the Land and the ownership of the Buildings. It is the legal and beneficial owner of the land use rights and the Buildings under the two Land Use Rights Certificates and the two Building Ownership Certificates.

(f) Subject to the consent of the mortgagees, Riverside is entitled to freely sell, transfer, mortgage, lease, licence or otherwise dispose of such land use rights, within the specified term of use and with the consent of mortgagee of the Land.

No.	Property	Description	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2006
				(HK$)
65.	Rooms 501 and 502 Block 10 Huiyuan Residential Area Shanghai Road Nantong Economic & Technology Development Zone Nantong Jiangsu Province The PRC	The property comprises two residential units within a 6-storey residential building completed in or about 1988. The total gross floor area of the property is approximately 173 square metres. The property is held under a Building Ownership Certificate for residential use.	Room 502 is currently occupied by the Group as staff quarters.	385,000 (100% interest attributable to the Group: 385,000)

Notes:

(i) According to a Building Ownership Certificate issued by Building Administration Bureau of Nantong (南通市房產管理局) dated October 20, 2005, the property is held by Riverside Plywood Corporation (三林合板（南通）有限公司) ("Riverside", a wholly-owned subsidiary of the Company).

(ii) The opinion of the Company's PRC legal adviser states that:

(a) The property is held by Riverside under a Building Ownership Certificate for residential use.

(b) Riverside has validly and effectively obtained the ownership of the property. It is the legal and beneficial owner of the property under the Buildings Ownership Certificate.

(c) The property has been mortgaged.

(d) Subject to the consent of the mortgagee, Riverside is entitled to freely sell, transfer, mortgage, lease, licence or otherwise dispose of such property.

PROPERTY INTERESTS RENTED BY THE GROUP IN HONG KONG (PROPERTY NO. 66)

Group IV — Property Interests Rented By The Group (Property No. 66)

No.	Property	Description and Occupancy	Capital Value in Existing State as at December 31, 2006 *(HK$)*
66.	Room 2205 22nd Floor Harbour Centre 25 Harbour Road Wanchai Hong Kong	The property comprises an office unit within a 33-storey office building and was completed in or about 1983. The gross floor area of the property is approximately 189 square metres (approximately 2,034 square feet). The property is held under a tenancy agreement dated January 23, 2006 between Xipho Development Company Limited as lessor and the Company as lessee for a term of 3 years from December 16, 2005 to December 15, 2008 at a rent of HK$69,088 per month exclusive of management fee and other service charges. The tenancy is not assignable. The property is currently occupied by the Group as office.	No commercial value

The following is the text of a letter and independent technical report prepared for the purpose of incorporation in this prospectus received from Pöyry, an independent technical consultant, in connection with the forestry assets of our Group.

Pöyry's technical report presents all of our forest and processing operations held by our Group, with the exception of the oil palm tree and rubber tree assets owned by our associates that do not relate to our various wood products business segments. The projections contained in Pöyry's technical report are not necessarily indicative of future performance and the actual woodflows, costs and capital expenditures may vary from the projections contained in the technical report.

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25 Harbour Road, Wanchai
22nd Floor, Room 2205,
Harbour Centre,
Hong Kong

Pöyry Forest Industry Pte Ltd
2 Battery Road #21-01
Maybank Tower
Singapore 049907

February 23, 2007

Dear Sirs,

Pöyry has been engaged by Samling Global Limited (the "Company" or "Samling") to provide independent technical consulting services for the review of its forestry and processing operations in Malaysia, Guyana, New Zealand and China. The review covered companies in Samling which, following the reorganisation (as defined in the prospectus to be issued by the Company in connection with its proposed listing on the Stock Exchange of Hong Kong, the "prospectus") undertaken by the Company have become its subsidiaries and certain companies that are jointly controlled by Samling.

This report presents our Independent Technical Report ("ITR") of the forest and processing operations of Samling. The ITR does not cover the aspects of Company equity holdings. The summarised supporting data and glossary are contained in the final sections of the report.

Scope of work

The scope of the work was to:

- Observe the current forest operations and processing plants and to assess current practices and performance, and validate costs and production levels.

- Review the planned operations and plantation development.

- Assess environmental performance.

During April and May 2005, a team of 16 forest and wood processing specialists visited the operations of Samling and reviewed the forest resource, manufacturing facilities, planned plantation development and facility expansions. A second review, including selected site visits, was completed by the end of August 2006.

The operations of the following subsidiaries and jointly controlled companies of the Company have been visited.

Company Name	Assets
Malaysia	
Samling Plywood (Lawas) Sdn Bhd	Forest Concession (T/0404, T/0405)
Samling Plywood (Miri) Sdn Bhd	Forest Concession (T/0413) & SPM plywood mill
Samling Plywood (Baramas) Sdn Bhd	Forest Concession (T/0411, T/0412) SPK plywood mill and Layun veneer factory
Samling Plywood (Bintulu) Sdn Bhd	Forest Concession (T/3283, T/3282) & SPB plywood mill and Tebanyi veneer factory
KTN Timor Sdn Bhd	Forest Concession (T/0280)
Merawa Sdn Bhd	Forest Concession (T/0390)
Majulaba Sdn Bhd	Forest Concession (T/9115)
Ravenscourt Sdn Bhd	Forest Concession (T/0294) and Lawas sawmill (operated by Rimalco Sdn Bhd)
Syarikat Reloh Sdn Bhd	Forest Concession (T/3112)
Sertama Sdn Bhd	Forest Concession (T/3173)
Samling Wood Industries Sdn Bhd	Forest Concession (T/3284) and Kuala Baram sawmill (operated by Rimalco Sdn Bhd)
SIF Management Sdn Bhd	Forest Concession (T/9082), SIF Veneer Factory
Syarikat Samling Timber Sdn Bhd	Forest plantation License (LPF/0014, LPF/0006 clearing only*)
Samling Reforestation Bintulu Sdn Bhd	Forest plantation License (LPF/0007, LPF/0021, LPF/0020, LPF/0008, LPF/0005)
Daiken Miri Sdn Bhd	MDF mill
Samling Housing Products Sdn Bhd	Housing Product manufacturing
Samling Flooring Products Sdn Bhd	Flooring Product manufacturing, Lana veneer factory, Rindaya plywood mill
Magna-Foremost Sdn Bhd	Door facing manufacture
Samling DorFoHom Sdn Bhd	Wood supply trading for Magna Foremost
Foremost Crest Sdn Bhd	Engineered doors
New Zealand	
Hikurangi Forest Farms Limited	Forest plantations
Guyana	
Barama Company Ltd	Concession TSA04/91, plywood mill & two sawmills, harvesting rights
China	
Riverside	Plywood mill
Foothill	LVL mill

These operations constitute the forestry assets and processing operations of Samling, with the exception of oil palm tree and rubber tree assets owned by Samling's associates.

Pöyry

Pöyry Forest Industry is part of the Pöyry Group which is listed on the Helsinki Stock Exchange. Pöyry employs 5,200 experts in 42 countries in the forest industry, energy, infrastructure and environment sectors. Pöyry Forest Industry's consulting division has continuously been providing consultancy services since 1966 and has 250 professionals operating in 13 offices around the world.

Our full time professional staff has expertise in all aspects of the forest industry and advises clients in business strategy, processes and operations designed to enhance stakeholder value. Our expertise covers the complete supply chain, from raw materials to technology, markets and financing. Consulting and advisory services are provided in three main practice areas:

- Strategy Consulting
- Operations Consulting
- Investment Banking

The Pöyry team that conducted an Independent Technical Review of Samling's operations consisted of 16 specialists in their respective fields and were supported by forest industry experts in the Shanghai, Singapore, Auckland, Melbourne, Helsinki, London and New York offices.

Forward-Looking Statements

All statements contained in this review that are not statements of historical fact, such as estimates of current and future growth and output in the natural forests and plantations, constitute forward looking statements. These forward looking statements and other matters discussed in the ITR that are not historical fact are only Pöyry's projections of future performance and may differ from actual performance. Nothing in this report is, or should be relied upon as a promise by Pöyry that the actual future performance, results, achievements, growth, yields, costs, or prices relating to the current or planned forest or processing plants will be as discussed in this ITR. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to those discussed in this ITR. Actual results may be different from the opinions contained in this report, as anticipated events may not occur as expected and the variation may be significant.

Statement of Interests

Pöyry was selected for this assignment based on our company and staff expertise in consulting in the international forest industry. Pöyry has no historical relationship with, and is independent of, Samling. Pöyry is an independent consulting company and has no economic interest in any of the companies assessed in this assignment. Our payment for services is not contingent on Samling's approval of our work. In preparing this report, Pöyry has completed the work with skill and diligence in the performance of the services and observed recognised principles of professional ethics and respected the laws and customs in the country where the services were rendered.

Report Qualifications and Assumptions

In preparing this report, we have relied on the accuracy and completeness of the forest inventory, operating and other data as supplied by Samling. We have exercised due care in reviewing the historical information herein and believe it is both reasonable and representative. Our ITR has been completed according to generally accepted practices employed in the international consulting industry. Although we have compared key information provided by Samling with expected values through our own research, the accuracy of the results and conclusions of this report are reliant on the accuracy of the information provided.

We undertook a limited visual inspection of various forest concession and plantation land sites and various wood products operations of Samling in Malaysia, Guyana, New Zealand and China in April and May, 2005 and a further inspection in certain of Samling's processing mills in Miri in July 2006.

This ITR is subject to certain limitations, including, among others, the following:

- We undertook site visits and conducted aerial surveys which provide only an indicative assessment of likely woodflows from the natural forests and existing plantations. This ITR assumes that the sites visited are representative of the condition of the full range of Samling's operations.

- We did not undertake a full scale review of the existence of any hazardous materials or other adverse environmental conditions that may be present on any forest lands on which Samling operates.

- We are not an expert in, and express no opinion on, any legal or accounting matters assumed for purposes of this ITR.

- We do not intend to provide purchasers of the Offer Shares (as defined in the prospectus) with any revised or updated projections or an analysis of any differences between such projections and actual woodflows, production volumes or conditions of Samling's operation.

We have made certain assumptions in preparing this ITR, including, among others, the following:

- We have set out certain key assumptions in section 2 of this ITR.

- The woodflow projections contained in this ITR are predicated based upon various assumptions. Such assumptions are inherently subject to uncertainties and Samling's actual woodflows may differ from those projected. Accordingly, such projections are not necessarily indicative of Samling's actual woodflows during the forecast period.

- For the purposes of preparing the projections, we made certain assumptions with respect to general business and economic conditions and state and local policies, the outcome of which cannot be predicted with any expectation of certainty. For instance, we have made assumptions with regards to allowable cuts and quotas set for Samling's concessions which could differ from those applied to Samling's concessions in future.

As a result of the foregoing and other limitations and assumptions the actual woodflows, production volumes, capital expenditure and conditions of forestry concessions and plantations of Samling may differ from that set forth in this ITR. The degree of uncertainty associated with the projections set out in this ITR increases with each year presented. If actual woodflows, production volumes, capital expenditure and concession or plantation conditions are less favorable than those shown or if the assumptions used in formulating the projections prove to be incorrect, Samling's business and operations may differ from the projections.

Andy Fyfe
President (Asia-Pacific)

David Gardner
Vice President (South East Asia)

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Pöyry Forest Industry Pte Ltd

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1 INTRODUCTION

Pöyry was engaged by Samling in April 2005 to provide independent technical consulting services for the review of its forestry and processing operations in Malaysia, Guyana, New Zealand and China.

During April and May 2005, a team of 16 forest and wood processing specialists visited the operations of Samling and reviewed the forest resource, manufacturing facilities, planned plantation development and facility expansions. A second review, including selected site visits, was completed by the end of August 2006.

This ITR presents the findings and conclusions of our review of the market environment, the Company's current and planned operations and the risk factors associated with these developments.

The introductory letter attached to this report outlines in more detail the scope of the consulting assignment and the associated report qualifications and forward looking statements.

The report is structured in five main sections:

- Key assumptions — Forest performance and operating costs
- Company overview — Company overview and development
- Market review — Review of key markets and market developments
- Current operations — Asset description and operational review
- Planned expansions — Review of planned plantation and processing expansion

The summarised supporting data and glossary are contained in the final sections of the report.

2 KEY ASSUMPTIONS

The key assumptions, as outlined below, focus on the Company's current and future planned operations and, in particular, to the forestry operations and the inherent unpredictability of biological based assets.

The assumptions used in this review are not limited to the key assumptions discussed in this section. All assumptions associated with this review, whether implied or expressed, are contained within the respective areas of the report.

2.1 Forest performance

Growth and Yield Estimation

Malaysian natural forest concessions — Pöyry has assumed, for the purposes of the calculation of woodflows*, that the yield is based on the current combined quota as set out by the Sarawak Forest Department, which approximates to an annual level of cut of 1.96 m^3/ha/a per net operable ha for merchantable logs. The species and grade mix is assumed to remain similar to the current mix.

Guyana natural forest concessions — Pöyry has assumed the projected sustainable yield from the Barama concession and the other concessions where Samling has cutting rights (Barakat Timbers and Trading Company Limited, N Sukul and Sons, Toolsie Persaud Limited, Guyana Sawmills Limited (Cuyuni) and N. Mazaharally & Sons), could rise to approximately 420,000 m^3 based on the annual allowable cut, processing facilities, export potential and the likely species mix. The allowable cut is defined as the total volume per compartment that the Guyana Forestry Commission allows to be cut based on inventory, species mix, merchantability and stand growth dynamics. If the Company were able to expand the volume of commercial ply grade logs being sold to export, the annual volume could potentially increase to over 600,000 m^3.

New Zealand plantations — The weighted average yield table for radiata pine has been derived by Pöyry through analysis of HFF data using a combination of mid-rotation and pre-harvest inventory results run through recognised New Zealand growth and yield models.

Malaysian plantations — Pöyry believes that while the plantation establishment plan may include a number of species, it is reasonable at this stage to assume the majority of the plantation areas as being planted as Acacia mangium (details of yield assumptions are found in Section 5.1.1). It is assumed that the acacia will be grown on a 10 year rotation targeting both saw and peeler log-grades.

Whilst all woodflows shown for the forest resources are best estimates of what future management intention might be, the reality may be different.

* Woodflow is a technical term to describe the amount of wood being harvested from a forest (plantation or natural forest). It may be expressed either as a total cumulative amount over numerous periods or as an annual figure. In this report, woodflows are shown in m^3 units, but may also be expressed as tonnes or other units of weight using appropriate conversion factors. Woodflows are normally constrained by a combination of the capacity of the forest to produce, management intentions and, in specific cases, imposed quotas.

Renewal of Concession licences

Pöyry has assumed that the forest concession licences in Guyana and Sarawak will be renewed on expiry but that the Guyana harvesting rights will not be.

2.2 Operating Costs

Forestry and Manufacturing Costs

For the purposes of this report, logs destined for Samling plants are assumed by Pöyry to be transferred at cost. Those exported are sold to the open market on a Free On Board (FOB) basis. Third party sales are assumed to be bought from log ponds or coastal mill sites.

Exchange Rates

Unless otherwise specified, Pöyry has used the following exchange rates as averages for the financial year 2005/6:

Malaysia	1 USD = 3.73 Ringgit
China	1 USD = 8.04 Yuan
New Zealand	1 USD = 1.498 NZ Dollars
Guyana	All financial information received in USD

3 COMPANY OVERVIEW

3.1 Introduction

Samling is a large tropical forest resource and integrated forest and wood products company with approximately 4 million ha of forest concessions and harvesting rights in addition to having a position as one of the largest hardwood plywood producers by manufacturing capacity in the world. Total revenue of the Company (from consolidated accounts FY June 2006) reached USD389 million in 2006.

The founder of the Company commenced operations in Malaysia in 1963. In 1976, Samling was formed with a natural forest harvesting and log export business, based on extensive forest concessions granted by the Sarawak Government. The Company has also developed forest resources in Guyana, New Zealand and China to provide further platforms for growth of the business. Samling currently has approximately 4 million ha of forest concessions, plantation licences, freehold land and leases and harvesting rights. This existing resource base is complemented with the planned expansion of plantation resources to further expand Samling's operations. Log production from the existing forest assets has a near term capacity of approximately 3.182 million m^3/a. Based on Samling's existing and planned company woodflows, Pöyry estimates that total production could increase to approximately 5.0 million m^3 /a by 2020. Ultimately this depends on Samling's long term development plan.

Samling has forests in Malaysia certified under the Malaysian Timber Council Certification scheme (MTCC) as well as obtaining Forest Stewardship Council (FSC) certification for their New Zealand plantation resource. Forest certification is a measure of environmental management and, in this respect, Samling is taking a proactive approach clearly differentiating the Company from a number of other industry participants.

The Company benefits from a well developed infrastructure, economies of scale and a business that has been in operation for a considerable length of time. With a large tropical hardwood forest resource base, the Company is in a strong position to sustain and grow its wood processing base.

From the early 1990s, Samling has focused on the development of processing operations to add further value to its forest resources. This has included the manufacture of plywood, veneer and other wood products designed to diversify its product portfolio, serving a wider range of customers, as well as more effectively utilising its raw material resource. The Company has a current wood processing capacity of approximately 1.44 million m^3/a (excluding housing products).

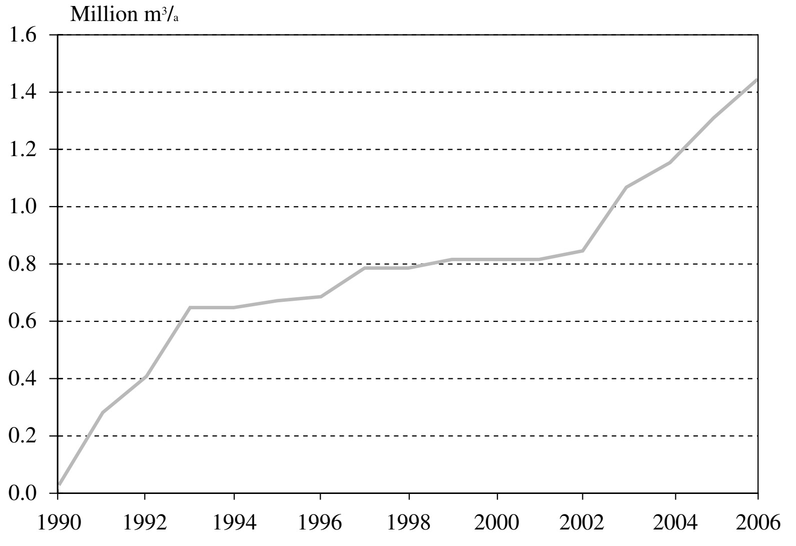
Today, Samling's operations are mainly focused on the sale of logs, veneer and plywood to global export markets, which make up approximately 84% of turnover. Samling has informed Pöyry that they intend to expand this production portfolio and focus on a range of product areas which complement these businesses. This is consistent with the Company's continued focus of increasing the level of value-added products in its business portfolio.

Based upon the potential woodflows and product mixes, Samling plans to expand its total processing capacity depending on market opportunities.

Samling's resources and operations are positioned to access the fast growing markets in Asia, particularly China and India, as well as the developed markets in Europe and North America.

With the majority of its operations and forest resources based in the Asia-Pacific region, the Company is well placed to capitalise on the increasing demand for forest products in Asia, the world's largest wood deficit region making these resources highly strategic in developing and capturing specific high end markets.

Figure 3-1:
Historic Processing Capacity Growth of Samling

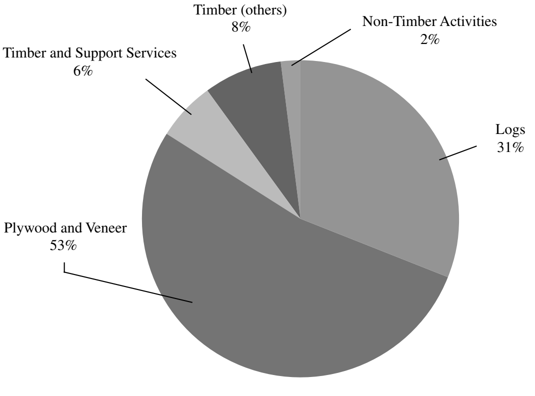


Sources: Samling and Pöyry

Note: Excludes housing products.

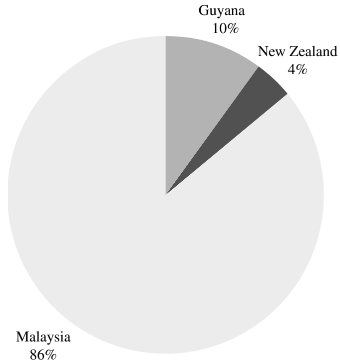
Over the last 2 decades, the Company has expanded its operations from its base in Sarawak, Malaysia to include operations in Guyana, New Zealand and China. While its main operational base will remain in Malaysia, future plans are aimed at growth in all countries where it has current operations, particularly in the processing of the increasing output from the maturing New Zealand plantations and the planned fast growing plantations in Malaysia. This structure is intended to enable the Company to diversify its cost structure and business risks.

Figure 3-2:
Samling Global Production — By Product (based on Sales Revenue)



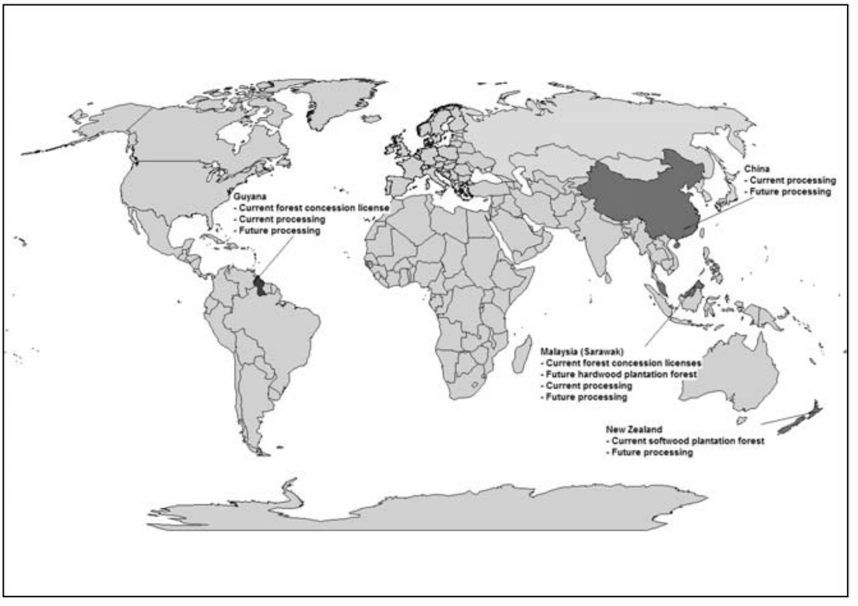
Sources: Samling consolidated accounts (Year End 30 June 2006)

Figure 3-3:
Samling Global Production — By Geography (based on production volume)



Source: Samling
(Year End 30 June 2006)

Figure 3-4:
Samling's Global Operations



Source: Pöyry

3.2 Forestry Operations

Samling currently has approximately 4 million ha of forest concessions, plantation licences, freehold land and leases and harvesting rights, with an annual log production capacity of approximately 3.182 million m^3/a. This resource base currently consists of mainly mixed tropical hardwood resources in Malaysia and Guyana in addition to maturing radiata pine plantations in New Zealand.

Table 3-1:
Current Forest Assets

Country	Asset	Current Gross Area ('000s ha)	Net Operable Area[3] ('000s ha)	Near term Production capacity m^3/a
Malaysia	Concession licenses*	1,424.4	908.2	1.772 million
	Forest plantations	438.2	138.0	0.460 million[1]
Guyana	Concession license	1,611.2	1,327.9	0.360 million[2]
	Harvesting rights	445.4	370.3	
New Zealand	Forest plantations	35.0	26.4	0.580 million
Total		***3, 954.2***	***2,770.8***	***3.172 million***

Notes:

Near term production taken as average for the next 5 years. Malaysia plantations data does not include salvage volumes. The gross license area is currently issued to Samling, however, the total net operable area is a future figure following the development of the plantations and hence is shown in italics.

1 Malaysian plantations are largely in planning phase — production volume here from salvage operations.

2 Includes production from harvest right areas. Production figure from Pöyry constrained model, unconstrained production over the same time period could be 0.468 million m^3/a.

3 Guyana operable areas include approximately 10% by area that cannot be harvested (e.g. steep areas, riparian reserves). Areas used for woodflow are 90% of these areas.

* The log production data and annual quota in this ITR differs to figures used in Samling's Prospectus primarily due to:

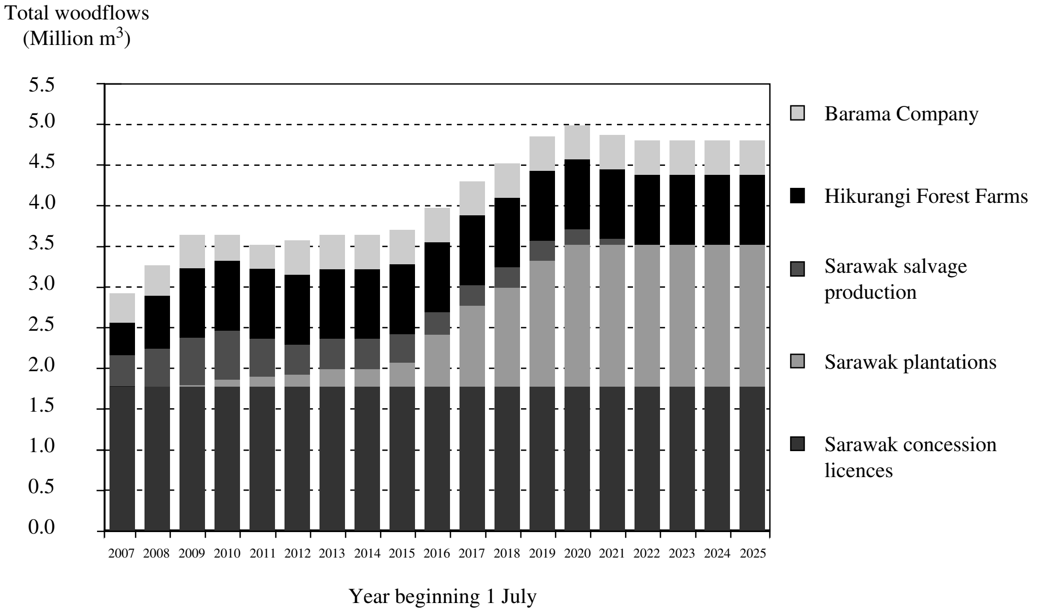
(i) inclusion of production data and annual quota applicable to Merawa Sdn. Bhd. and Dayalaba Sdn. Bhd. on the assumption that they were included in the Samling Group for the whole of the FY ended June 30, 2006.

(ii) ITR figures do not include portions of concession timber licence No. T3173; areas and woodflows of which have been contracted to a third party. Helicopter logging is also not included.

Samling has plans that could increase production log volume to approximately 5.0 million m^3/a by 2020 with the development of hardwood plantations in Malaysia, as well as the increasing maturity of the pine resource in New Zealand. With the completion of these plans, Samling will transform its forestry resource base to one which is more than 50% based upon plantation fibre. This will place the Company at a strong competitive advantage, both in terms of fibre cost and security.

This transformation process is an important part of the Company's overall development strategy, as the increased fibre volume provides the base for the expansion of the wood processing business, strengthening its position in global markets.

Figure 3-5:
Total Estimated Potential Woodflows Over Time from all Sources, Current and Future



Source: Pöyry; Includes production from Glenealy's Lana Sarawak plantation approximately 0.4 million m^3/a by 2025. See Section 6. Includes Merawa Sdn. Bhd. and Dayalaba Sdn. Bhd. but does not include woodflow from contracted parts of T3173 or helicopter logging.

Samling operates its harvesting operations according to the International Tropical Timber Organization (ITTO) guidelines and part of one concession license area in Malaysia has obtained MTCC certification. Samling has further introduced ISO 9001:2000 for its Malaysian (Baram) operations.

Table 3-2:
Forest Certification

Operation	Area Currently Certified (ha)	Percentage of Gross Area	Certification Standard	Status
Sarawak Forest Concessions	55,949 (Concession T/0412)	55.6% of gross concession area of T/0412	MTCC	Certification obtained October 2004.
New Zealand Forest Plantation	35,000	100% of gross area.	FSC	Certification obtained August 2005.

Biological and Climatic Aspects

Samling forestry and wood processing industries represented in this ITR (current and future) are directly affected by biological and climatic risks through the production and sourcing of logs or the disruption of manufacturing and trading of wood products and supply of other essential raw materials. The following factors may affect availability and prices of logs and the ability to manufacture wood products:

- Unfavourable local and global weather conditions such as prolonged drought, flooding, windstorms, frost, snow and freezing weather.

- The occurrence of natural disasters, such as damage by fire, insect infestation, crop diseases and pests, land slides and earthquakes.

Natural forests have evolved with a high level of diversity which minimises the potential damage and loss caused by insect attack and storm events. In Malaysia, there is a potential for fire damage resulting from changing weather patterns and the use of fire in shifting agriculture activities. During the last El Nino event of 1996/7, some 20,000 ha of the natural forest concessions in Sarawak were damaged by fire. Currently, Guyana experiences a very narrow range of temperatures and lies outside the hurricane belt. Climate change could affect the health and future productivity of its forests.

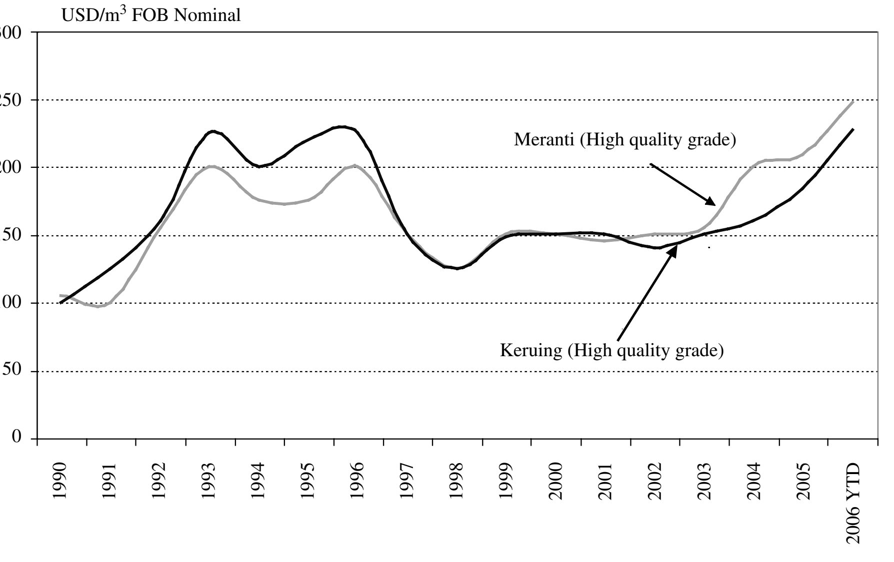
Climate change is likely to result in hotter, drier and more extreme weather conditions for Samling's New Zealand plantations. The risk of large losses from fire is relatively low due to the good regional fire control infrastructure.

3.3 Tropical Hardwood Log Trading

Samling harvests and handles approximately 1.9 million m³/a of tropical logs. Logs harvested are either utilised within Samling's own processing operations or sold to third parties. Third party sales are mainly for export. High value, large diameter logs are sold into key global tropical log markets for further processing, primarily into sawn timber and plywood.

Figure 3-6 highlights recent price trends for Malaysian hardwood logs. Since 2000, log prices have been trending upwards, with a particularly large increase in prices over the last three years. Since 2002, nominal prices for selected log grades and species have increased by as much as 65% (approximately 10.5%/a).

Figure 3-6:
Malaysia Keruing and Meranti Historical Export Log Prices



Source: ITTO (Malaysian traded logs)

The upward price trend is supported by a continued tightening of supply, increasing costs for harvesting and compliance with a tighter regulatory environment which will be passed on to end-users. Generally, prices are close to those achieved in the mid 1990s (in nominal terms) and the factors affecting the upward price trend are positive.

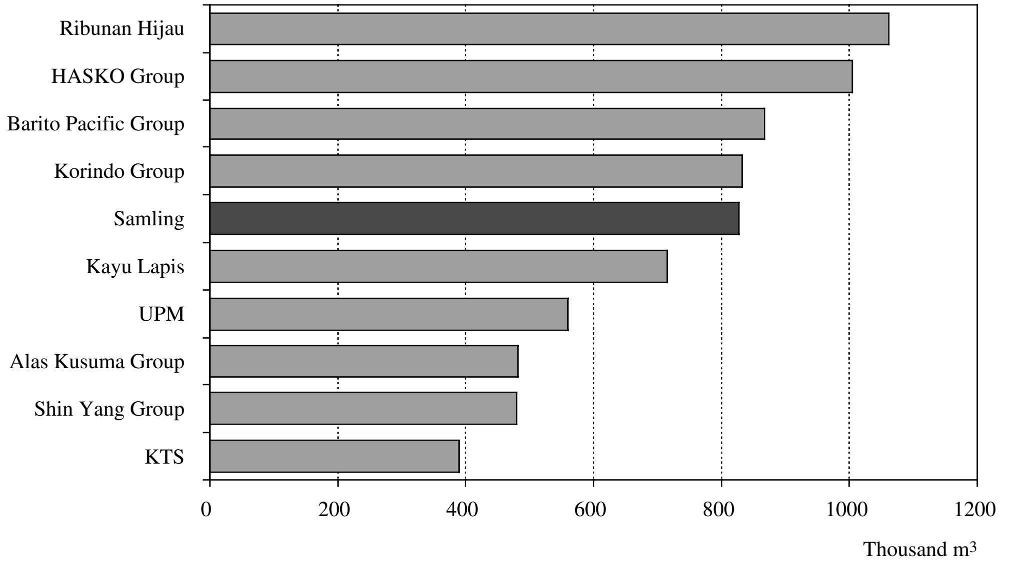
Samling has a long standing relationship with key buyers in the main markets and has worked closely with these customers to match log production in the forest with their requirements. Samling assembles and exports from three load ports in Sarawak (Bintulu, Miri and Lawas). During the financial year ended 30 June 2006, the Sarawak concessions exported a combined sales volume of 496,000 m³ as per audited accounts. During the same period, Barama exported approximately 99,000 m³ of sawlogs sourced from both the Barama Company concession and other concession areas for which they have cutting rights.

3.4 Processing Operations

Samling currently has processing operations in Malaysia, Guyana and China with 1.44 million m^3/a (excluding housing products) capacity for wood products plus log exports and downstream processing. This makes Samling one of the largest integrated tropical hardwood forest and wood products companies in the world in terms of combined forest resource under management and plywood capacity. The current product portfolio is dominated by plywood production, where the Company is one of the leading global hardwood plywood producers (Figure 3-7).

In addition to plywood, the Company also produces a range of downstream products. The manufacturing of these products having been developed to utilise the available forest resource. The sawmilling operations largely use logs that are unsuitable for plywood production, while the manufacture of Medium Density Fiberboard (MDF) and its associated door and furniture production utilises the residues from plywood mill and sawmill operations. Some of these residues are processed by Samling's own chipping facility.

Figure 3-7:
Leading Global Hardwood Plywood Producers by Installed Capacity (as of January 2006)



Sources: Samling and Pöyry's global mill data base

Figure 3-7 relates to installed capacity. In relation to production, it is Pöyry's understanding that some of the Indonesian mills are operating well below their installed capacities.

The Company is committed to maximising value from its forest resources. Given this commitment, the Company plans to continue to embark on value-added processing. Expansion of the Company's processing capacity is planned for Malaysia, Guyana, China and New Zealand. The expansion of the processing capacity is largely based on the planned forest plantation activities in Malaysia and the increasing age-class of the pine resource in New Zealand.

Prices for plywood have increased by more than USD150/m^3 (16%/a increase) over the past three years (Figure 3-8). We expect prices to continue to develop positively over the coming five years, supported by steady demand and rising peeler log prices. While substitution trends from other wood panels place a limit on pricing behaviour, especially in commodity grades, plywood prices still tend to lead overall wood panel price developments.

Figure 3-8:
Malaysia and Indonesia — Historical Plywood Prices[1]

Note:

1 Plywood price trend from 1990 to 1995 is based on weighted average Indonesian FOB plywood prices for selected key export destinations. Plywood price trend from 1996 onwards is based on an average of a series of Indonesian and Malaysian FOB and domestic plywood prices for specific grades and thickness.

Sources: ITTO/APKINDO

3.5 Sales and Marketing Activities

Samling supplies its products to a large number of countries. Changes in the global markets and resource availability, as well as changes in the resource flow from Samling's own operations, drive future development of its sales, production and product mix. The Company has informed Pöyry that it plans to increase volumes of value-added products, while at the same time maintaining the Company's position in the export log and plywood business. Pöyry believes that, while the export log and plywood businesses will continue to underpin the Company's performance, the strategy to diversify their earnings base through value-added products is appropriate.

Pöyry has been informed by the Company that it is focusing on increasing its manufacture and sales of higher value products, in all of its product groups, to provide higher and more stable profits. In logs, this means adding value through quality control, environmental certification and ensuring logs are sold into the highest possible value end-use. In plywood, this means continuing to target superior finish applications. The Company's aim is to be a globally recognised and branded supplier of certified plywood for high quality marine, floor base and furniture uses. For sawn timber, this means the manufacture of graded, dried quality timber.

For downstream products, such as flooring and furniture, the Company has informed Pöyry that it is developing strategies which will focus on positioning itself as a supplier of high quality, certified and branded products in the leading retail and distribution chains globally. The Company has indicated to us that other options such as further processing, through moulding, edge glue or finger-jointing will be implemented when driven by customer demand.

Samling has indicated to us that they have been continuously developing relationships with selected wholesalers and end-use customers to more effectively forecast product demand and improve margins. The marketing functions are organised by product groups, such as logs, plywood, furniture, flooring and doors.

Samling has informed Pöyry that the Company has also been working towards improving their distribution networks by providing product logistics support in major markets such as Japan, the UK, the US and China. Apart from offering a wide range of products to end-users, it also provides customers with warehousing, logistics and after sales services.

The Company informed us that this improvement in customer service is being facilitated by the Company's plywood mills 'pre-positioning' part of their stock in warehouses in the importing countries. This allows the Company to cut down delivery times and improve customer service.

Pöyry believes it is in the interest of both buyers and suppliers to have an ongoing and stable supply-demand relationship, in order to focus increased efforts on developing and servicing the customers' needs.

3.6 Management Team

Samling has been operating in the forest industry since 1976 and has an experienced and stable executive team that is committed to the long term success of the Company. Over half of their senior managers have been with the Company for more than ten years and many have long experience in the Malaysian forest products industry. The quality and strength of the team is demonstrated by the successful expansion and diversity of the Company, both in terms of production and product development, as well as the formulation of a clear sales and marketing strategy. This strength is also illustrated by the focus on developing customer relationships which move outside the traditional distribution channels.

The management team has been successful in developing the Company's operations to meet changing market requirements. In manufacturing, this has meant the implementation of high quality production standards and the development of new products for high growth markets. In the area of forest management, the team has been successful in managing the operations to attain certification of the Company's New Zealand forests, as well as partial certification of one of its Malaysian forest concessions. Focus has also been given to areas such as the most effective utilisation of the whole resource base, including waste recovery, and supply chain innovations leading to more effective customer service. Overall, the management team has demonstrated its ability to work effectively both during periods of high growth as well as in challenging market conditions and to adapt to different and difficult work environments.

3.7 Key Success Factors for the Wood Products Business

Pöyry's opinion as to the key factors for the successful and profitable supply of wood products and export logs to global markets can be summarised as follows:

- Security of low cost log supply through long term forest concessions, licences and plantation forest holdings.

- Low cost processing, technical superiority and efficient, flexible production adaptable to customer needs.

- A broad product range focused on a number of end-use sectors across a range of raw material sources and cost structures.

- Effective marketing and sales force, a good corporate brand and control over the distribution chain.

- An effective distribution chain with wide market coverage and preferably local presence is critical in growth markets such as Asia.

- Good understanding of the regional market and downstream industries and the operating environment.

- Integration of forestry, primary and downstream processing to maximise value on all products arising from the harvested logs.

- Consistent supply of high quality products that meet customers' quality expectations.

- Supply of environmentally certified products, enabling the targeting of the high end markets in the more developed countries.

Increasing degree of competition against other imports as well as cost competitive local players are some of the challenges which leading producers in the wood products sector face. Key markets in Asia are price sensitive and the risk of substitution by lower priced products is high. With its own low cost wood and manufacturing as a base, and a strategy of developing and expanding its environmental certification and distribution channels, Samling is well positioned to take on these challenges.

In Pöyry's opinion, the key strengths of Samling include:

- Large forest resource base which is well positioned for key product markets in North America, Europe and Asia.

- Large infrastructure in place to manage operations and full integration between the forestry and processing operations.

- An efficient and low cost producer of logs and solid wood products.

- Established in key markets with a diversified product range.

- Reputation in the market for quality products.

The Company has identified distribution as a focus for development with opportunities to capture margins currently lost in the often fragmented supply chain.

4 FOREST PRODUCTS MARKET REVIEW

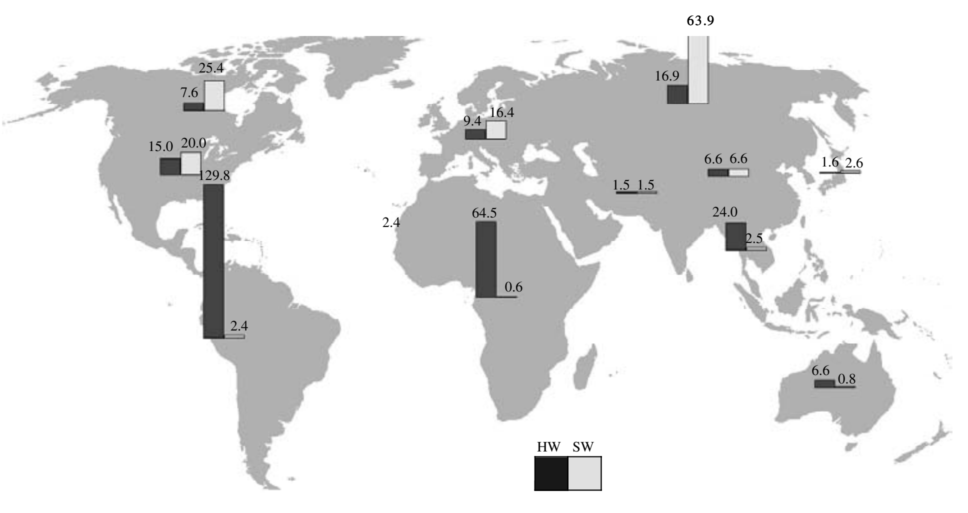
4.1 Overview of Global Forest Resources

It is estimated that in 2005, forests covered some 3.9 billion ha, or 30% of Earth's land area. Tropical and sub-tropical forests comprise approximately 50% of the world's total forest areas and are mainly located in South America, Asia and Africa, while temperate and boreal forests account for the other 50%, mainly located in Europe, Russia and North America. Natural forests represent 95% of the world forest resources, while man-made industrial plantation forests make up only about 5%. While plantation forests are being expanded rapidly, it is important to recognise that currently they only represent a very small part of the world's total forest resource.

In the Asia-Pacific region, total forest area is estimated to be approximately 750 million ha (2005), which contains approximately 70% tropical forests and sub-tropical forests and 30% of temperate forests and boreal forests. Natural forests account for approximately 85% of the resource base and industrial plantation forests account for approximately 15% of the total forest resource, much higher than the global average, mainly as a result of the plantation resource bases in China, Indonesia, Australia and New Zealand.

It is estimated that the global growing stock presently amounts to approximately 426 billion m^3 (2005). Approximate 67% of this growing stock is hardwood, with South America, Africa and Asia being the main hardwood forest regions (Figure 4-1). The softwood resource, which represents the other 33%, is mainly situated in the northern temperate and boreal zones, with Russia, in particular, accounting for about 50% of the global softwood resource.

Figure 4-1:
Growing Stock of Global Forest Resources (2005) M^3 Millions



Sources: FAO (2005) and Pöyry

While forest area in developed countries has stabilised and is generally increasing at a modest amount each year, declining forest volume (deforestation) has continued to be a major issue in developing countries, particularly for tropical and sub-tropical forests. Many countries in the Asia-Pacific region, notably Indonesia and China, have been increasing restrictions on the level of harvest designed to conserve the remaining forest areas.

One consequence of this is a significant and growing shortage of large-diameter logs, both softwood and hardwood, which is particularly favoured by plywood and sawn timber producers. This shortfall is likely to be long-term because of the time period required to grow such logs. Samling's extensive concessions and cutting rights of over 3.5 million ha in Malaysia and Guyana are therefore strategically very important in meeting the demand for high quality tropical hardwood plywood and sawn timber products.

This issue of supply shortfall is particularly apparent in the Asia-Pacific region, where regional demand for forest products significantly exceeds supply and the region is the largest "wood deficit" region in the world.

Demand for forest products in the Asia-Pacific region is expected to continue to increase, and to exceed that available from the region's forest resources, thus perpetuating the need to continue to import forest products (in various forms). The increase in regional demand is expected to be met by imports of finished products as well as stimulate the expansion of local wood processing industries in the region, which will rely on external sources. In general, the forest product markets in developing countries are focused on raw materials and primary processed products such as logs and commodity grade plywood, while the developed countries are increasingly looking for higher value-added products.

With this background of strong demand and increasingly challenged supply, owners and managers of forest resources, especially tropical and sub-tropical forest resources, are in a strong position to benefit from value growth in both raw material as well as finished products.

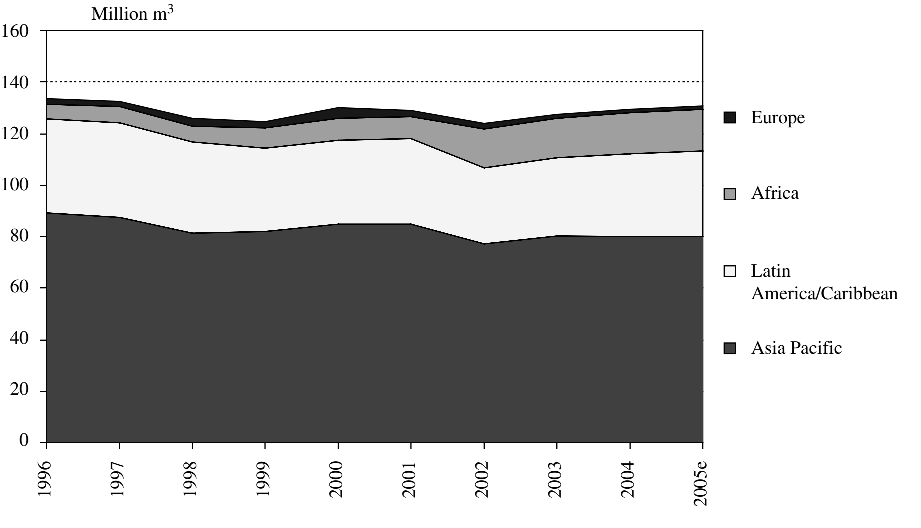
4.2 Tropical Hardwood Log Markets

Tropical log exports are a major component of Samling's sales mix and represent approximately 22% of the overall sales revenue from the consolidated accounts. Of the total exports, Malaysia is the primary source, with small volumes of exports from Guyana.

Between 1996 and 2005, demand for tropical hardwood logs has been stable. The Asia-Pacific region is by far the largest market for logs, representing approximately 59% of the total global market (Figure 4-2). Other regions such as South America and Africa are important consumption areas, with demand met mainly by local supply. Whilst Europe tropical hardwood log consumption is relatively lower, it remains an important market, especially in terms of high quality logs. Much of the tropical hardwood logs harvested within the Asia-Pacific region stay within the region. Imports do however play an important part in meeting domestic demand within the region (Figure 4-3).

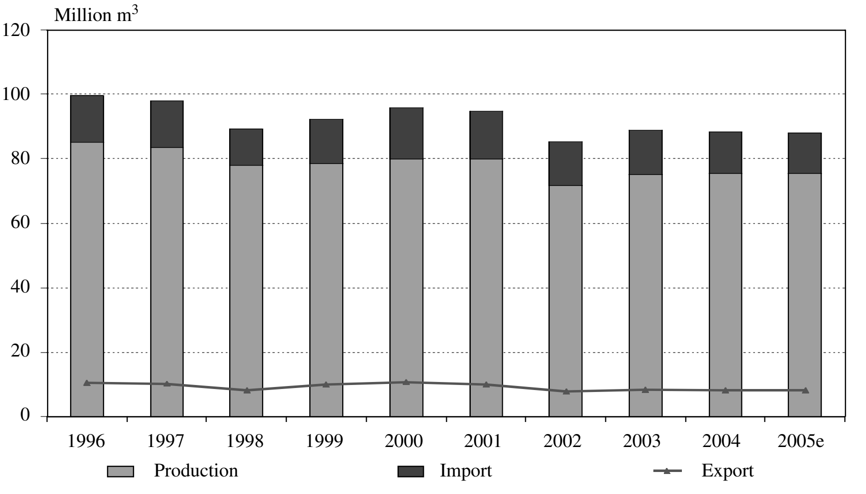
Within the Asia-Pacific region, Japan and China are the largest single markets, although showing very different trends: China, with rapid growth in demand driven by increased wood processing capacity, is in contrast to Japan's decline in log demand (total log demand has declined 6.5%/a over the last five years) as uncompetitive processing capacity is shut down. However in 2005, Japan still represented an important market, accounting for approximately 11% of traded tropical hardwood logs within the region. Closure of local wood processing facilities in Japan, while negative for log exports, is positive for the importation of finished products, such as plywood, veneer and sawn timber. Taiwan is also an important log market, due to its large wood processing capacity, and very limited forest resources.

Figure 4-2:
Global Tropical Hardwood Log Consumption



Source: Pöyry

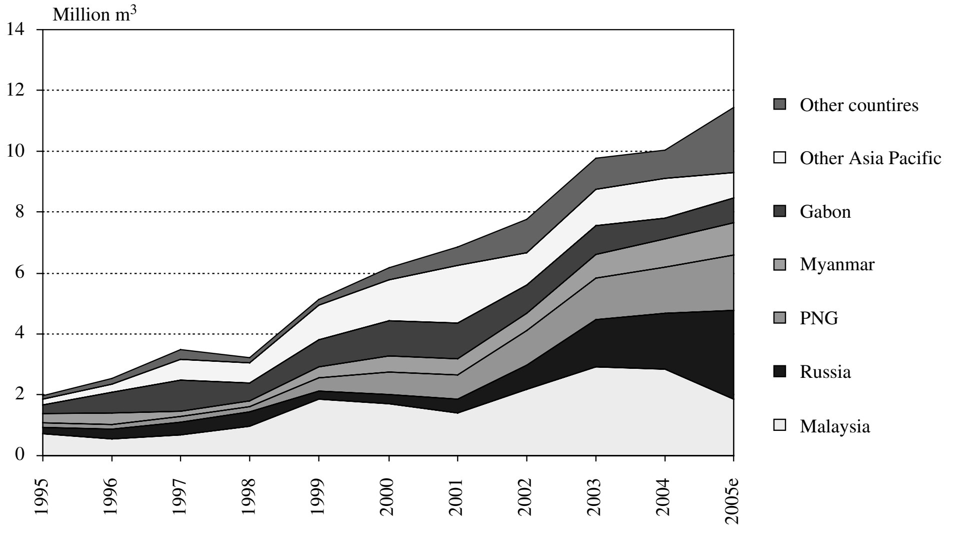
Figure 4-3:
Total Asia-Pacific Tropical Hardwood Log Production & Trade



Source: Pöyry

As a result of the impact of declining demand in Japan, the overall Asia-Pacific tropical hardwood log market has remained stable, balanced with increasing demand in China and India (13%/a and 9%/a respectively over the last five years). In these countries, processing cost structures favour the import of logs rather than processed timber products. China's imports of hardwood logs have increased five-fold over the past decade, driven mainly by economic growth and partly by restrictions imposed during 1998 by the Chinese Government on harvesting from natural forests (Figure 4-4). Although Malaysian log exports to China declined in 2005, this appears to reflect regional supply variations as some exports have been diverted to other markets, among them India. Both China and India offer a growing market for the "hard" hardwood species being harvested in Guyana.

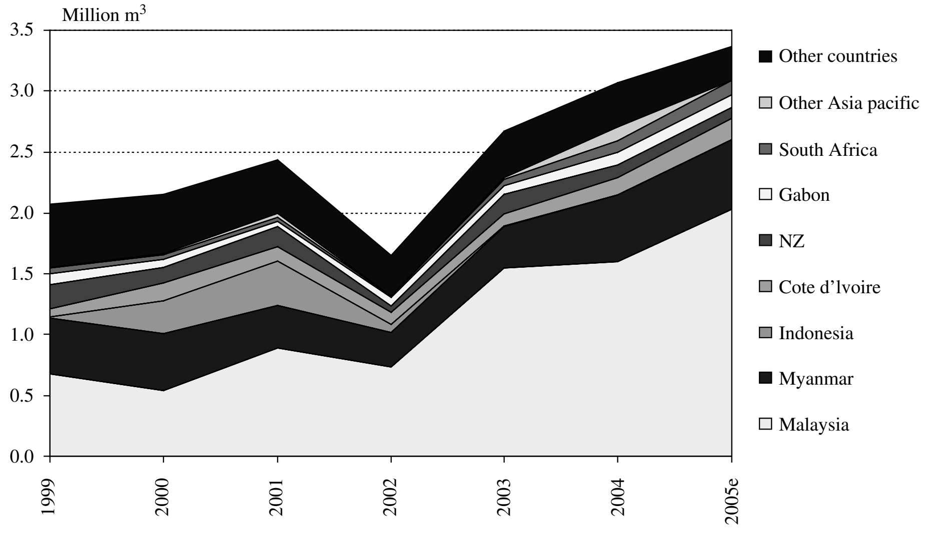
Figure 4-4:
China — Hardwood Log Imports



Source: Pöyry

India is a rapidly growing market, with imports of hardwood logs mirroring changes in GDP growth in the country (Figure 4-5). Malaysian exporters have achieved a significant position in the Indian market which, though small compared to China and Japan, represents an interesting market development opportunity. Although the focus in the Indian market has traditionally been on teak logs, importers are now looking for a wider range of tropical and plantation hardwoods from South East Asia and this trend is expected to continue.

Figure 4-5:
India — Hardwood Log Imports



Source: Pöyry

Overall, we project the demand for wood in the Asia-Pacific region to grow substantially over the next decade. Projected positive economic growth in Asia, increasing urbanisation and expanding furniture, construction and interior decoration industries are the major drivers that are expected to support demand for logs and wood products. These growth factors will also have a positive impact on demand for tropical hardwoods. The turnaround in demand to the more positive levels that have been seen in the last four years (Figure 4-3) is expected to continue.

Malaysia has been clearly recognised as the leading exporter of tropical hardwood logs. The main production natural forest type in Malaysia is the *Dipterocarpus spp*-dominated lowland rainforest. Dipterocarps have common wood characteristics, resulting in relatively uniform log quality, in contrast to the more heterogeneous forests, for example, in Africa and South America. Dipterocarps in general also make excellent rotary veneer and good quality joinery timber.

It is important to note that demand fluctuations occur constantly as end-use markets for products like logs pass through different market demand cycles. Most of those demand fluctuations are local and overall swings in demand in any single market are relatively minor compared to global consumption levels. This is a critical issue to log exporters such as Samling, and indeed for all other products. However, while the impact of demand fluctuations in any individual end-use and geographic market might be significant, a company that has diversified itself through multiple end-uses and countries will be able to manage fluctuations more effectively.

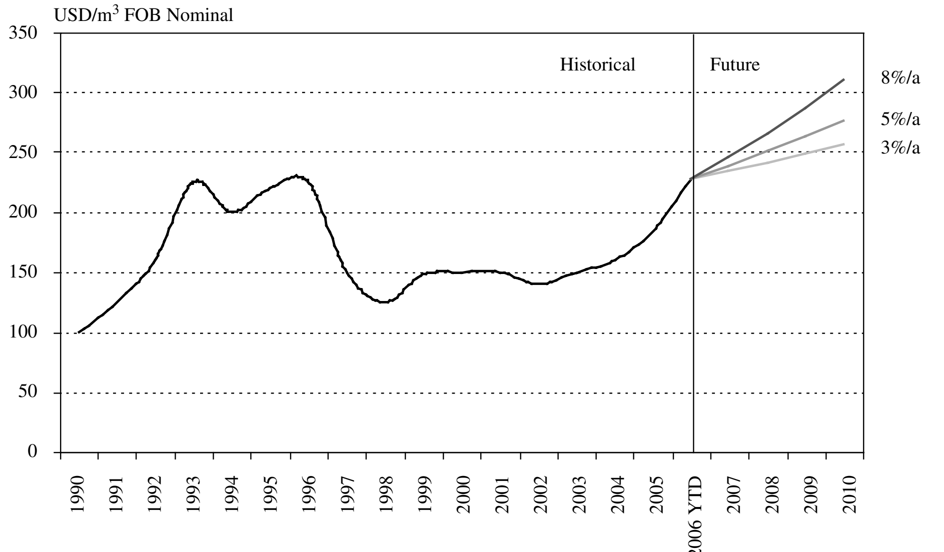
Pricing Environment

As illustrated in the previous discussion on consumption, the growth in global demand for tropical hardwood logs has remained relatively flat over the last ten years. There are major differences between the demand structures for different qualities of logs, with demand for lower quality logs being affected by substitution (replacement by alternatives like plantation softwood and hardwood logs and non-wood products) and hence, suffering from demand decline. In contrast, demand for higher quality logs has been increasing as log availability issues become a concern. The main issues driving prices, therefore, have been supply factors which have had a major influence on price development.

Log supply and availability has been a major issue throughout the 1990s and continues to be critical. Prices for tropical hardwood logs reached historical peaks in the mid-1990s, driven both by supply concerns and by the high price of end-use products such as plywood, which was partially the result of a managed pricing environment.

The Asian crisis in 1997/98 saw a sharp decline in log prices brought on by a sudden shift in the demand and supply dynamics. At the same time, plywood prices also declined as a result of the same factors (Figure 4-6 and Figure 4-7).

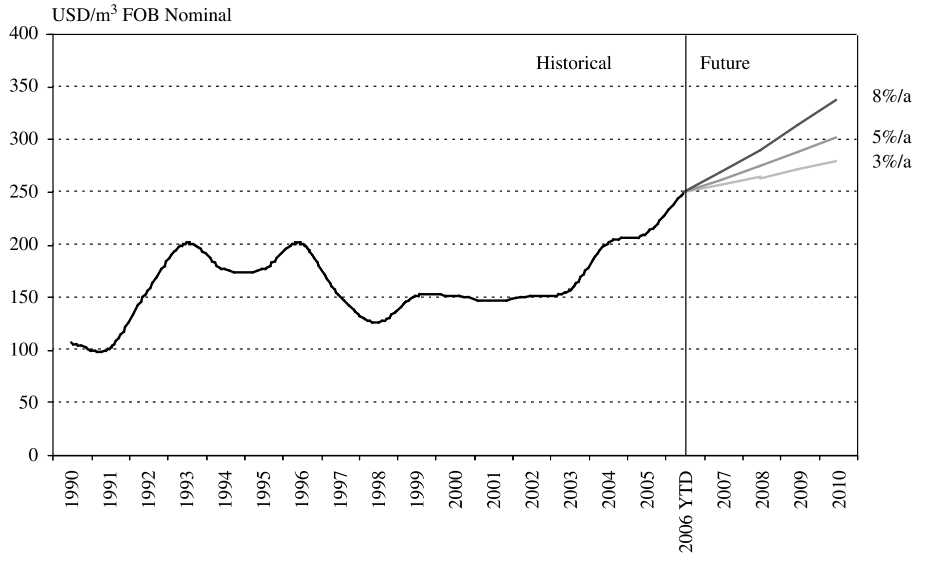
Figure 4-6:
Malaysia Keruing Historical Export Log Prices and the Calculated Future Effect of a Range of Annual Price Increases



Source: Historical data ITTO (Malaysian traded logs)

Since 2000, log prices have been trending upwards, with a particularly large increase in prices over the last three years, reflecting strong demand for raw materials from China and a very tight supply environment for logs. Increasing prices for Malaysian logs have also been due to declining Indonesian log exports and the export ban initiated in 2001. Since 2002, prices for selected log grades and species have increased by as much as 65% (approximately 10.5%/a) as a result of the impact of these supply constraints. In nominal terms, the current export prices for some species are less than those attained in the mid-1990s, but the gap has narrowed to less than USD30/m^3 as in the case of Malaysia Keruing (Figure 4-6).

Figure 4-7:
Malaysia Meranti Historical Export Log Prices and the Calculated Future Effect of a Range of Annual Price Increases



Source: Historical data ITTO (Malaysian traded logs)

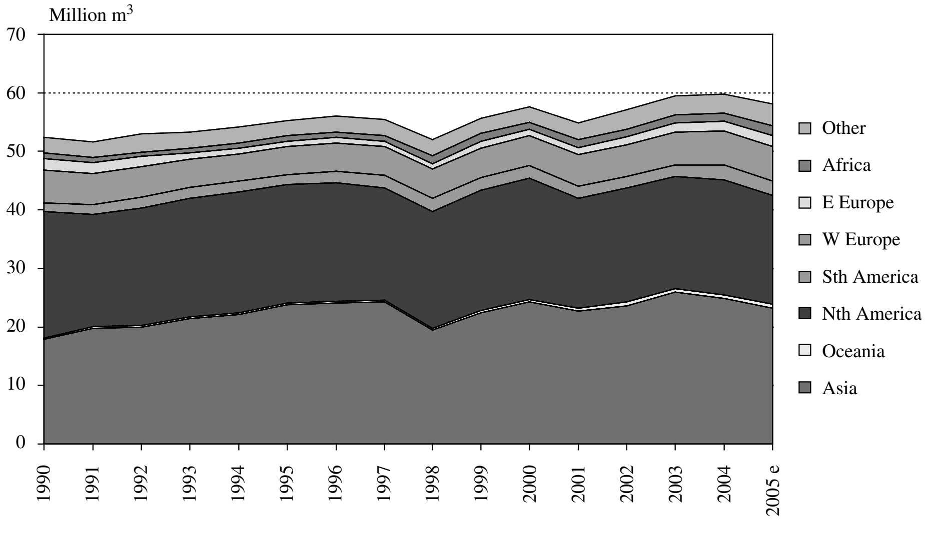
Looking forward, declining hardwood log availability will continue to drive a positive price environment and price increases over the coming years. The continued demand for logs by China and the growth of the Indian market will also be important factors providing a positive effect. Generally, prices are close to those achieved in the mid-1990s (in nominal terms) and the factors affecting the upward price trend are positive. Figure 4-6 and Figure 4-7 also illustrate the calculated future effect of a range of annual price increases (3%/a, 5%/a and 8%/a) on FY June 2006 nominal prices.

4.3 Plywood and Veneer

Plywood, laminated veneer lumber (LVL) and veneer production are very important products in Samling's global sales, making up approximately 53% of revenue for the FY2006. Samling is one of the largest wood products companies by plywood capacity and plans to expand further capacity in these product areas.

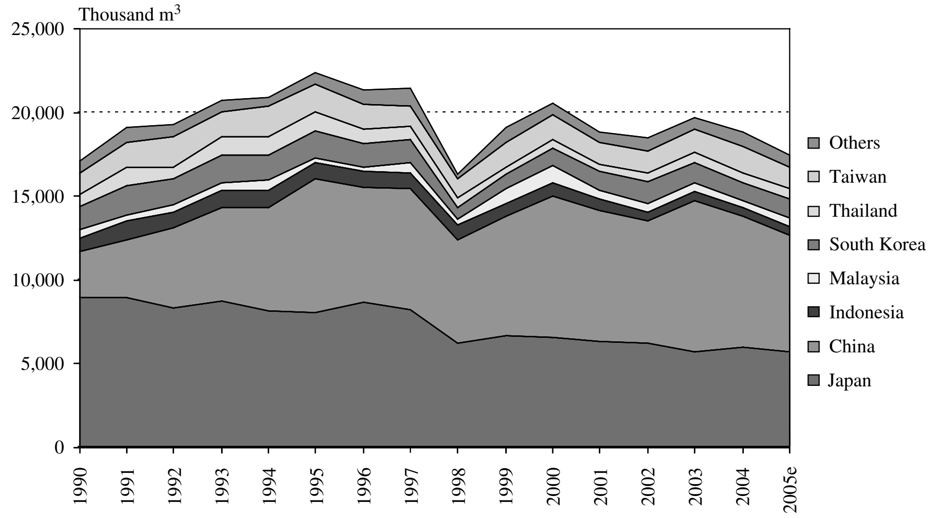
On a global basis, total plywood demand has remained relatively flat over the last decade and a half, amounting to close to 60 million m^3 in 2005 (Figure 4-8). Plywood consumption in the Asia-Pacific region has grown by a modest 1.8%/a over the same period and represented approximately 40% of the global market or 23 million m^3 in 2005. Similarly, hardwood plywood consumption in the Asia Pacific region has been relatively stable since the Asian crisis (Figure 4-9). China and Japan account for 42% and 34%, respectively, of total demand for plywood in the Asia-Pacific region and dominate the tropical hardwood plywood markets. Plywood consumption is mainly driven by the construction and furniture industries.

Figure 4-8:
Global Total Plywood Demand Development



Source: Pöyry

Figure 4-9:
Asia-Pacific Hardwood Plywood Demand



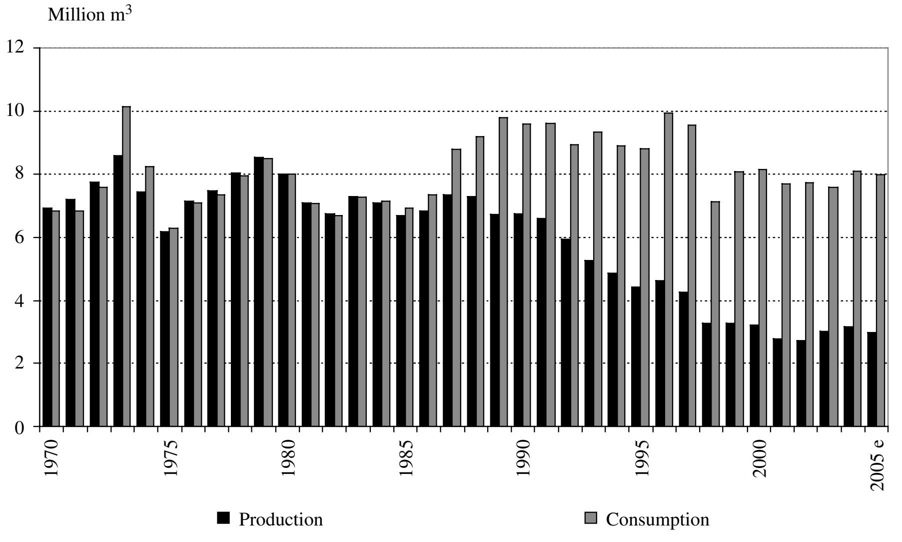
Source: Pöyry

One of the drivers of plywood demand has been substitution by other wood panels like MDF and particleboard. The price differential between plywood and MDF and particleboard has been a key factor in this substitution. Within the plywood segment, substitution also occurs between softwood, temperate hardwood and tropical hardwood plywood. However, in some end-use applications for tropical plywood, such as film-faced plywood, floor-base plywood, marine plywood and container flooring grades, there is a lower substitution threat. Therefore, there are some positive prospects for these products, in comparative terms, in the current market place.

Veneer is primarily manufactured for the production of plywood and accordingly market trends follow that of plywood. Veneer tends to be produced as a separate product that can be transported or exported to an area more conducive to plywood production. As plywood production can be very labour intensive, in many cases, veneers are exported to countries with lower labour rates, such as the Philippines.

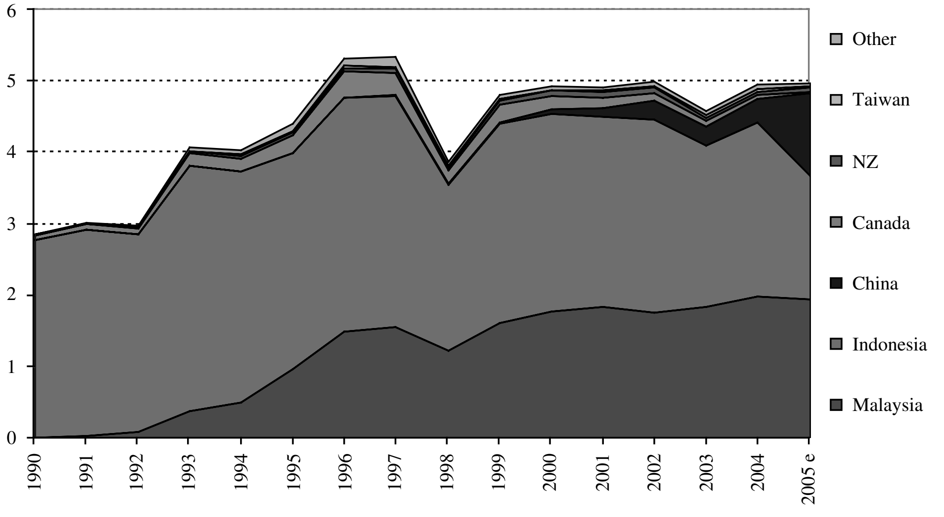
In Samling's largest market, Japan, substitution trends for plywood appear to have stabilised at approximately 70% of total panel supply. The domestic plywood industry has down-sized considerably since the late 1980s, due in part to a decline in overall plywood demand over this period but more fundamentally as a result of poor cost competitiveness of domestic suppliers compared to imports (Figure 4-10). As domestic production declined, plywood imports increased substantially, opening the market for Malaysian and Indonesian producers (Figure 4-11).

Figure 4-10:
Japan Plywood Production and Consumption



Source: Pöyry

Figure 4-11:
Japan Plywood Imports by Country



Source: Pöyry

The Japanese market is Samling's largest plywood market. The Company also produces a plywood related product, Laminated Veneer Lumber (LVL) and exports it to Japan. While total LVL demand in Japan is not expected to increase significantly from current levels, in non-structural applications in joinery and fixtures it is substituting for softwood timber, and partition framing is identified as a growing market.

Pöyry expects future demand growth for plywood in Asia to remain relatively flat, with less substitution by other products. Improving living standards linked to increasing GDP implies increased volumes of plywood consumption in flooring, interiors and furniture, among other end-uses.

Despite the recent improvement in economic growth in Japan, Pöyry anticipates that the long-term outlook in Japan is for declining housing starts which is likely to constrain demand growth. Offsetting this is increasing housing programme initiatives by several governments and improving housing standards in Asia. Strong economic growth, an expanding furniture industry and anticipated continuing housing construction activity in China are some of the factors that will support plywood demand. China's export oriented furniture industry has also been expanding and significant capacity investments have occurred in the industry.

Price Environment

Over the course of the 1990s, plywood prices have gone through two different phases. In the early 1990s, plywood prices increased significantly as a result of a rapid increase in demand and the effective management of the supply by influential industry bodies such as APKINDO, an Indonesian plywood trade organisation. As a result of the Asian economic crisis, however, consistent with other commodities, plywood prices fell sharply principally as a result of the decrease in economic activity (Figure 4-12).

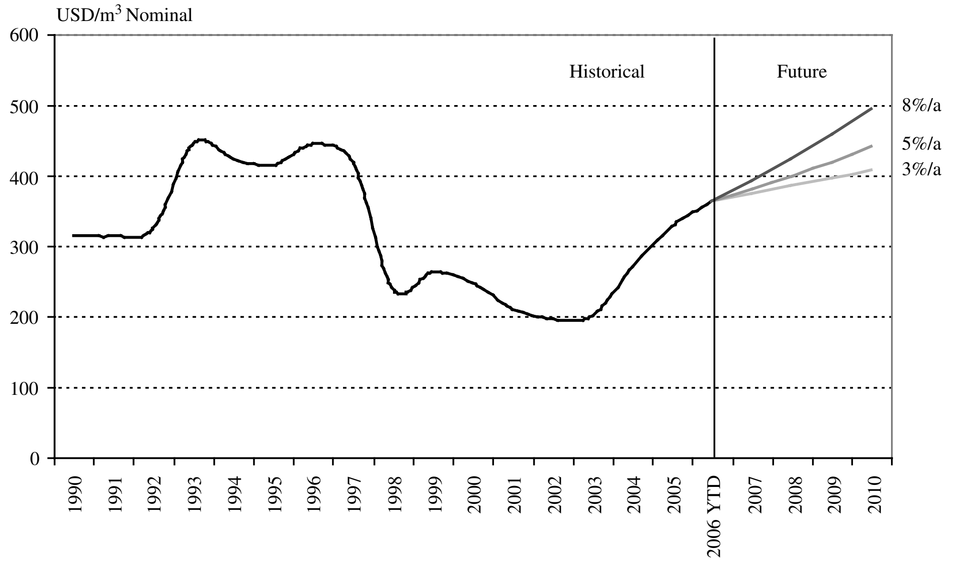
Prices have stabilised from 2000 onwards and, since 2003, have shown a clear upward trend as a result of some growth in demand within the region. There has also been an impact from increasing tropical log costs driven by the tightening supply situation (see previous discussion on tropical hardwood logs). In particular, the declining availability of logs and the rising costs of delivery in Indonesia have increased the price of Indonesian plywood. Plywood prices in Asia have increased by over USD150/m^3 (16%/a increase) since 2003 as a result of these trends. Depending on plywood grade and thickness, there is still a difference of some USD20/m^3 to 150/m^3 in nominal terms between current plywood prices and those attained during the mid 1990s.

We expect plywood prices to continue to develop positively over the coming five years, supported by steady demand and rising log prices. While substitution trends from other wood panels place a limit on pricing behaviour, especially in commodity grades, plywood prices still tend to lead overall wood panel price developments.

In selected end-use areas (for example marine grade and container flooring plywood), plywood remains the preferred panel product and so has a superior price position and greater potential for price increase. While Samling continues to sell commodity grades of plywood, there is a move towards specialist grades such as thin overlay, floor base, marine and container plywood. Samling has been steadily developing its US market for fancy plywood and has plans to broaden its product range with species sourced from its Guyana operation, as well as producing oak and maple faced fancy plywood to augment the current range. The US market demands a high quality product and the Company plans to continue to emphasise product quality as a means of securing better customers and better prices.

We expect plywood prices to improve in real terms over the next five years, with the potential to increase further, driven by developments in log prices. Supply constraints created by increased attention to illegal logging and environmental forestry management are all positive price factors. Figure 4-12 also illustrates the calculated future effect of a range of annual price increases (3%/a, 5%/a, and 8%/a) on FY June 2006 nominal prices.

Figure 4-12:
Malaysia and Indonesia — Historical Plywood Prices[1] and the Calculated Future Effect of a Range of Annual Price Increases



Note:

1 Plywood price trend from 1990 to 1995 is based on weighted average Indonesian FOB plywood prices for selected key export destinations. Plywood price trend from 1996 onwards is based on an average of a series of Indonesian and Malaysian FOB and domestic plywood prices for specific grades and thickness.

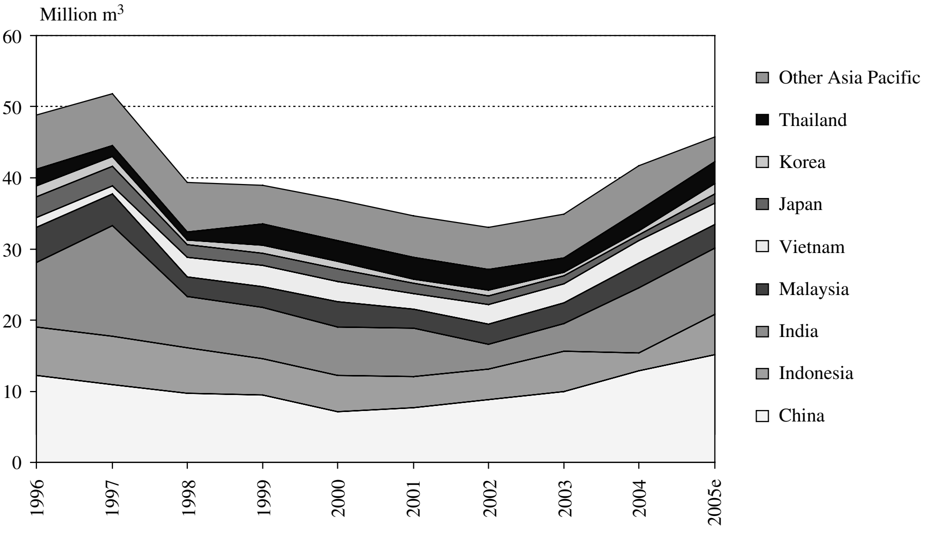
Sources: Historical data ITTO/APKINDO

4.4 Sawn Timber

Although sawn timber comprises only a very small part of Samling's current business, Samling plans to expand capacity in sawn timber and it is therefore expected to represent an increasing part of the business. Based on Samling's plans, production capacity of sawn timber is expected to increase significantly from its present level of approximately 50,000 m^3/a to an appropriate capacity to process the expected saw log component from plantation developments over the years 2011 to 2020. Importantly, the expansion in sawn timber production will be based solely on plantation fibre, predominantly from the Malaysian plantation resource being developed, but also from the softwood resource in New Zealand.

Global demand for sawn timber has been growing steadily but slowly at approximately 0.7%/a over the period 1995 to 2005. Hardwood sawn timber consumption in Asia had been decreasing since 1997, in part due to restricted supply of suitable logs following protective forest policies implemented in the region (Figure 4-13). However, since 2002, demand has stabilised and increased and the Asia-Pacific region is expected to have a positive outlook with the continued upswing in economies of importing countries and the strong construction industry prospects in China and India. The construction and furniture industries are major demand drivers for tropical hardwood sawn timber products. For example in China, construction of new floor space (a measure of construction activity) has grown at an average rate of 12%/a over the past 10 years. China's furniture production has grown at an average rate of 18%/a since 1995.

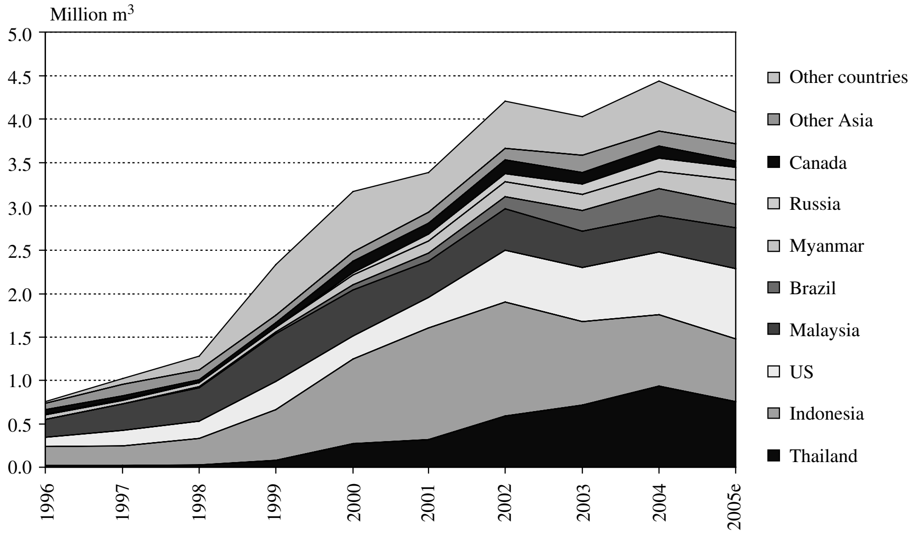
Figure 4-13:
Asia-Pacific Hardwood Sawn Timber Consumption



Source: Pöyry

China's hardwood timber imports have steadily increased due to demand for timber outweighing domestic supply (Figure 4-14). Major suppliers of hardwood timber to China are Thailand, Indonesia, the US and Malaysia. Indonesia has been the largest supplier of hardwood timber to China since 1999, supplying a historic peak of 1.3 million m^3 in 2002. However, with regulations on illegal logging and other pressures on the Indonesian solid wood industry, hardwood timber supply has fallen since 2003.

Figure 4-14:
China — Hardwood Sawn Timber Imports



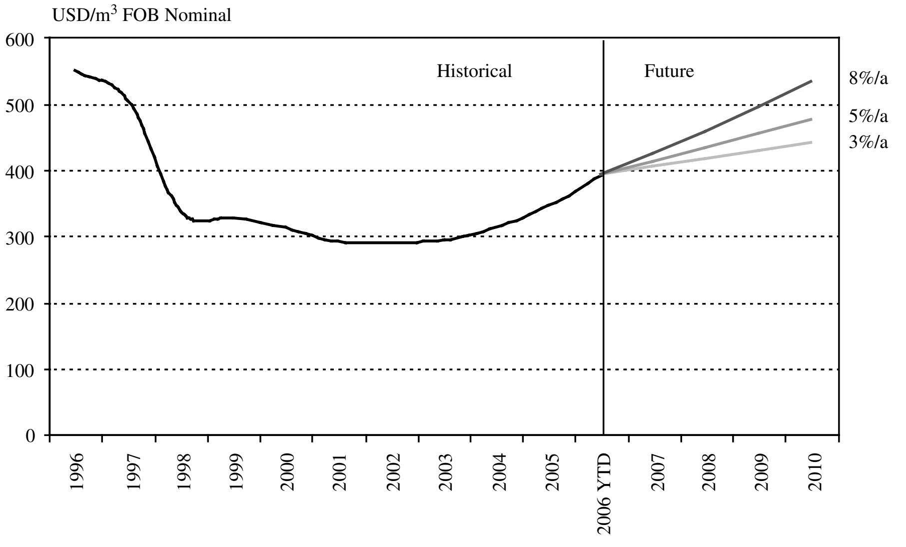
Source: Pöyry

On the other hand, Chinese imports from Thailand, the US and Brazil are rising noticeably. In China, domestic demand is requiring higher value species for the furniture industry, such as sawn timber from the US or Brazil.

In Pöyry's opinion, the region's future industry outlook particularly in China, India and Thailand will continue to be strong, suggesting that tropical hardwood demand in the region is expected to be robust in the coming years.

We expect future sawn timber prices to move parallel to log prices. Declining availability of hardwood logs will reduce sawn timber supply, which will push up prices. International demand is driving solid wood prices up, especially for tropical timbers. This is due to the lower supply of quality raw materials and increasing production costs. For example, Meranti timber prices in Malaysia have been increasing since the beginning of 2003 (Figure 4-15). Overall, we expect hardwood sawn timber prices to increase in real terms over the next five years as trends of increasing log prices continue to take effect. Figure 4-15 also illustrates the calculated future effect of a range of annual price increases (3%/a, 5%/a and 8%/a) on FY June 2006 nominal prices.

Figure 4-15:
Malaysia — Historical Domestic Meranti Sawn Timber Prices and the Calculated Future Effect of a Range of Annual Price Increases



Source: Historical data ITTO

4.5 Samling's Other Downstream Products

The sale of other woodbased products besides logs, plywood and veneer currently represent about 7% of Samling's business. These include door facings, housing products such as flooring and decking and other segments such as MDF. The Company's outlook and Pöyry's opinion for these sectors is described in the following section.

Samling's production of MDF in Malaysia is from tropical hardwood which has physical advantages over more conventional softwood and temperate hardwood MDF which increase the product's attractiveness for niche markets. Unlike MDF panels, which have developed into a global commodity, door facings made in a dedicated press is a specialised product holding niche status. Markets are chiefly located in Europe and North America, much of which can be considered as captive (door facing producers are also end-users of the product). Combined, these factors have led to a relatively strong demand and price situation for players like Samling who are aligned with major end-users. Given these developments, we expect that MDF and door facing prices to increase over the coming five years.

Samling's flooring production is based in Sarawak, Malaysia with both structural flooring and engineered flooring facilities. These facilities are export oriented and while they are important in the drive to increase the proportion of value-added products, flooring is currently a relatively minor proportion of Samling's global sales. Given the positive outlook for the consumption of flooring products, we expect prices for engineered wood flooring to increase over the coming five years. We expect selling prices for laminated flooring to also increase.

Furniture operations are a relatively minor component of Samling's processing capability. Furniture production is, however, one of the key drivers for Samling's wood products demand both for high quality tropical hardwoods as well as panel products.

On a global basis, trade in furniture has grown significantly in the last five years (2000 to 2004), with the European Union and the US accounting for 75% of global consumption. Imports of wooden furniture have been particularly strong in the US with annual growth of 15%/a over the last decade, five times the growth of sales from domestic production. In the Asia-Pacific region, China is the largest producer followed by Japan. Strong economic growth, increased urbanisation and improved living standards means that furniture demand in the Asia-Pacific region is expected to be strong.

4.6 Marketing and Competitiveness

The forest industry is highly competitive and Samling faces competition from a number of different areas. To date, the main competition from within the forestry industry has been from similar manufacturers located primarily within the Asia-Pacific region. Key to the future ability of competitors is access to suitable raw material. Samling, controlling large forestry concessions in Malaysia and Guyana and owning forests in New Zealand, has secured its future access to raw material. This will provide a key competitive advantage to Samling. The substantial amount of infrastructure required to develop large new forest areas limits the possibility of significant new entrants to the industry.

In addition to on-site raw material availability for the majority of the processing plants, Samling further benefits from the low cost base of these locations, particularly for wood and labour.

There is the potential competition from wood products that are substitutes for tropical hardwood forest products. These include products made from temperate hardwood, softwoods or plantation species. Samling's diversification into ownership of softwood plantations in New Zealand and planned plantation developments in Malaysia can mitigate substitution effects.

There is also the potential for competition from non-wood product substitutes, such as metals, plastics and ceramics, used as alternative materials mainly in construction and furniture manufacturing. Samling's success in maintaining or expanding its market position against these potential substitutes is closely linked to the ability of the global forest products industry to continue to present wood products as an attractive, sound and cost effective alternative. However, whilst wood products do face substitution threats, the risk of sudden, large scale substitution of wood products by a non-wood products is regarded as small, as this would require a massive change in consumer demand and industry structure.

5 CURRENT OPERATIONS OF SAMLING

Samling's current operations are defined as those assets that are built and/or are in established production as at the time of this review. Specifically, they include:

1. The Sarawak natural forest concession licenses and completed processing facilities

2. The Guyana natural forest concession license, harvesting rights and completed processing facilities

3. The New Zealand forest plantation

4. The China processing facilities

Detailed sections on each asset follow. Each concentrates first on the current situation as at the end of June 2006 and then looks at how Samling might manage the asset in the future over both the short and medium term.

Where relevant, the environmental aspects of the forestry operations are covered in each section. For the processing operations, a limited check was made to ascertain that environmental regulations for each respective country were being adhered to. Pöyry found no evidence of any significant infringements against the relevant country's regulations.

5.1 Malaysia

5.1.1 Forest Concessions

Introduction

Samling has held concession licenses allowing the selective logging harvest of natural forests in Sarawak since 1976. These licences are known as timber licences or sometimes T-licences. At the present time, the Group holds licenses covering a gross area of 1.424 million ha[1].

Total woodflow from these timber licenses is controlled by an annual production quota of logs assessable for royalty payments set by the Sarawak Forestry Corporation, part of the Sarawak Forest Department. For the financial year ended 30 June 2006, the total combined quota was set at 1.783 million m^3. The woodflow from this production quota goes either to export, the Company's own local veneer/plywood mills and sawmills or third party, non-Samling domestic purchasers.

1 Gross areas, net operable areas and woodflows do not include contracted portions of timber licence T3173.

Site Visits

Pöyry conducted a site visit of Samling's natural forest concession timber licenses in April/May 2005. Staff members spent time becoming familiar with the forest resources and reviewing information provided by Samling through management accounts, royalty payment sheets and other miscellaneous sources. Verification methodology included both aerial and ground inspections plus discussions with available Samling staff and cross referencing with other industry information held by Pöyry. A second brief review was completed at the end of August 2006 where specialists assessed relevant updated data and information. A comprehensive survey or forest inventory was not undertaken.

Asset Description

The asset comprises the area of the combined 15 forest concession timber licenses currently held by Samling that allow for the selective logging of the natural forest. These timber licenses are issued and administered by the Sarawak Forest Department through the Sarawak Forestry Corporation. This body sets the rules and monitors activities under which production can take place.

The current gross area of these timber licenses is 1.424 million ha. Within this total gross area, Pöyry estimates that there is a current productive net operable area (or "loggable" area) of 0.908 million ha. Samling also holds plantation forestry licenses that overlap some of these concession licences. Within these plantation licenses are areas of natural forest (145,000 ha) that can be included under the timber license selective logging rules. As the last areas for plantation development will be reorganised by 2008/9, the total net operable area will have declined slightly.

The difference between gross area and net operable area is accounted for in allocation of areas to:

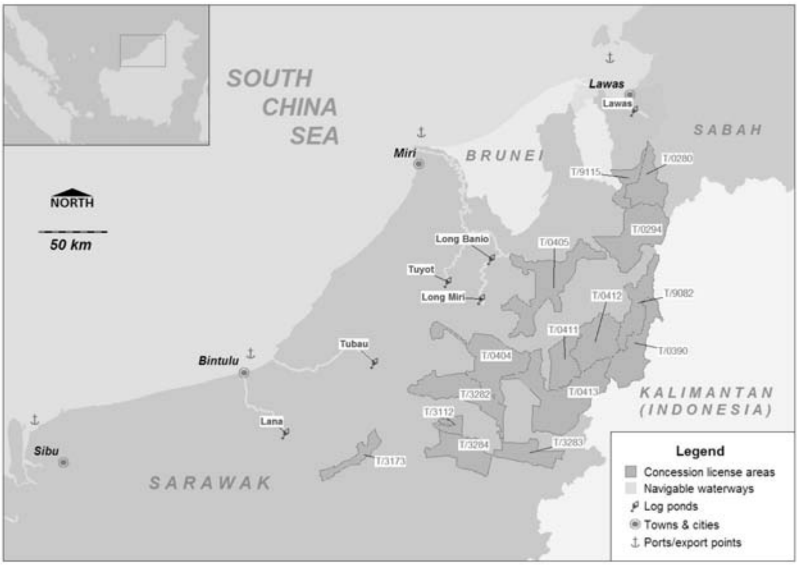
- Plantation establishment
- Low yielding forest e.g. "kerengas"
- Extreme steepness liable to land slides
- Shifting agriculture and formerly declared native customary reserves (NCR)
- Water catchment reserves, and
- Other reserves e.g. social, environmental and border buffers

Minor differences may be apparent between the gross area and net operable areas as defined in the original timber license agreements and those itemised in this ITR. The concession agreement's data often comes from original mapping done up to 30 years ago and includes areas that, for instance, are now part of other parties' oil palm plantations. The ITR uses data provided from current mapping and surveys by Samling and the Sarawak Forest Department/Corporation. We consider this to be a more accurate representation of the current situation. It has been endorsed by the Sarawak Forestry Corporation as part of formal plans submitted by the Company.

Generally, areas that have been recognised as being worthy of reserve status have been identified and removed from productive status within the gross area of the forest resources. These areas may be given this reserve status either through having significant conservation interest, having social, historic or recreational values or having been identified as environmentally sensitive. There is a potential that further areas will be identified and required to be removed from the productive forest area, thus affecting future wood supplies. This status change may be mandatory or may arise from proactive discussions between Samling, the Sarawak Forest Department and interest groups.

Current license areas are shown in Figure 5-1. Forest concession timber licences in Sarawak are for a fixed period and at the end of this period require renewal. This renewal is at the discretion of the Sarawak Forest Department. Of the licences currently held by Samling, one of a gross area of 21,205 ha (1% of total gross) requires renewal in 2007. Then 454,105 ha (32%) requires renewal between 30 June 2008 and 30 June 2012, a further 744,190 ha (52%) between 30 June 2013 and 30 June 2017. The remaining 204,895 ha (14%) is due for renewal by end August 2018. In November 2005, Samling requested the amalgamation of two licences in the Lawas region, numbers T/0299 and T/0298. This has been granted by the Forestry Department and the license details sighted (T/9115). When a license expires and is due for renewal, it can normally be presumed to be reissued to the same licensee unless issued for plantation development, or if the requirements of the licence have not been fulfilled.

Figure 5-1:
Samling Sarawak Concession Timber License Area Locations



Source: Pöyry

Samling has been operating as a concession holder since 1976 and to date has not lost access to a concession area because of requirements not being fulfilled. To date, timber licenses have rolled over upon expiry, but there is the risk of this not happening in the future. Samling can seek to manage this through continued liaison with the relevant forestry departments. Non-compliance with license stipulations could also affect non-renewal or, in extreme circumstances, licenses being revoked.

The resource within the concession licenses range from low to mid-altitude mixed dipterocarp to sub-montane forests. From its field inspections, Pöyry estimates that some 18% of the net operable area is primary forest and the remainder (82%) has been selectively logged at least once.

Much of the forest management operations are controlled by the timber license agreements between the licensee and the Sarawak Forestry Corporation. There are a series of general and annual plans which the concessionaire must produce and have approved. These plans include a formal system for the entry into licensed areas in order to start production and for the closing of areas after production has been completed. These area units are known as coupes and are operationally broken down into blocks. The logging operation would ideally move through the designated blocks in a prescribed order.

Log harvesting is done on a selective system whereby merchantable stems equal to or greater than the minimum allowable diameters can be cut. For dipterocarp species, this minimum diameter is 60 cm at a point 1.3 m on the upper slope side of a tree, or 70 cm above buttress height. For non-dipterocarp species, it is 45 cm measured at the same point(s).

The Sarawak Forestry Corporation control extends to a process of setting the annual level of volume production for each of the concession units. This annual production level is known as the production quota and is measured at the point where the logs are inspected by the Sarawak Forest Department and the royalty is paid.

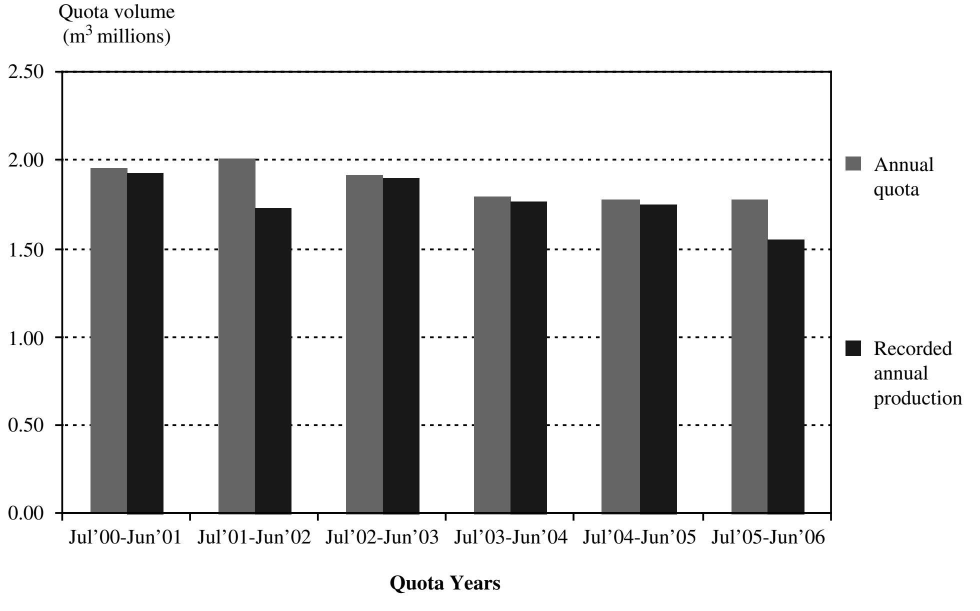
Quotas run in years from July to June annually. The 2005/6 combined quota for all concessions of 1.783 million m^3 is applicable to the current net operable area of approximately 908,180 ha. This equates to a cut on an annual basis of 1.96 m^3/ha/a.

At the time of writing, no revised 2006/7 quota had been issued. For the purposes of this report, we have assumed that the production quota will be as per 2005/6 going forwards.

Harvest History

Over the past five years, the quotas have ranged from between just over 2 million m^3/a, and the 2005/6 amount of 1.782 million m^3/a (Figure 5-2). An analysis for recent periods (2000/01–2005/06) shows that except for the 2001/2002 and the recent 2005/6 periods, Samling's production has been within 1% of quota requirements. The 2001/2002 quota period coincided with one of especially poor international log prices and as such, production was limited from the concession licenses furthest from the points of sale. The 2005/6 production figure was constrained by the extremely wet weather experienced in early 2006. Total sales production for the financial year ending 30 June 2006 was about 1.6 million m^3, 97.7% from ground based tractor extraction and 3.3% from helicopter logging.

Figure 5-2:
Samling Annual Log Production to Quota (2000/1 – 2005/6 Year to date (YTD)



Sources: Samling and Pöyry

Note: Does not include helicopter logging and contracted woodflows from T3173, includes Dayalaba Sdn. Bhd. and Merawa Sdn. Bhd (T0390).

Table 5-1 provides a species breakdown from current production and their main end-uses.

Table 5-1:
Recent Historical Species Composition (1 July 2005 – 30 June 2006)

Common Names	Current Proportion of total log volume harvested	Log Usage
Yellow and red merantis, luis all shorea spp. (all dipterocarps)	25.8%	Plywood mills take all but lower grade, also sawn and exported.
Kapur (dipterocarp)	4.5%	Plywood mills take all but lower grade, also sawn and exported.
Keruing (dipterocarp)	2.7%	Plywood mills take all but lower grade, also sawn and exported.
Selangan batu/yellow balau (dipterocarp)	2.7%	Currently all exported or 3rd party sales
Mixed light hardwoods (various) (dipterocarps + non dipterocarps)	55.5%	Plywood mills take all but lower grade, also sawn and exported.
Bindang (Agathis spp.) (non dipterocarp)	6.5%	Can be used for plywood, but mainly sawn and exported
Menggris (non dipterocarp)	2.3%	Not currently exported or used for plywood, but sawn and 3rd party sales only.
	100%	

Sources: Samling and Pöyry

Note:

For marketing purposes, logs are further classified by grades according to size and characteristics. It should be noted that as harvesting moves from un-logged to previously logged forest, the percentage of the larger size grade logs reduces.

Wood Flows

The level of production quota set by the Sarawak Forest Department defines the estimated woodflows. The current combined quota for all concession timber licenses approximates to an annual level of cut of 1.96 m^3/ha/a per net operable ha for merchantable logs. From the financial year 2006/7, Pöyry anticipates that there will be a further slight re-adjustment of the net operable area due to plantation license development in the Lawas region, down from 908,180 ha to 907,866 ha. This is then taken as the net operable area going forward and assumes all licenses roll-over to Samling and no further areas are removed for plantations or other reasons. Given this area, the annual production quota should remain very similar at about 1.772 million m^3/a.

The long term sustainability of this production quota is of critical importance. Estimates of the level of annual cut or annual allowable cut that forests can sustainably support vary widely. Unlike a monoculture plantation, natural forests have additional levels of variability covering:

- Species composition
- Species biology/ecology
- Multiple age-class structures, and
- Large and diverse soil and topography conditions over extensive areas

In order to formally calculate an annual allowable cut level, data is required from an extensive network of inventory plots enumerated over long periods of time and encompassing all the above variability. Often, this data is simply not available. In this case, there was not enough data to form an opinion on the appropriate growth rates. The calculation of such an annual allowable cut is one of the tenets of forest certification, such as that of the MTCC scheme.

Trees felled in the forest are extracted, converted to logs and transported by forest roads to barging sites (log ponds). From the log ponds, logs are barged to Miri or Bintulu for either export or for processing in Samling's veneer mills, plywood mills and sawmills. This part of Samling's business is largely dependent on the productivity of the forest concessions. It is a critical assumption of this report that Samling will meet its expectations of yield in all of volumetric, species and log grade mix from these forest resources. This applies equally to Samling's natural forest concessions discussed here and elsewhere in this ITR, as well as its plantation developments. The potential of these expectations not being met can be mitigated through managing its forest resources on sound forest management principles. Forest certification by internationally recognised bodies is a way of demonstrating that these management practices are in place. In Malaysia, a certification process has been completed in part of one concession.

Production Costs

To harvest the 2005/6 production quota year annual amount of approximately 1.783 million m^3/a, a large infrastructure has been developed, consisting of offices, housing, workshops, roads and bridges. Although a detailed survey was not carried out, Pöyry considered the general condition of the plant and infrastructure to be good, with evidence of appropriate capital spending. A large fleet of equipment is operated to maintain the infrastructure and to harvest and transport the logs. Samling's contractors operate a large fleet of equipment and, as such, get the benefit of preferential service and pricing from suppliers.

During the field inspection, Pöyry was able to see some of the plant items in operation and the workshop facilities. The equipment that was seen indicated an adequate level of preventative maintenance.

Pöyry estimates the current average production cost (weighted by volume) for the recent period of July 2005 to end of June 2006, from all concession timber license areas at USD84.7/m^3 delivered to point of sale. This includes depreciation of contractor and concession company plant items and all overheads (Table 5-2). The delivered wood costs also include the costs for road construction and maintenance. Pöyry has taken the cost data from Samling's FY June 2006 management accounts and other financial information.

Table 5-2:
Weighted Average Historical Production Costs (FY 2005/6) all Destinations

Component	USD/m^3
Delivered wood costs	70.6
Royalties	13.7
Overheads	0.4
Total	84.7

Sources: Pöyry and Samling.

Note: These figures include depreciation in the delivered wood costs, USD9.2/m^3 from the contractors and USD4.6/m^3 from the concession companies. Costs are for ground extraction only.

Production costs will be materially affected in the future by, amongst others, three primary factors:

1. The location of processing facilities. The SIF veneer mill located in the vicinity of licences T/0390, T/0412 and T/9082 will have the capacity to take a significant proportion of the veneer log production from these licences. This will take away the need for haulage to the distant log ponds and the forwarding costs of barging the logs to Miri as was previously the case. Similarly, the new veneer mills at Layun and Tebanyi (see map in Figure 5-3) will be able to take a proportion of the veneer log production from other Baram Valley concessions with similar real cost reductions. The Tebanyi natural forest sawmill will have a similar effect on saw grade logs from all these concessions. Note that these cost savings will not apply to logs destined for export.

2. Pöyry anticipates a slight production cost increase in real terms in the future for those concessions that are completing their cut of primary forest and moving to re-entry and subsequent cuts. This is because the second and subsequent cuts have lower per hectare yields, thus reducing the productivity of the logging machinery. This will affect the delivered cost of all logs regardless of their point of sale/transfer. This increase is shown in the estimated export productions costs in Table 5-2.

3. Harvest and transport operational costs will also change with any future fuel and oil price fluctuations.

Samling pays a royalty and a premium tax to the Sarawak Forest Department. As with its other international forest concessions, the royalty rates and premium level per recovered m^3 is dependent on the tree species group and the individual concession of origin. Higher value species attract higher royalty rates. These rates are subject to change and any change would directly or indirectly have an impact on the cost of wood.

Table 5-3:
Volume Weighted Average Royalty and Premium Costs (FY 2005/6)

Common Names	Total USD/m^3 (Royalty + Premium)
Yellow and red merantis, luis all shorea spp. (all dipterocarps)	25.4
Kapur (dipterocarp)	16.7
Keruing (dipterocarp)	18.2
Selangan batu/yellow balau (dipterocarp)	11.1
Mixed light hardwoods (various) (dipterocarps + non dipterocarps)	8.5
Bindang (Agathis spp.) (non dipterocarp)	11.1
Menggris (non dipterocarp)	8.1

Sources: Samling and Pöyry

Log Markets

Logs coming from the concession license areas flow through to one of four end-use categories.

1. Export
2. Samling plywood and veneer mills
3. Samling saw mills
4. Other domestic buyers (third parties)

Approximately 36%[(1)] of production is of current export specification logs from concession selective logging under the Timber Licences. Presently, government regulations stipulate that companies are not permitted to export more than 40% of the total quota production. Export percentages are assumed to fluctuate in the future as Samling's processing capacities change and wood becomes available from different sources.

(1) This figure refers strictly to production from forest concession timber licences and does not include salvage volumes or helicopter logging.

For the purposes of this report, logs destined for Samling plants are assumed to be transferred at cost. Those exported are sold to the open market on a Free On Board (FOB) basis to log ships anchored at Bintulu, Miri or Lawas ports. Third party sales are assumed to be bought from log ponds or coastal mill sites also at prevailing open market rates.

Management Review

During the field inspection in April 2005, Pöyry's staff met a wide cross section of Samling's concession license employees. The majority appeared competent and experienced in natural forest logging operations.

Samling utilises a number of management tools, including a geographic information system that is used for the production of the planning maps in accordance with the license procedures. It also uses a log tracking system to manage log inventory and to prevent theft. The inventory based planning systems in place currently fulfil license requirements.

Environmental Concerns

Environmental concerns have become increasingly important and the forestry industry is put under close scrutiny by both local and global environmental organisations. In some end-use markets, mainly in developed countries, this has resulted in pressure on large retailers and local, regional and national bodies responsible for procuring wood products, to specify that material is independently certified as coming from "well managed" or sustainable forests. In these markets, it is important to meet these requirements as failure to do so could restrict market access.

Additionally, forestry and manufacturing operations are subject to the environmental regulations of the countries where they are located. Any violations to the various laws and regulations could have legal and cost penalties and could put the Company in breach of existing agreements.

Compared to Samling's other forestry operations, there is a higher potential for encroachment and land tenure disputes from the local population on concession and license land in Malaysia. There have already been, and continue to be, instances of this in Sarawak. Samling has been proactive in cooperating with the local community and government agencies, which limits the potential for the expansion of shifting agriculture and settlements and/or loss of access rights due to land disputes.

Illegal logging has become a focus of international attention. It undermines efforts for sustainable forest management and distorts forest product markets to the detriment of legal producers. Samling has systems in place to monitor the occurrence of illegal operations within its concession boundaries through inventory control and aerial surveillance.

Certification

The Malaysian Timber Council Certification (MTCC) scheme is a national certification scheme that is accepted by some countries outside of Malaysia. The scheme has recently been recognised by the UK Government as a certification of legally harvested timber. The Malaysian Government is continuing to seek wider acceptance of this scheme by other foreign countries through the Programme for the Endorsement of Forest Certification (PEFC).

As at end June 2006, part of one concession license (T/0412) with a gross area of 55,949 ha (net operable area of 31,390 ha), is certified under the MTCC. This is the only forest in Sarawak certified under any scheme at the present time. Pöyry's consultants who visited this particular concession area were impressed with the overall standard of the operations and, in particular, the reduced impact logging practices.

Samling has gained experience in reduced impact logging techniques whilst operating in the MTCC certified license area and has informed Pöyry that it wishes to extend the area covered under this scheme, subject to collaboration with the Sarawak Forest Department.

5.1.2 Export Log Business

Introduction

Samling assembles and exports from three load ports in Sarawak (Bintulu, Miri and Lawas) to customers in Japan, China, India, Korea, Vietnam and Taiwan. Each shipment size varies considerably. In Pöyry's view, Samling's export log business was efficiently run, with systems and infrastructure in place to keep pace with any future changes in export volumes.

Site Visits

Visits to the Tuyot log dump/pond and the lower Miri River export log storage area in northern Sarawak were made by Pöyry in April 2005. In Sarawak, Samling provided Pöyry with an overview of its export log operations and discussions were held with Samling's General Manager for log exports.

Production Costs and Prices

According to cost information that Samling made available to Pöyry for financial year end 2005/6, the average costs of harvesting, transport and loading export logs was higher than the overall weighted average of USD87.4/m^3, the bulk of the variance lying in the royalty rates. The current weighted average selling price for Samling's log export business is USD145/m^3 FOB with specific prices varying depending on log specification and market. Samling's log export prices are currently considerably higher than prices obtained in the domestic market (USD78/m^3 delivered to mill gate for ground based extraction).

5.1.3 Plywood Business

Introduction

Samling operates four plywood mills in Sarawak, Malaysia. Pöyry inspected the plywood mills and found Samling Plywood Bintulu, Samling Plywood Miri, and Samling Plywood Baramas to be operating well. Rindaya Plywood was still in a start up phase at the time of the visit. The general condition of the plywood mills was good and they were well managed. All mills have adequate wood supply at low cost and production is currently close to the design capacities of the mills. Product quality is good and the plants are well positioned to supply the major markets in Asia and further a field.

Site Visit

Pöyry visited Samling Plywood Bintulu, Samling Plywood Miri and Samling Plywood Baramas' mill operations during April and May 2005. In January 2006, Pöyry also visited Rindaya Plywood in Sibu. During July 2006, additional data and information on the four plywood plants was made available for inspection. Information sources included data from Samling's FY June 2005 audited accounts, FY June 2006 management accounts and other financial information, mill records, discussions with management and site staff, Pöyry's databases and third party data.

Current Asset Description

Samling's current assets for plywood making in Malaysia are described in Table 5-5. Figure 5-3 shows the geographical location of these plants.

Table 5-4:
Plywood Facilities as at 30th June 2006

Country/State	Location	Name	Start Date	Capacity ('000 m^3/a)
Sarawak	Bintulu	Samling Plywood Bintulu (SPB)	1992	252
Sarawak	Miri	Samling Plywood Miri (SPM)	1993	132
Sarawak	Miri	Samling Plywood Baramas (SPK)	1992	126
Sarawak	Sibu	Rindaya Plywood	2006[1]	84

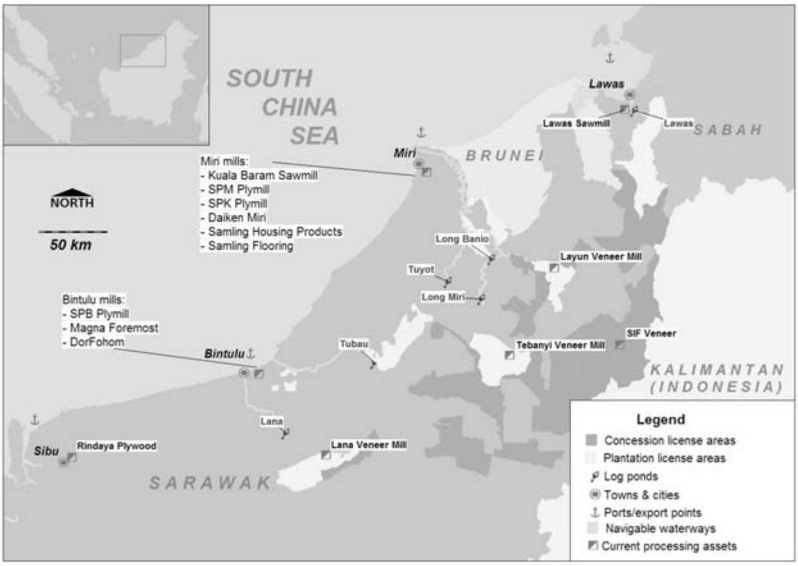
Source: Samling

Note:

1 Original start up date is assumed to be 1997. The plant had been de-commissioned for some time. It was recently purchased by Samling and recommenced operations in January 2006.

All four mills produce a range of plywood, in both 4x8' and 3x6' sizes. SPM predominantly uses Japanese made plant and equipment, with Japanese made peelers, driers, veneer handling and composing lines. SPK is a mixed equipment mill, consisting of Japanese made peelers, Korean made driers and Japanese/Taiwanese made veneer handling and composing lines. SPB is a plant complex comprised of two separate, but very similar factories in terms of equipment and capacity. As with SPK, the plant has a mixture of Japanese, Taiwanese and Korean equipment. Rindaya Plywood has been recently taken over by Samling, refurbished, and is now operating with a mixture of equipment of various ages including Japanese peelers, Japanese and Taiwanese dryers, veneer handling and composing lines. The design capacity of the plants is a nominal figure based on a specific panel thickness and panel type, a fixed number of working shifts and operating days per year. Actual production will vary depending on order size, what is being produced and how many days and shifts the plant actually operates.

Figure 5-3:
Current Processing Assets Location — Sarawak



Source: Pöyry

Production Costs

Table 5-6 summarises the current operating position for the plywood plants. Logs are a major cost component for the manufacture of plywood. The proportion of the log volume that is recovered in the finished plywood product (recovery rate) is therefore a critical aspect affecting both the cost and required log volumes and is dependent on the quality and dimensions of the logs. Logs for SPK and SPM come almost exclusively from Samling's own natural forest concessions. In the case of SPB, logs come from third party sources as well as from Samling. Rindaya is obtaining logs only from third party sources and this typically happens only during the start up phase. Presently, SPK has almost completely converted to using veneer as the raw material (a small volume of 2,000-4,000 m^3 of logs is still being processed at the mill). The Company has advised that this is expected to continue in the foreseeable future.

Table 5-5:
Current Operating Position as at 30th June 2006

Name	Capacity ('000 m^3/a)	Production ('000 m^3/a)	Capacity Utilisation %	Recovery Rates %
Samling Bintulu Plywood (SPB)	252	222	88	42
Samling Plywood Miri (SPM)	132	115	87	49
Samling Plywood Baramas (SPK)	126	110	88	NA[1]
Rindaya	84	12	14	42–48

Note:

1 SPK has largely switched from the processing of logs for veneer production to the use of veneer for its plywood production.

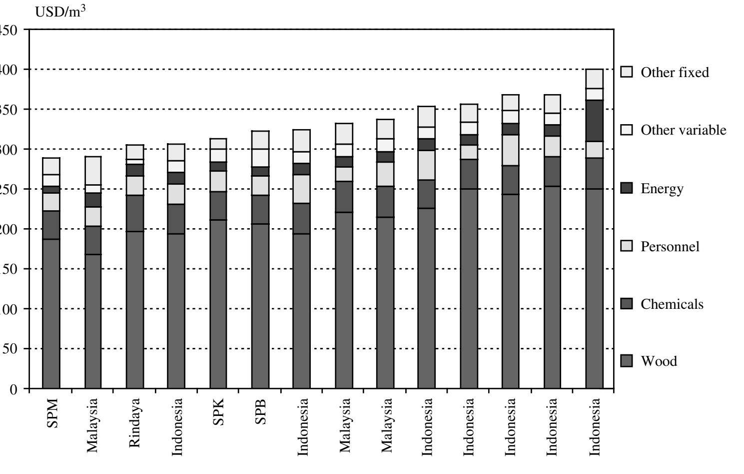
Source: Samling

Wood supply to the plywood plants and to all other operations that rely on logs delivered from Samling's own or third party concessions can be temporarily interrupted as a result of deterioration in the infrastructure (through the effects of weather or otherwise) in place for delivering those logs. In particular, this is a potential operations issue within Malaysia. Samling operates a supply chain system utilising different transport mechanisms (road and river) and the strategic stockpiling of logs. When weather affects one part of the supply chain, logs can continue to be transported from depots in unaffected areas. Samling is also constantly investing in the maintenance of its infrastructure to keep transport networks in good order. However, despite these measures, long periods of high rainfall will disrupt log supply.

Other key inputs to the operation are resin and power. The main resin supplier for all four operations is based in Kota Kinabalu. Power for all four plants is supplied from the national grid.

Samling's plywood operations are well organised with overall relatively modern mills. This has allowed Samling to produce quality plywood at competitive costs. Samling's operations compare favourably with the competitive position of other producers (Figure 5-4). In particular, SPM's variable cost structures compare well with other tropical hardwood plywood producers in the region. This could mainly be attributed to a good quality log supply and a corresponding good recovery rate, a well-trained workforce and effective utilisation of residues for the creation of heat. All these factors have enabled Samling's plywood operations to supply the markets with high quality products at competitive prices.

Figure 5-4:
Plywood Cost Competitive Position of Samling's Operations



Sources: Pöyry and Samling

Note: Delivered log prices for all mills are at market rates for comparison purposes.

Data on SPK was taken on 28th Feb 2006 prior to complete conversion to veneer feedstock. Wood costs are presently higher than when the plant was operating on logs alone. Comparisons are made only with relevant businesses, of which for example we have identified 7 in Indonesia.

Presently, the plants enjoy recovery rates expected for the standard of the resource being processed at each plant. SPM is currently operating at a 49% recovery rate. As generally smaller diameter logs are processed at SPB, the recoveries there are slightly lower at 42%. At Rindaya, plywood recoveries are presently between 42% and 48%. As Rindaya has only been operating since January 2006, it is still very much in the process of starting up. Operational performance typically shows greater fluctuation during this period. Given that the average diameter of logs processed at the plant are between 40 cm and 45 cm, recovery rates are likely to settle at percentages closer to that at SPB. Pöyry anticipates that over the coming decade, the log diameters will continue to reduce. As a consequence, recovery rates at SPM, SPB and

Rindaya are expected to decline. All plywood producers in the region will face this same issue and naturally, the wood cost component of the manufacturing cost will increase as a consequence. The average recovery rate at SPM is expected to trend towards 45% and between 40% and 45% at SPB and Rindaya, though this may be mitigated depending on the level of investment made by Samling to improve recovery.

We expect that log costs will increase over the long term as harvesting distances change. Combined with declining recoveries, this will lead to a rise in the wood cost component at each respective mill. Consequently, Pöyry expects that the overall cost of production at the four plants may increase in real terms in the future. We anticipate that other production costs at the plywood mills should not go up significantly in real terms over the coming years. Nonetheless, the current and future costs related to Samling's plywood and other processing and forestry operations are vulnerable to external factors. The principal factors outside the control of Samling are shipping availability and the cost of oil and its effect on fuel prices in transport and power generation and oil derived raw materials such as resins. Any increases incurred that were not recovered through increased product prices would have an adverse effect on financial performance.

Samling plans to continue to re-invest in its operations to maintain high levels of product quality, manage recovery and maintain costs at acceptable levels to remain a globally competitive plywood producer. Further details on costs can be found in Table 7-4.

In Pöyry's opinion, the current management at each plywood mill is well organised and highly competent. The plants have their own management, maintenance, quality, training and health and safety systems. Management systems are designed to comprehensively monitor plant performances. A number of key performance indicators are tracked and reported on a monthly basis. In particular, management and management systems at SPM, in Pöyry's opinion, are exemplary. This has contributed significantly to the low production cost and high product quality at that mill.

Realised Prices

Current weighted average FOB prices (From Samling management accounts FY June 2006) are:

- USD363/m^3 for SPM
- USD358/m^3 for SPK
- USD368/m^3 for SPB
- USD364/m^3 for Rindaya

Plywood sales are only just starting from Rindaya and as such, present selling prices are not an accurate reflection of the expected prices to be achieved at this operation.

Certification

SPM, SPB and SPK Samling are ISO certified (ISO 9001:2000) and comply with the ISO standard. The mills also have JAS certification and regularly undergo compliance inspections from certified inspectors. In addition, SPK has MTCC Certificates for Forest Management (T/0412) and for Chain of Custody (Table 5-7). Rindaya is in the process of securing JAS and ISO certification. Samling indicate it will take around 12 months to obtain these.

Table 5-6:
Samling Product Certifications for Plywood

Certificate	Location	Purpose
ISO9001:2000	Samling Plywood-Bintulu, Baramas and Miri	For plywood manufacturing
Japanese Agricultural Standard (JAS)	Samling Plywood-Bintulu, Baramas and Miri	For regulation of formaldehyde emission for panel products to Japan
CE Marking	Samling Plywood-Bintulu and Baramas	For plywood used in construction for European markets
MTCC Certificate for Chain of Custody	Samling Plywood Baramas	An independent assurance that the product from the mill is derived from legal and sustainable forest resources

Source: Samling

Achieving these certifications provides Samling's plywood operations with an important competitive advantage, particularly in export markets.

Future Operating Potential

From past performance, Pöyry envisages that SPM, SPB and SPK can comfortably produce plywood at approximately 85% to 95% of design capacity on an annual basis without the need for investment in additional capacity. We consider this capacity utilisation good by industry standards. Rindaya has only recently started operations, so the mill presently has no production track record. However, given the operational performance of existing well established lines under Samling's management, we expect that the plant should reach a capacity utilisation similar to SPM or SPK once the plant has gone through its start up phase.

5.1.4 Veneer

Introduction

Samling operates four veneer plants, all of which are located in Sarawak and have started operations within the last three years. The first plant in operation was the Tebanyi veneer mill built close to the Tebanyi base camp inside the forest concession. The second plant, Lana, has been in operation for two years. The Layun and SIF plants are the most recent to be commissioned and have been operating for less than one year. Pöyry has visited all four mills. The general condition of the veneer mills is good and they are well managed. The veneer mills are well positioned for initial utilisation of the logs arising from clearing for plantations and the subsequent use of plantation resource. This reduces log costs and transportation costs of the finished dried veneers are minimised. The building of the mills inside the forest resource demonstrates Samling's commitment to maximising utilisation of the forest resources.

Site Visit

Pöyry visited the Lana and Tebanyi veneer mills during April and May 2005. During July 2006, Pöyry also visited the Layun and SIF veneer mills and reviewed additional data and information pertaining to all four veneer plants. Information sources included data from Samling's FY June 2005 audited accounts, FY June 2006 management accounts and other financial information, mill records, discussions with management and site staff, Pöyry databases and third party data.

Current Asset Description

Samling's current assets for veneer operation in Malaysia are described in Table 5-8. Figure 5-3 shows the plant locations. The Tebanyi mill is built with mostly second-hand Japanese and Taiwanese equipment. Similarly the Lana, SIF and Layun veneer mills operate a combination of second hand and new Japanese and Taiwanese equipment.

Table 5-7:
Veneer facilities as at 30th June 2006

Country/State	Location	Name	Start Date	Capacity ('000 m^3/a)
Sarawak	Tebanyi	Tebanyi Veneer mill	2003	114
Sarawak	Lana	Lana Veneer mill	2004	86
Sarawak	SIF	SIF Veneer mill	2005	72
Sarawak	Layun	Layun Veneer mill	2005	84

Source: Samling

Production Cost

Samling's veneer operations benefit from the availability of a good standard of wood resource, a skilled and disciplined workforce and effective management. In particular, the strategic decision to locate veneer processing facilities close to the source of wood enables Samling to deliver logs to the plants at lower costs. The dried veneers are then shipped to export points, further saving on transport costs.

Presently, the Tebanyi and Layun mills are processing natural forest logs from areas being cleared for plantation development by Samling. The average diameter of logs being processed at these plants is small (40 – 45cm), but recoveries are satisfactory (44% at Tebanyi and 50% at Layun). The Lana veneer mill receives some logs from natural forest concessions as well as from areas cleared for plantation development. Recoveries at Lana are 46%. SIF is the only veneer mill which receives logs solely from concession areas. Recoveries are presently approximately 50%.

As the planned plantations mature (see section 6.1.1), Samling expects that the Tebanyi, Layun and Lana veneer mills will process plantation logs and Pöyry anticipates that recoveries at the three mills will move toward 45%. As with plywood, Pöyry anticipates that over the coming decade, the concession log diameters will continue to fall. As a consequence, recovery rates at veneer mills like SIF are expected to decline, with long term recovery trending towards 45%.

Future changes to production costs will essentially be driven by the changes in the cost of logs delivered to the mills. Pöyry anticipates that other costs of production should not change greatly in real terms over the coming years. Nonetheless, the current and future costs related to Samling's veneer operations are vulnerable to external factors (in particular the cost of oil and its effect on fuel prices in transport and power generation). Presently, power is generated on site using diesel generators, though, in the case of Tebanyi, a co-generation plant has been built and commissioned. This should optimise energy related costs and mitigate risks associated with oil prices. Samling plans to continue to invest in its veneer mills to manage costs and maintain and improve performance. Further details on costs can be found in Table 7-4.

Realised Prices

Current weighted average prices (From Samling management accounts FY June 2006) are:

- USD232/m^3 for the Tebanyi mill,
- USD255/m^3 for the Lana mill,
- USD257/m^3 for the SIF mill, and
- USD250/m^3 for the Layun mill.

Selling prices include exports (at FOB price point) as well as domestic sales including sales to Samling's own plywood plants.

Certification

Samling's veneer mills are not certified to standards such as ISO 9000. However, each plant does operate to its own internal procedures, as is expected for plants of this type, covering raw material and production quality.

Future Operating Potential

Presently, Tebanyi and Lana are operating at 84% and 72% capacity utilisation respectively. SIF and Layun are operating at much lower levels since the plants are new and still in the process of ramping up production. Pöyry expects that future, veneer production at the four plants should reach at least 80% to 95% of the design capacity of each plant.

5.1.5 Sawmilling Business

Introduction

Samling presently operates two hardwood sawmills in Sarawak, Malaysia. In Pöyry's opinion, the general condition of the sawmills was good and the mills were well managed producing a high quality product.

Site Visits

Pöyry visited the Sarawak sawmills during April 2005. Limited actual cost data and market information was made available to Pöyry on Samling's sawmill operations. During July 2006, additional data and information on these sawmills was made available (including management accounts FY June 2006).

Current Asset Description

Samling's current assets for sawmill operations in Malaysia are described in Table 5-9. Figure 5-3 shows the plant locations.

Table 5-8:
Sawmill Facilities as at 30th June 2006

State	Location	Name	Capacity ('000 m^3/a)
Sarawak	Miri	Samling Wood Industries Sdn Bhd	24
Sarawak	Lawas	Ravenscourt Sdn Bhd	30

Source: Samling

The Sarawak operations are typical small-scale hardwood sawmills, with equipment consisting of primarily Japanese sawmill equipment. In addition, both sawmills have kiln-drying facilities and some downstream processing machinery, enabling the production of dressed, moulded and edge glued timber.

Production Costs

Currently, the Miri sawmill is processing logs at a 49% recovery while at Lawas, it is at 37%. Logs principally come from Samling's own natural forest concessions. As with plywood and veneer mills, delivered log costs are the principal cost factor in sawmilling. We would expect that over time, the delivered log cost (and therefore wood costs) at both plants will increase as the distance from harvesting areas increases over the coming years. Other costs of manufacturing are not expected to change greatly in real terms over the coming years, although external effects such as oil prices may affect this. Samling plans to continue to re-invest in its two sawmill operations to improve efficiency and productivity. Further details on costs can be found in Table 7-4.

Realised Prices

The weighted average selling prices for sawn timber from the operations are currently (From Samling manufacturing accounts FY June 2006) USD272/m^3 for the Lawas sawmill and USD271/m^3 for the Miri sawmill. Selling prices include exports (at FOB price point) as well as domestic sales.

Certification

While Samling sawmills and the sawn outputs do not have product certification, production observed during the site visits was of a high standard.

Future Operating Potential

Pöyry estimates the current sawn output for the Miri sawmill to be 19,000 m^3/a. The plant has the potential to increase production to at least 22,000 m^3/a without the requirement for investment in additional processing capacity. Likewise, Pöyry estimates the current production of the Lawas sawmill to be approximately 18,500 m^3/a of sawn output. The plant has the potential to increase production to at least 25,000 m^3/a without the requirement to invest in additional processing capacity. It is Pöyry's opinion that both plants should be able to maintain this output. Historically neither plants have reached their rated capacities.

5.1.6 Other Downstream Product Processing

Introduction

As part of its strategy to move further along the value chain and to diversify its product range, Samling operates a number of other downstream processing plants. Recovery of processing waste from the sawmills and plywood mills for the manufacture of Medium Density Fiberboard (MDF) and door facings helps to achieve maximum utilisation of the forest resources. MDF and plywood form the basis for the flooring, door and furniture manufacture.

Pöyry inspected the MDF, door facing, furniture, flooring and door making operations and found that the plants are largely operating well. The general condition of the downstream facilities is good, and they are well managed. Product quality appeared satisfactory and this was evident from low customer rejection figures.

Site Visit

Pöyry visited the MDF plant, door facing factory, furniture factory and flooring factories during April 2005. Pöyry visited the engineered door plant (Foremost Crest) located in Sungei Buloh (Kuala Lumpur) in April 2006. Additional data and information was also made available in July 2006 for inspection. Information sources included data from Samling's FY June 2005 audited accounts, FY June 2006 management accounts and other financial information. Information sources included Samling's management accounts, mill records, discussions with management and site staff, Pöyry databases and third party data.

Current Asset Description

Samling's current assets for other downstream operations in Malaysia are described in Table 5-10. Figure 5-3 shows the plant locations in Sarawak.

Table 5-9:
Other Downstream Product Processing as at 30th June 2006

Processing Type	Country/ State	Location	Name	Start Date	Capacity ('000/a)
MDF	Sarawak	Miri	Daiken Miri	1997	100 m^3
Door facings	Sarawak	Bintulu	Magna-Foremost	1999	8,000 units
Housing products	Sarawak	Miri	Samling Housing Products	1996	6,172 pieces
Laminate flooring	Sarawak	Miri	Samling Flooring Products	2000	1,500 m^2
Engineered flooring	Sarawak	Miri	Samling Flooring Products	1994	504 m^2
Engineered doors/skin doors	Peninsula Malaysia	Selangor	Foremost Crest	2000	267 units

Source: Samling

Both the door facing plant and the MDF plant are standard fiberboard processing operations utilising European equipment. Similarly, the laminate flooring and engineered wood flooring plants utilise European made equipment.

The Miri door and furniture mill is a typical integrated operation with processing organised in a batch process, workshop style, and built with Japanese, German and Italian processing equipment. Similarly, the engineered door factory in Selangor comprised of both new and refurbished Taiwanese, German, Italian, and locally made cutting, moulding, sanding and framing equipment. The plant is also organised to produce doors on a consignment basis.

Samling also operates a small business (Samling DorFoHom Sdn Bhd) dedicated to supplying the wood raw material for making Magna-Foremost's door facings.

Production Costs

MDF

Daiken Miri's operations benefit from low cost availability of residual wood which comes from the various plywood, sawmill and remanufacturing operations in the vicinity of the plant. Off-cuts from processing logs at sawmills are obtained for approximately USD25/ODt, a value covering little more than transport cost. Given the abundance of locally available raw material for the plant, Pöyry expects that future, raw material costs should remain unchanged in real terms. Other costs of production are also expected to remain unchanged in real terms, with the potential exception of resin and oil related products, the cost of which will vary depending on changes in oil prices. Presently, Daiken Miri obtains its resin primarily from a local manufacturer based in Kota Kinabalu. Daiken Miri is one of the few hardwood MDF producers within the region which can readily supply specific niche end-users, compared to rubberwood or pine based MDF. Further details on costs can be found in Table 7-4.

Door Facings

Wood material used in the production of door facings comes principally from SPB, (supplied by Samling DorFoHom Sdn Bhd), for the door facing plant. Resin is obtained mainly from a local manufacturer based in Kota Kinabalu. In the future, Pöyry expects that raw material and other variable costs will remain effectively constant in real terms. It is possible, however, that resin costs may vary with changes in oil prices. Further details on costs can be found in Table 7-4.

Laminate Flooring

Laminate flooring has become a popular flooring system in Europe, Taiwan and China. High density fiberboard (HDF), the flooring substrate and main raw material used in the process of producing laminate flooring is provided by Daiken Miri. Typically, HDF substrate costs are similar globally. The other main cost in laminate flooring production is the impregnated decor, backing and overlay papers used to cover the substrate. The mill obtains its papers mainly from Malaysian manufacturers. European manufacturers benefit from a very competitive market for overlays and decor papers. Samling's decor paper costs are competitive with other South East Asian producers. Further details on costs can be found in Table 7-4.

Engineered Flooring

The principal raw materials in the manufacture of engineered flooring are plywood (as a floor base substrate), sawn wood, adhesives and lacquers. Plywood is sourced from the neighbouring Samling plywood mills at market prices. All other materials are sourced externally and there are no dependencies on single suppliers. Over the coming years, Pöyry envisages that these individual cost elements, comprising materials and fixed and variable costs, will remain largely unchanged in real terms. Further details on costs can be found in Table 7-4.

Housing Products

Materials represent more than 60% of the housing products production cost. The vast majority of the wood raw materials are sourced within Samling and in effect largely within Samling Kuala Baram industrial park. The other raw materials are multi-sourced and as a result, there is no dependence on where the raw materials are sourced. Samling plans to invest capital at levels sufficient to maintain the machinery in good order and making replacement investments where necessary. Further details on costs can be found in Table 7-4.

Engineered Doors

Like housing products, materials represent a significant proportion (between 40 and 60%) of the cost of making doors. Much of the wood raw material is sourced from within Samling. For example door facings, the main wood raw material component, is sourced from Magna-Foremost. Other raw materials are multi-sourced and there is similarly no dependence on where the raw materials are sourced. Samling plans to invest capital at levels sufficient to maintain the machinery in good order and making replacement investments where necessary. Further details on costs can be found in Table 7-4.

Realised Prices

Current weighted average prices (From Samling management accounts and sales data FY June 2006) are as follows:

- USD245/m^3 FOB for MDF
- USD5.11/m^2 FOB for Laminate flooring
- USD17.3/m^2 FOB for Engineered flooring
- USD3.00/unit FOB for Engineered door facings
- USD13.4/unit at mill gate for Engineered doors

From the sales data in the management accounts provided by Samling, the annualised revenue from this is approximately USD17.1 million.

Certification

To conform to market requirements and demand, Samling has obtained a number of product certifications. Table 5-11 summarises the certificates held by the downstream processing facilities.

Table 5-10:
Samling Product Certifications for Downstream Processing

Certificate	Location	Purpose
Japanese Industrial Standard (JIS)	Daiken Miri (MDF)	For regulation of formaldehyde emission for panel products to Japan

Source: Samling

Future Operating Potential

MDF

Currently, the MDF plant is producing at about 90,000 m^3/a. Pöyry envisages that the plant should be able to comfortably operate at least at this level and that no investment in additional capacity will be required to achieve this. Samling plans to continue investing in the operation to maintain the plant in good working order.

Door Facings

Currently, Magna-Foremost is producing at approximately 8 million door facings a year. Pöyry considers that in the future, the operation should realistically be able to continue producing at this level.

Laminate Flooring

Pöyry envisages that in the future, the plant should be able to produce approximately 340,000 m^2/a, with no additional investment in capital required. Samling plans to continue to invest in its operations to maintain current performance.

Engineered Flooring

Given Samling's commitment to improving productivity and quality, it is Pöyry's opinion that the plant should be able to produce around 245,000 m^2/a with no additional investment in capital required. However, Pöyry considers that it will be necessary for Samling to continue investing in its operations to maintain current performance.

Housing Products

Samling will be required to invest capital at sufficient levels to maintain the machinery in good order to replace equipment. Pöyry expects that the plant can produce approximately 5 million units/a.

Engineered Doors

Production at the plant over the past year has averaged approximately 5,800 doors per month. As Samling expands in European and in other markets, the Company intends to increase this production to the current capacity of the plant (23,000 doors per month on a single shift). Assuming markets can be found, this production volume is realistic.

5.2 Guyana

Introduction

Samling's subsidiary, Barama Company Limited (Barama), has a forest concession with a net operable area of 1.327 million hectares and harvesting rights on a further 0.370 million net operable hectares of forest concession land. Pöyry has used available data to construct estimates of future woodflows from a combination of the concession and harvest rights areas. Two woodflows have been produced. The first is a woodflow constrained by the existing and planned processing requirements of the two sawmills and Plywood mill, current and reasonable forward looking species utilisation, harvest rights criteria and acceptance of certain species in the round log export markets. The results of this constrained woodflow is an annual yield of approximately 420,000 m^3 of hardwood logs. The second woodflow model is largely unconstrained by processing and export requirements, but retains constraints on harvest rights and species utilisation. The results of this second woodflow model is an annual yield of over 600,000 m^3. The earlier charts in this document and all costs estimates use the first, constrained woodflow. It should be noted that Barama of course has the ability to manage the cut in any way possible so long as Guyana Forest Service criteria are met.

For both scenarios, an annual yield can be produced sufficient to meet the planned wood input requirements of the existing sawmills and plywood mill as well as allowing for log exports.

As a member of Caricom, the association of the Caribbean nations, Guyana has good access to the Caribbean market and favourable import duties relative to other exporters to the US. The Guyana Government is supportive of both Barama and its forest management.

Site Visits

Pöyry's staff members conducted a visit to the Barama forest concession in June 2005. The purpose of the visit was to verify information provided by Samling as to the extent, productivity, costs, revenues and impact of its operations. Pöyry met and consulted with Barama staff members and also spent time inspecting the forest from both the air and ground. Information pertaining to historical forest yields, management accounts and maps was made available. A comprehensive survey or forest inventory was not undertaken. Data sets were updated in August 2006 to reflect June 2006 financial year results.

Asset Description

Barama Company Limited (Barama) was established in 1991, formalising a joint venture between Samling and Sunkyong Limited (now known as SK Global) of South Korea. This is now 100% owned by Samling and is no longer a joint venture with SK Global.

Barama's lowland mixed tropical forest concession in northwest Guyana (Timber Sales Agreement 04/91) is the largest forest management operation in the country. The gross area of the concession is 1.611 million ha; the net operable area is 1.327 million ha. The current concession licence runs from 16 October 1991 to 2016. It is then renewable for a further 25 years until 2041.

Barama has also entered into agreements with other concession holders giving it the exclusive rights to harvest and sell their logs[*]. The gross area covered by these agreements is 0.445 million ha; the net operable area is 0.370 million ha. The terms and conditions of these agreements are such that most harvesting will need to be completed over the next ten years. Barama is required to pay a premium to the concession holder and the relevant royalties.

Many of the boundaries of the concessions are large rivers and access to the concession is by means of river boats. This isolation serves to protect the resource from illegal logging, while barging provides cost efficient log haulage. Population densities are very low in northwest Guyana; there is no significant pressure for conversion of forest to agriculture.

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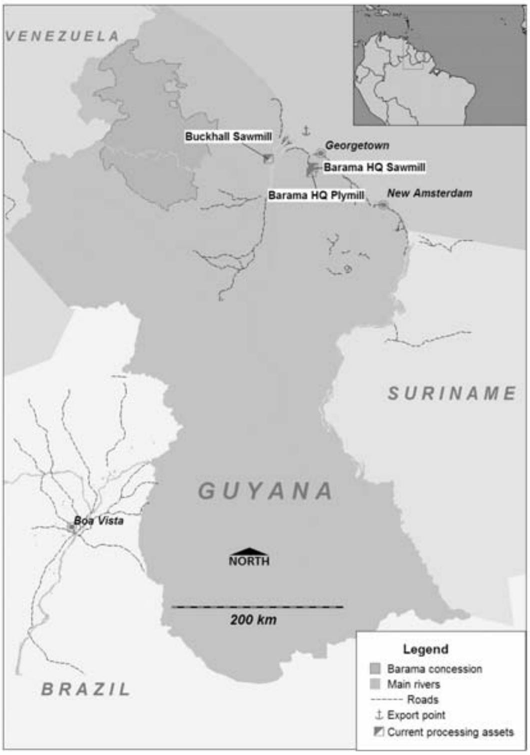
* These other agreements are with: Barakat Timbers and Trading Company Limited, N Sukul and Sons, Toolsie Persaud Limited, Guyana Sawmills Limited (Cuyuni), N. Mazaharally & Sons, Interior Wood Products Inc. — St Monica and Interior Wood Products — Awakini. A further harvesting right with Barama Housing Incorporated is proposed, but has to date not been finalised.

Figure 5-5:
Location of Barama Concession



Source: Pöyry

The concessions consist of tropical lowland forest in a natural, healthy condition. Barama's records indicate that 'peeler' species suitable for veneer production currently account for 36% of the harvestable volume, with 'sawlog' species accounting for the remainder (64%). Given the uniformity of the forest resource observed by Pöyry, the application of this percentage to all previously un-harvested areas seems appropriate. Past harvesting targeted peeler species with the result that re-entry harvests will have different log type percentages.

The Guyana Forestry Commission is well organised, playing an important and transparent regulatory role. It requires forest inventory prior to harvest and uses the results to determine allowable cuts by compartment. It monitors actual harvest by means of a tree tagging system and inspections at log yards. In the case of a large concession such as Barama's, the Guyana Forestry Commission's expectation is that harvesting operations will be reasonably evenly spread across the cutting cycle. The cutting cycle for the Barama concession is 40 years, ending in 2031.

Harvest History

Observations of the forest made by Pöyry and Barama records and comments from Barama staff show that 18% of the Barama concession area suitable for harvesting and 42% of the harvest right area suitable for harvesting has had some logging activity to date. Many of the harvested areas can support re-entry harvests later during the concession or harvesting right term.

Wood Flow

Based upon current constraints of processing, the projected harvestable woodflow from the Barama concession and the harvest rights areas is approximately 420,000 m^3/a. If these processing and other constraints were relaxed, the maximum sustainable yield from the allowable cut increases to over 600,000 m^3/a. The allowable cut is defined as the total volume per compartment that the Guyana Forestry Commission allows to be taken based on inventory, merchantability and stand growth dynamics.

The volume of logs harvested in financial year 2005 – 2006 was stated as 218,551 m^3 (61,777 m^3 from the Barama concession and 156,774 m^3 from the harvest rights). It will take some time to increase the harvesting capacity from its current level to the required level. As already mentioned, Pöyry have modelled two woodflow production scenarios (Figure 5-6) both are based on the same assumptions of total operable area and merchantable species mix. The volume of woodflows are dependent on the commercial species available in the forest resource. Based on existing commercial species acceptable to a round log export market, current and future planned processing harvest right criteria and period terms, the projected harvestable woodflow from all sources is approximately 420 000 m^3/a. If, however, a greater range of the plywood species were to be acceptable to the export market and harvest right area constraints were relaxed, then the annual area cut could increase and woodflows could rise to over 600 000 m^3/a.

Both these scenarios fall within the Guyana Forestry Commission allowable cut. This is defined as the total volume per compartment that is permitted to be taken based on inventory, merchantability and stand growth dynamics.

Both the constrained and the total sustainable woodflows are estimated on a total recoverable merchantable species mix, up to 13 m^3/ha*. The maximum allowable cut level is 20m^3/ha, hence an even greater harvest volume could possibly be available in the future if:

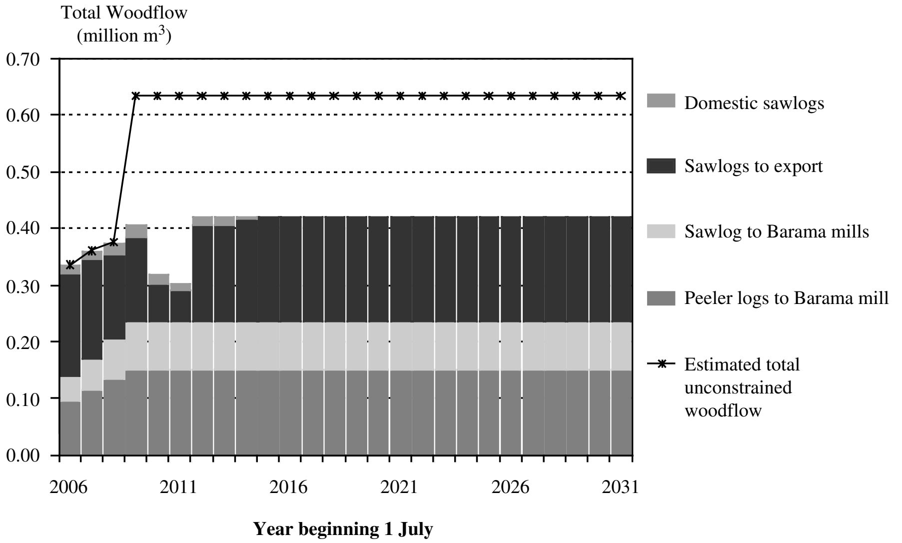
1. inventory shows this volume to be present,

2. market acceptance of species is greater than Pöyry currently estimates.

The woodflow figures for the constrained model are also presented in Table 7-1.

* These yields are per harvestable hectare. The harvestable area is approximately 90% of the operable area. The remaining 10% accounts for roads and areas within harvest blocks that cannot be harvested such as steep, rocky or wet areas.

Figure 5-6:
Projected Guyana Wood Flow Constrained and Unconstrained



Source: Samling

Notes: The above chart shows both the Pöyry constrained (bar) and the unconstrained woodflow scenarios (line), both to the end of the current 40 year harvest cycle (2031). Both models assume future recoverable yields are 9.5 m^3/ha to 2008, then 11 m3/ha 2008-2020 and thereafter 13 m^3/ha. The 13 m^3/ha yield is based on an assumption that a greater species range will become merchantable. Such an assumption would be consistent with historical trends. The production dip in 2010-2011 for the constrained model is due to peculiarities of the harvest rights areas assumed to be under production at that time. In reality, future management options may allow for this to be smoothed.

Production Costs

The production costs for future operations shown in Table 5-12 are based on costs reported by Barama over the past two years and appear similar to costs reported by other companies undertaking similar operations. Transport costs and some associated costs such as road maintenance vary according to the distance of the harvested area from the sales point. There are significant differences in haulage distances; these differences result in different production costs for each of the sales points as the harvesting operations move across the concession.

Table 5-11:
Unit Cost estimates for Barama Concession (as at Financial Year Ended June 2006)

Cost Type	Cost for Export logs (USD/m³)	Cost for Domestic Logs (USD/m³)
Road construction (varying costs from depending on harvest type; first, recent re-entry, later re-entry)	0.92 – 2.63	0.90 – 2.57
Log ponds, road maintenance, haulage to log pond	0.21 per km Varies from 19.71 to 39.40	0.20 per km Varies from 14.30 to 31.43
Forest administration and operation planning	21.37	20.93
Harvesting	12.10	11.85
Capital purchases	8.42	8.25
Marketing and port handling	7.89	0.00
Company overheads	3.45	3.38
Total production costs range — sawlogs	**72.20 to 87.97**	**Land of Canaan mill 51.62 to 72.75 Buckhall mill 57.70 to 68.68 Harvest right sales 60.20 – 66.10**
Total production costs range — peeler logs	**No peeler logs exported**	**Land of Canaan mill 61.95 to 71.68**

Note: The percentage of the volume delivered at the log pond that is merchantable is lower for export logs than for logs used domestically due to higher quality specifications. This accounts for the slight differences between many of the costs per m³. Estimates based on the constrained woodflow model.

All harvesting and transport operational costs will be affected by fluctuations in fuel and oil prices.

Log Markets

Barama currently supplies one of Samling's sawmills at the Land of Canaan which has a capacity that would require approximately 19,000 m³ per year. The sawmill at Buckhall has started operation and is expected to require 67,000 m³/a of saw logs when producing at levels expected by Samling. Additional sawlog volume (typically around 180,000 m³/a) will be exported. All peeler logs go into the peeler mill that is planned to be expanded to take 153,000 m³/a. Volumes increase over the first few years as the peeler mills expands. The majority of logs are either transferred to the Barama processing at production cost, or sold in an export market at prevailing market prices. Small quantities of logs are sold to other concession holders as required by the terms of the harvesting agreements (harvesting right committed sales as shown in the previous chart). Pöyry has estimated from data provided by Barama that from February to June of the 2005/6 financial year, 31,370 m³ of round logs were sent to the Plywood mill and 5,270 m³ to the sawmills. The total volume to all mills in financial year 2005/6 was 76,658 m³.

Management Review

In Pöyry's opinion, the Barama operations are a very good example of tropical forest management. Forest planning is undertaken to a good standard. Employees appeared knowledgeable about their work and willing to continually improve operations. Forest information and financial management systems are operating to support management decisions, although ongoing improvements will be required to manage larger operations.

Barama has difficulty finding appropriately skilled Guyanese forest workers and currently relies heavily on expatriate workers. Barama plans to address this issue by training local workers.

5.2.1 Export Log Business

Introduction

After meeting the input requirements for the Barama sawmills, Pöyry anticipates some 180,000 m^3 of hardwood logs to be available for export per year from the Barama concession and the harvesting rights. In financial year 2005 – 2006, Barama exported approximately 98,700 m^3 of sawlogs from concession and harvest right sources. 21,563 m^3 went to local domestic destinations.

Site Visits

Visits to the site were made by wood products specialists from Pöyry in June 2005.

Production Costs and Prices

Logs are currently either barged to wood ships waiting at the Demarara River mouth or barged to the Georgetown port where they are loaded into containers. The main species exported are greenheart (Ocotea spp), purpleheart (Peltogyne spp) and mora (Mora spp). According to cost information from management accounts that Samling made available to Pöyry, the average production costs at point of sale of export logs is estimated to be in the order of USD80/m^3. The current average price for the export logs reported by Barama is USD120/m^3 FOB, this price is in line with Pöyry's view of prices for logs of similar quality. The price for the small volumes of logs sold to the holders of the other concessions as required under the harvesting agreements is approximately USD50/m^3.

5.2.2 Plywood

Introduction

Samling operates a plywood mill in Guyana, built in 1993 and located approximately 45 minutes from Georgetown along the Demerara River (Figure 5-5). The plant is a typical Asian hardwood plywood mill, producing tropical hardwood plywood for the US market. The mill is producing high quality veneer and plywood. Pöyry inspected the site and found that the plant is operating well. The general condition is good and the mill is well managed.

Site Visit

Pöyry visited the plywood mill during May and June 2005. Additional data and information was also made available for inspection during July 2006. Information sources included data from Samling's FY January 2006 management accounts and other financial information, mill records, discussions with management and site staff, Pöyry databases and third party data.

Current Asset Description

Current assets for the plywood operation in Guyana are described in Table 5-13.

Table 5-12:
Plywood facilities as at 30th June 2006

Country/State	Location	Name	Start Date	Capacity ('000 m^3/a)
Guyana	Georgetown	Barama Plywood	1993	108

Source: Samling

The 166 hectares freehold site houses Barama's headquarters, and various outbuildings. Located across the road is management housing. The mill is very similar in set-up to the Malaysian mills (SPB, SPM and SPK) utilising a mixture of Japanese, Korean and Taiwanese equipment.

Production Cost

Presently, the plant is operating with a recovery of 46% to 48%. This is largely a reflection of the quality of logs currently being removed from the forest which are being supplied from Samling's own concessions as well as from third party concessions where Samling's own operators have logging contracts. Logs are delivered via barge and product is loaded and shipped via the river to the port in Georgetown. Since Samling has yet to start harvesting logs from its own concession in earnest, we expect the availability of quality logs will improve and to remain strong over the coming two decades. Therefore, recoveries should also remain above 45%. Delivered log costs are expected to vary over the coming years as costs of harvest and transport change with log origin. Therefore, wood costs at the plant are also expected to vary slightly, together with total production costs. Other manufacturing costs are not expected to vary significantly in real terms with the exception of resin, which is sourced from Venezuela and Jamaica. Additionally, the cost of power, which is produced by diesel operated generators, may also vary. Resin and power costs are both dependant on the cost of oil. Further details on costs can be found in Table 7-4.

Realised Prices

Current average prices for plywood (weighted averages over all products sold, obtained from the Samling manufacturing accounts from February 2006 to end of June 2006) from Barama's plywood is USD330/m^3 FOB.

Future Operating Potential

Although the plant is capable of producing 108,000 m^3/a of plywood, current production is well below this at 29,000 m^3/a. We understand that Samling plans to increase output from the factory to approximately 44,000 m^3/a over the next two years and maintain this level of output until at least 2009. In Pöyry's opinion, this should be achievable without significant further investment.

5.2.3 Sawmills

Introduction

Samling's two sawmilling operations in Guyana provide the opportunity for Samling to market premium timbers to the North American and European timber markets. With access to these premium timbers from its own concession and competitive labour rates, these sawmills are relatively cost competitive operations.

Site Visit

Pöyry visited the Barama Sawmill at the Land of Canaan during May 2005. At the time of this visit, the second sawmill (at Buckhall) was under construction and has not been visited since. Samling states that the plant has been completed and that it is currently undergoing commissioning trials. Additional data and information relating to mill performance was made available during July 2006, including preliminary information pertaining to the Buckhall sawmill. Information sources included data from Samling's FY January 2006 audited accounts, FY June 2006 management accounts and other financial information, mill records, discussions with management and site staff, Pöyry databases and third party data.

Current Asset Description

Current assets for the sawmill operations in Guyana are described in Table 5-14.

Table 5-13:
Sawmill facilities as at 30th June 2006

Country/State	Location	Name	Start Date	Capacity ('000 m^3/a)
Guyana	Georgetown	Barama Sawmill	1993	14
Guyana	Georgetown	Buckhall Sawmill	2006	50

Source: Samling

The Barama sawmill is a typical small-scale hardwood operation utilising Japanese equipment and associated planning and recovery equipment located at the Land of Canaan in proximity to Georgetown (Figure 5-5). The Buckhall sawmill is also based on predominantly Japanese equipment.

Production Costs

Although small, in Pöyry's opinion, the Barama sawmill is well operated and costs are managed effectively. The plant benefits significantly from being located next to the plywood mill. Apart from being able to share many resources (and therefore utilise those resources more efficiently), much of materials required for the day to day operation of the plant are made on site, minimising unnecessary costs. Logs are sourced from Samling's own natural forest concession and concessions under Samling's management. Current recoveries are approximately 36%.

The Buckhall sawmill is presently undergoing commissioning. Although not located near the plywood plant, operational costs should nonetheless be similar to the Barama sawmill. Logs are sourced from Barama's own natural forest concession and concessions where Barama has harvesting rights. Average recoveries are presently approximately 31%.

In the future, Pöyry's opinion is that production costs at both sawmills are likely to increase as a function of the changing delivered log costs, but not due to any fundamental change in operating expenses. A possible exception to this is the cost of power, which is produced by diesel operated generators. Power costs are therefore dependant on the cost of oil. Samling plans to continue to invest in the mills to maintain the competitive position of the operation. Further details on costs can be found in Table 7-4.

Realised Prices

Current average prices for sawn timber (weighted averages over all products sold, obtained from the Samling manufacturing accounts February 2006 to end of June 2006) from Barama's sawmill is USD398/m^3 FOB. Timber is yet to be sold in significant quantities from the Buckhall site. What has been sold as at 30 June 2006 of approximately 420 m^3, has attained a price of USD581/m^3 FOB.

Future Operating Potential

Barama's sawmill at the Land of Canaan is small. The plant design capacity is estimated to be approximately 14,000 m^3/a, and the plant is currently producing approximately 4,000 m^3/a of sawn lumber inclusive of moulded decking. This production is less than that in previous years and it is Pöyry's opinion that at the very least, this production volume should be achievable in the future. It is Pöyry's opinion that the plant should be able to convert logs into sawn lumber at average recoveries of 40%.

Log supply information given by Samling indicates the Buckhall sawmill should be able to produce approximately 40,000 m^3 of sawn timber annually. To date (as at 30 June 2006), management accounts show that production at Buckhall sawmill has been 1,039 m^3.

5.3 New Zealand

5.3.1 Plantations

Introduction

The Samling Group's New Zealand forest resource is the Hikurangi Forest Farms (HFF) softwood plantation.

New Zealand offers some of the best growth rates in the world for softwood pine plantations. The HFF plantations are well located for sea access to the Asian and US markets and the required public port infrastructure upgrade is in the planning phase. Pöyry found the HFF plantations to be of high quality and appear to be well managed by a skilled and motivated forest management team. The resource has been intensively tended and should yield high proportions of good quality pruned logs. New Zealand log prices are also at historically low levels, and it is Pöyry's opinion that some price recovery is expected in the medium to long term. HFF has attained FSC certification.

Operational challenges that will be faced by HFF are the high cost of log production due to the steep and unstable soils, and logging crew availability to attain future increases in harvest level.

Site Visit

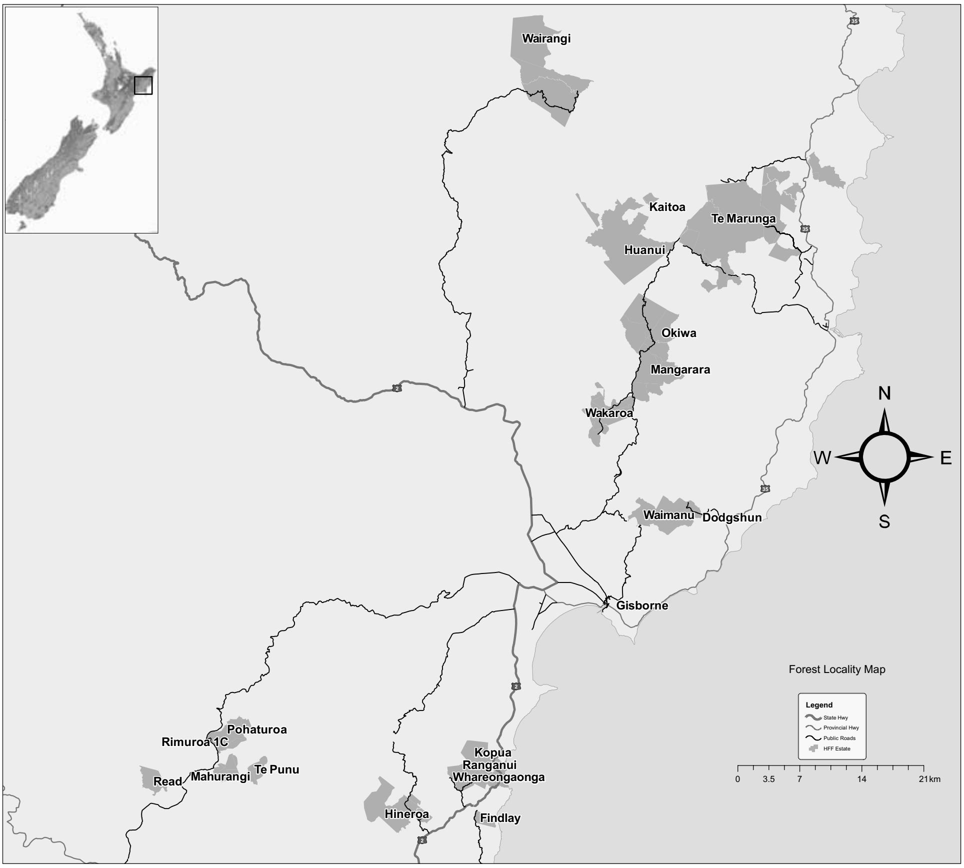
Pöyry staff visited the HFF Office, Gisborne, New Zealand in April 2006. Data sets provided by the Samling Group for HFF included a listing of stands by species, age, area, treatment history together with relevant yield tables. Also utilised from earlier work was a 2004 valuation audit report, a 10 year harvest plan, and maps. There was no formal inventory or survey of the forest resources. The HFF resource comprises a softwood pine plantation located on the East Coast of New Zealand centred on the city of Gisborne. The current plantations are 98% radiata pine (Pinus radiata) with the remainder Douglas-fir (Pseudotsuga menenzii). The crops are being grown for the production of saw and veneer grade logs with a by-product of pulp/chip grade material.

Asset Description

As at 31 May 2006, the net planted forest area of HFF was estimated to be 26,352 ha. Of this, 91% has been established on freehold land, the balance being leases and areas for which HFF has a forestry or cutting right[*].

* Forestry rights and timber titles are legal arrangements whereby forest growers can establish and grow a forest on private freehold land. The freehold land owner either gets an annual fee or a percentage of the stumpage or profit when the timber is finally felled and sold.

Figure 5-7:
Hikurangi Forest Farms Location



Source: HFF

The following table shows the breakdown of net stocked areas by land tenure and Figure 5-8 indicates the current age-class structure.

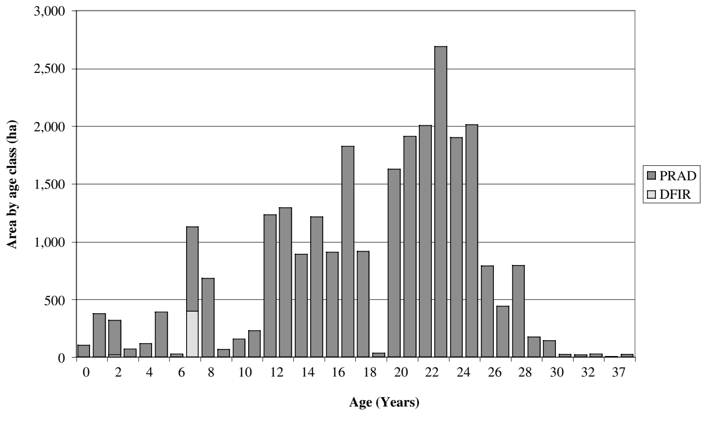
Table 5-14:
HFF Area Statement as of End May 2006

Tenure	Forest Block Name	Net Stocked Area (ha)
Freehold	Findlay	169.7
	Hineroa	1,749.0
	Huanui	3,465.0
	Kopua	835.5
	Mangarara	2,008.3
	Okiwa	2,415.9
	Te Marunga	7,395.6
	Waimanu	1,793.5
	Wairangi	3,210.7
	Wakaroa	824.9
Freehold Total		**23,868.1**
Forestry Right/Timber Titles	Dodgshun	17.7
	Kaitoa	2.8
	Mahurangi	611.8
	Pohaturoa	561.6
	Ranganui	119.0
	Read	140.6
	Rimuroa 1C	31.7
	Te Puna	122.9
Forestry Right/Timber Title Total		**1,608.1**
Leasehold	Whareongaonga	875.5
Leasehold Total		**875.5**
Grand Total		**26,351.7**

Sources: HFF and Pöyry

The difference between the gross area of 35,009 ha and the net plantable area of 26,352 ha is due to; as yet unplanted plantable area, roads, rivers and riparian strips, natural forest reserves and non plantable areas.

Figure 5-8:
Current HFF Age-Class Distribution

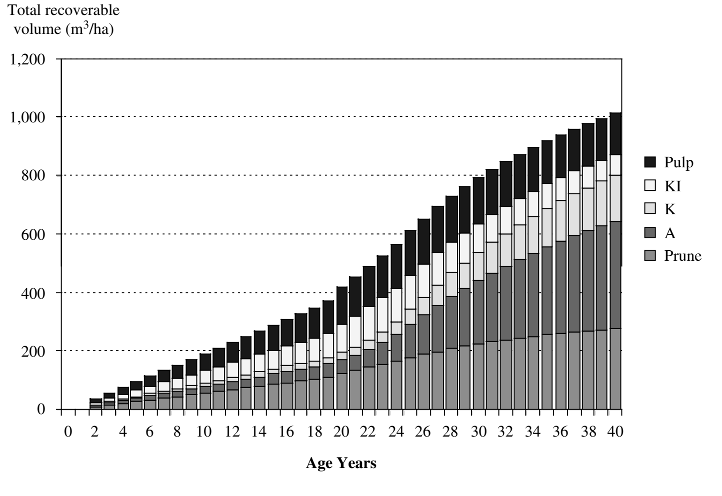


Source: HFF (DFIR = Douglas-fir, PRAD = radiata pine)

Wood Flows

Figure 5-9 below shows the weighted average yield table for radiata pine. This has been derived by Pöyry through analysis of HFF data using a combination of mid-rotation and pre-harvest inventory results run through recognised New Zealand growth and yield models. Pöyry has compared the results to other New Zealand forests and noted that while the yields are high, they are justified by the above average growth rates observed in this region.

Figure 5-9:
Area Weighted Average Yield Table (Radiata Pine)



Sources: HFF and Pöyry

HFF schedules its harvest to a minimum clearfell age of 27 years. Some areas of New Zealand cut at lower average ages. A later clearfell age commensurates with a grower wishing to maximise volumes of the larger veneer grade material.

HFF manages its forest under an intensive pruning regime with the aim of maximising the amount of clearwood* for veneer and appearance grade sawn timber production.

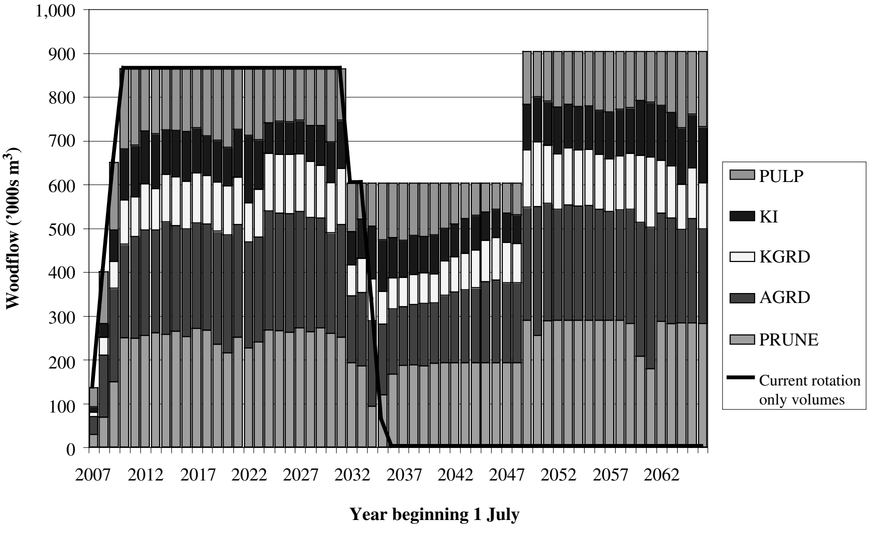
Woodflow production from the forest during the financial year ended 30 June 2006 was 95,608 m^3 and is due to rise in 2007. Taking into account the areas, per hectare yields, rotation period and current management considerations, the following chart (Figure 5-10) represents an estimate of future woodflows. The same yield and area parameters under a more smoothed set of modelling constraints would produce a woodflow as shown in Figure 5-11.

The Figure 5-10 wood flows are also represented in tabular form in Table 7-1.

There is a current lack of transport infrastructure within the East Coast Region compared to other regions in the country. Samling has addressed this through discussions with local government in association with other local producers. The forest industry is receiving assistance in road infrastructure development from the New Zealand Government.

* Clearwood is wood free from live and dead knots and blemishes.

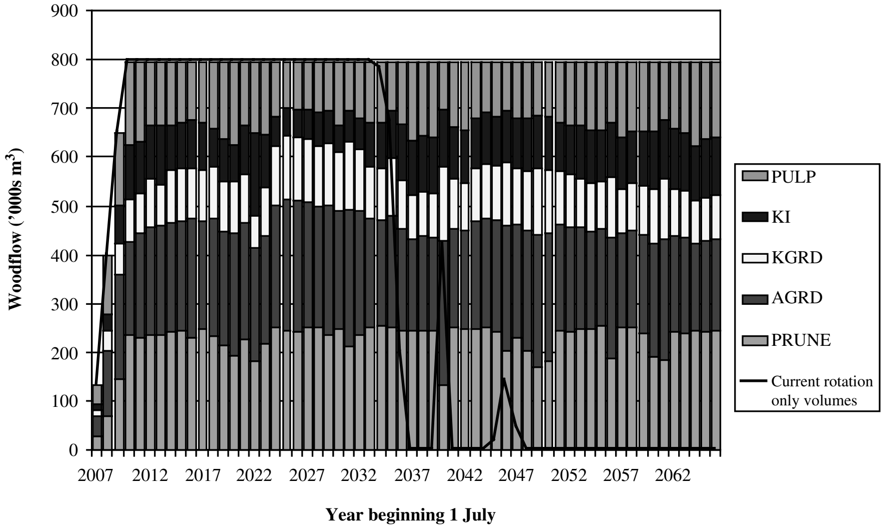
Figure 5-10:
HFF Wood Flow Scenario



Source: Pöyry

Note: Wood flows are shown for a perpetual model as a bar chart with the current rotation investment cycle as the red line. Note also that the first period includes volumes cut in June 2006.

Figure 5-11:
HFF Wood Flow Scenario — Smoothed Wood Flows



Source: Pöyry/Samling

Note that the first period includes volumes cut in June 2006.

Plantation Costs

The HFF forestry costs can be broken down into the following categories:

1. Annual operational costs, covering direct and indirect costs for establishment and maintenance of the forest and all central overheads such as land rentals, stumpage payments, office fees, management salaries and insurances.

2. Production costs are the direct and indirect costs of harvesting and distributing the forest products. These include harvest costs, transport costs and harvest roading costs.

The following table itemises the components of these.

Table 5-15:
Current Estimated HFF Forestry Costs

Plantation Costs	Cost NZD and Cost Basis	Cost USD
Year 1 (establishment + weeding)	1,400 per ha	943.5 per ha
Year 5 (prune + thin)	1,050 per ha	707.6 per ha
Year 6 (prune)	600 per ha	404.3 per ha
Year 7 (prune + thin)	750 per ha	505.4 per ha
Harvest Costs		
Log + load	32.0 – 34.0 per m^3	21.6 – 22.9 per m^3
Harvest overheads	2.20 per m^3	1.48 per m^3
Cartage to mill/wharf	0.20 per m^3/km	0.13 per m^3/km
Harvest roading	7.0 per m^3	4.7 per m^3
Overheads		
Land rental (Whareongaonga only)	11.2 per ha/year	7.5 per ha/year
Central overheads	73.0 per ha/year	49.2 per ha/year

Sources: Pöyry and HFF. NZD 1 = USD0.6739

Notes: Central overheads include insurances, rates, etc. These are current costs as at end June 2006. Exchange rate used reflects the timing of the costs data.

It is Pöyry's opinion that the forest operation cost data provided by Samling is reasonable for the location in the East coast of New Zealand and it appears similar to costs reported by other companies undertaking similar operations. As with other locations, fuel and oil price changes in the future could have a significant impact on overall production costs.

The data is also summarised in Table 7-2 for both production (harvest based costs on a USD/m^3 basis) and annual operational costs (plantation development, maintenance and overhead costs on a USD/a basis).

An allowance for road investment requirements for the increased harvest levels is included in the operating costs. It is planned that harvesting will be undertaken by contractors.

HFF has a number of land rental/joint venture arrangements with forestry rights, or timber titles or leases. Most of these agreements have an option of either an annual rental to be paid to the land owner by the forest manager, a share of the stumpage, or both. Based on Pöyry's examination of the land information in all but one case, the land owner is being compensated entirely by a stumpage share payment. 'Stumpage' in this context is defined as the residual stumpage at point of sale after all production, harvesting, and cartage costs are deducted.

These payments range between 10% and 32% of stumpage. The exceptions are Dodgshun forest where a one-off, upfront payment was made and Kaitoa where HFF had already purchased the timber title.

The stumpage share payments are summarised in Table 5-17.

Table 5-16:
Percentage of Net Stumpage Paid to Land Owner

Forest Block	Net Area (ha)	Stumpage Payment
Ranganui	119.0	21%
Whareongaonga	875.5	13%
Mahurangi	611.8	11%
Te Puna	122.9	15%
Pohaturoa	561.6	12%
Read	140.6	32%
Rimuroa 1C	31.7	12%
Total	**2,463.1**	

Source: HFF

Log Markets

HFF currently supplies logs to both domestic and export markets. In the financial year ended 30 June 2006 HFF sold 33,892 m^3 to domestic markets and 67,804 m^3 to export. HFF intends in the future to use all log production for its own processing to be established in the Gisborne area. The current production grades ranging from chip or pulpwood through to top grade pruned material currently has a weighted average at mill gate price of NZD 80.09/m^3 (USD51.0/m^3) as at 30 June 2006.

Management Review

During the site visit, Pöyry met and held discussions with a number of key staff.

In Pöyry's opinion, HFF is competently managed with well described and understood forest assets, and forest management tools and techniques that are as good as any New Zealand forestry company. An area which still requires refinement appeared to be the yield reconciliation process, which is in its infancy due to minimal harvesting activity on the site to date. Environmental management is of a good standard in the New Zealand resource. HFF management has established an open relationship with local government and worked with them to resolve any potential environmental issues well in advance of operations commencing.

New Zealand's plantations have a low risk to pests, disease and weather. The forest estate is highly productive, healthy, and well tended, and Samling has a skilled and motivated forest management team in place. However, the East Coast of the North Island has in the past seen quite extensive landslips, extended periods of dry weather and extreme storm conditions. Samling maintains fire and wind damage insurance for its plantations to manage this issue.

Certification

The entire HFF forest estate is certified under the FSC scheme. Certification was achieved in August 2005.

5.4 China

5.4.1 Plywood

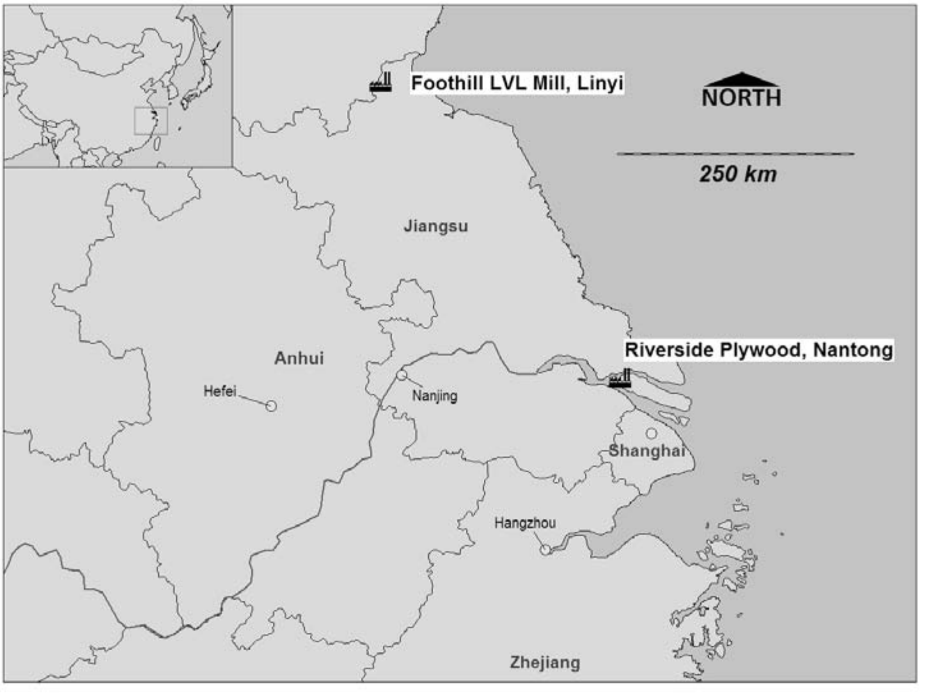
Introduction

Pöyry staff inspected the plywood mill, and found it to be operating satisfactorily. In Pöyry's opinion, the general condition of the plywood mill is good and it is adequately managed. In particular, the plant places considerable care on producing quality plywood, especially in the fancy veneer section of the operation. Management and employees are professional in their work and show clear commitment to quality.

Site Visit

Pöyry visited the mill during June 2005. Additional data and information was made available during April and June 2006 for inspection. Information sources included FY June 2006 management accounts and other financial information, mill records, invoices, discussion with management and site staff, Pöyry databases and third party data.

Figure 5-12:
Map Showing Location of China Processing Assets



Source: Pöyry

Current Asset Description

Current assets for the plywood operation in China are described in Table 5-18.

Table 5-17:
Plywood facilities as at 30th June 2006

Country/State	Location	Name	Start Date	Capacity ('000 m^3/a)
China	Nantong	Riverside Plywood	2003[1]	120

Note:

1 The plant was originally built in the early 1990s by Barito Pacific.

Source: Samling

The plywood mill is located in Nantong, north of Shanghai City, near the Yangtze River. Originally built by Barito Pacific, Samling took over the operation in 2003 and has since added fancy veneer processing at the plant. In 2003, the plant manufactured approximately 15,000 m^3 of plywood. This more than doubled during the financial year ended June 2004 to 40,000 m^3 as the plant ramped up production. In 2005 the plant production had increased to approximately 52,000 m^3. In 2006 production was approximately 41,000 m^3 with the Company giving changes in product mix as the reason for the reduced production level. Although the plant is set up to make tropical hardwood plywood, the operation is presently making plywood (mainly 1.22 m x 2.44 m sheets) from a mixture of poplar/radiata pine raw plywood and fancy plywood (red oak, beech, birch, meranti and maple amongst other species) in a range of thicknesses.

Production Costs

Since taking over, Samling has worked to improve operations and increase output at the plant. Samling has also developed a wider portfolio of products, including fancy plywood processing, as well as the manufacture of softwood plywood products.

The performance of the plywood plant is heavily dependent on the cost of raw material, given that Samling sources much of this from third parties. Samling has taken a very flexible approach to sourcing raw material for plywood manufacturing. Currently, the plant purchases poplar veneer from the domestic market and a limited volume of radiata pine logs, imported from New Zealand. Depending on the current costs for raw materials, Samling can switch between sourcing logs (hardwood or softwood) and veneer (radiata pine or poplar). As third party supply of raw material is purchased at market rates, Pöyry envisages that delivered veneer and delivered log costs to the plants will increase in line with the expected rise in future real prices. This will lead to an increase in wood costs and total production costs over the coming five years. Presently, roundwood recoveries at the plant are approximately 65% and recoveries for processing veneers are approximately 90%. The high recoveries are a reflection of the investment in labour at the plant dedicated to maximising utilisation of veneer material. The Hrelatively low cost of labour makes this possible and is a very positive contribution to the overall productivity of the plant. Samling presently purchases its resin from third party sources. Resin costs are one key manufacturing cost component that can potentially vary in the future, since it is heavily influenced by the cost of oil. Power is sourced from the national grid.

Various other steps have been taken to enhance flexibility as well as reduce costs, such as through the introduction of locally made machinery for drying poplar veneers. Samling plans to continue to invest in the plant to maintain its cost structure and develop the production of softwood and temperate hardwood plywood. Further details on costs can be found in Table 7-4.

Realised prices

The current average price for plywood (weighted average over all products sold, obtained from Samling for the period January to June 2006) from the mill is USD351/m^3, including domestic sales and exports to FOB.

Certification

While the plant does not have ISO certification, there are well established quality and operational systems in place to manage product quality.

Future Operating Potential

Realistically, Pöyry believes that the plant should be able to produce plywood near the plant design capacity. Samling is targeting to increase plywood production to approximately 130,000 m^3 by the financial year ending June 2008. Roundwood and veneer recoveries are not expected to change significantly in the future. Samling does not envisage a need for additional investment in equipment to achieve a production of 130,000 m^3/a.

5.4.2 LVL

Introduction

In Pöyry's opinion, the plant is very tidy and well managed. Operators are well trained, competent and professional. Pöyry's staff were particularly impressed with the extent to which management systems (including monthly management reporting) have been implemented at the mill. It is in part a reflection on how the plant has been set up and managed from the time it started and on the attitudes and philosophy of the senior management involved with managing the plant.

Site Visit

Pöyry's staff visited the LVL plant during the period in June 2005. During April and August 2006, additional data and information was made available for inspection. Information sources included FY June 2006 management accounts and other financial information mill records, invoices, discussion with management and site staff, Pöyry databases and third party data.

Current Asset Description

Current assets for the LVL operation in China are described in Table 5-19.

Table 5-18:
LVL facilities as at 30th June 2006

Country/State	Location	Name	Start Date	Capacity ('000 m^3/a)
China	Linyi	Foothill LVL	2003	40

Source: Samling

The LVL mill (Foothill) is located in Cangshan County, Shangdong Province, about 50 minutes drive from Linyi City. The mill started operations making non-structural LVL from poplar for the export market. Actual plant capacity changes depending on the season as the capacity of the plant to dry veneers varies with air temperature and humidity. Given this, design capacity of the plant has been estimated by Samling at approximately 40,000 m^3/a.

Virtually, all the equipment in the plant is of Chinese origin. The plant makes LVL in a variety of dimensions up to 5 m long and as wide as 1.33 meters. Despite being small in size, the plant is very tidy, well operated and produces a product well suited to the end-users' needs.

Production Cost

Production level is relatively steady at 27,000 to 30,000 m^3/a but costs are relatively high, partly as a result of the current high cost of raw materials for making resin, and also because the LVL mill buys its veneer from third parties at market rates. Although production costs appear high, Samling has taken action to manage these expenses. For example, the LVL plant runs its own resin plant, providing the resin at the cost of production. The Company has invested in Chinese equipment to capitalise on low costs and has cost effective and efficient servicing from locally based technicians. Average production costs have also been steadily falling as the plant has increased output to the capacity of the plant. Power for the plant is sourced from the national grid.

Veneer recovery is currently running at approximately 67%. Pöyry envisages that, given the diligence and care that is exercised at the plant along with Samling's commitment to maintaining operations in good working order, recoveries will be maintained at this level into the future. Therefore, wood costs (and total production costs) are expected to rise, but only as a direct function of the delivered cost for the veneer. In Pöyry's opinion, all other costs related to manufacturing are not expected to change significantly in real terms, with the possible exception of resin costs as the price of raw materials used in making resin (particularly phenol formaldehyde resin) is dependant on the cost of oil. Further details on costs can be found in Table 7-4.

Realised Prices

The current average price (weighted average for products sold, obtained from the Samling manufacturing accounts FY June 2006), for LVL from Foothill's mill is USD310/m^3 FOB.

Certification

The plant does not have ISO standards or JAS certification. Currently, the plant is in the process of accumulating the necessary data for JAS certification. There are extensive manuals covering quality and quality control, from inwards goods inspection to final product delivery.

Future Operating Potential

Current annual production at the plant has been annualised at 26,000 m^3/a. Given the current performance of the plant, Pöyry believes the operation can comfortably produce LVL at this level and should be able to improve output to closer to the design capacity of the plant. This output should be able to be maintained into the future and no additional investment in capital is expected other than what is required to maintain the performance and competitive edge of the operation.

6 FUTURE OPERATIONS

The "future" operations are defined as those operations that are decided and planned (including expansions).

6.1 Malaysia

6.1.1 Plantations

Introduction

Since 1998, Samling has negotiated the rights to 7 Licenses for Plantation Forestry (LPFs) in Sarawak of which 6 are included in detail in the scope of this ITR. These have a total gross area of 438,160 ha. The 7th license is held by Glenealy Plantations (Malaya Bhd), an associated company of Samling, and as such only certain aspects are tabulated here.

The current vegetation of all the proposed plantation sites is mainly, cut-over natural forest, derelict scrub, village areas of shifting agriculture and/or native customary reserve (NCR). The areas suitable for plantation development will provide approximately 138,000 ha of net plantable land over the 6 detailed licenses. The estimated planted area as at end June 2006 is 9,670 ha planted over three sites, 7.0% of the total net plantable area. The LPFs allow the holder to recover where present a yield of salvage timber in the conversion of areas to plantation, i.e. "salvage logging".

The timber from salvage logging and the mature plantations will be used for the production of veneer and saw quality logs with a further potential for a chip/pulp grade log if economic. Based on current assumptions of yield and operable area, at full production, the plantations will sustain a woodflow of over 1.2 million m^3/a. If the Glenealy production is also included, this expands to 1.5 million m^3/a, all available for Samling processing facilities. Over the near term, production is expected to peak at 0.599 million m^3/a of salvage material including that from Glenealy. This salvage wood availability is based on agreements currently in place.

Some of the plantation license areas overlap with the existing natural forest selective logging licenses (forest concession timber licences). It is Pöyry's understanding that where these overlaps occur, areas of the natural forest that are not suitable for conversion to plantation and are not subject to shifting agriculture or defined as reserves can have a selective cut applied. Woodflow from these has been included under the existing asset concession woodflows in Section 5.1.1.

For the purpose of this report, it is assumed that the salvage volumes are transferred at cost to the mills and the future production from the planted tree crop will be internally sold at prevailing market prices. The Company has provided data that shows at 398,615 m^3 were sold in the 2005/2006 financial year.

Plantation forestry in Sarawak is a new venture for Samling and it will be set up to complement the existing Sarawak concessions. To successfully execute a plan on this scale will require new levels of management input.

Site Visit

Pöyry conducted a site visit of Samling's proposed plantation forest areas in April/May 2005. All proposed plantation areas were seen from the air, as ground visits were not possible to either Marudi or Jelalong. There was also a brief over-flight and ground visit of the Paong area (LPF/0021) in April 2006.

The purpose of the visits was to gain an overall familiarity with the operating environment and to verify information provided by Samling as to the proposed area, productivity, costs, revenues and impact of its current and proposed operations. A comprehensive survey or forest inventory was not undertaken.

Asset Description

Samling intends to establish a plantation forestry business over 6 Licenses for Plantation Forests granted by the Sarawak Forest Department. The licenses are interspersed amongst its current active concession licenses (see Current Operations Malaysia, Forest Concessions) and occur on both peat and mineral soils. The net plantable area of the licenses included in the ITR is estimated to be approximately 138,000 ha. A further 33,887 ha will be established as part of Glenealys plantation under LPF 0006 (Lana plantation). The following table (Table 6-1) gives a breakdown of the individual license areas and itemises those from which a salvage yield is available. The salvage yield from the Glenealy Lana plantation is included as agreements are in place to make it available to the mills covered in this ITR.

Table 6-1:
Samling's Current Plantation Licenses (Areas in hectares)

License Block Name	LPF Number	License Periods	Gross License Area	Gross Plantable Area	Net Plantable Area including shifting agriculture allowance	Salvage volume available
Paong	LPF 0021	2000 – 2060	101,000	25,000	24,745	Y
Segan	LPF 0014	1999 – 2059	10,800	7,289	6,012	N
Layun	LPF 0020	2000 – 2060	52,000	15,500	11,550	Y
Jelalong	LPF 0007	1998 – 2058	74,510	15,915	21,721	Y
Marudi	LPF 0008	1998 – 2058	59,650	22,410	22,085	N
Kenaya	LPF 0005	1998 – 2058	140,200	67,400	51,919	Y
Total			438,160	153,514	138,032	

Note:

Gross areas are provided by Samling and by Pöyry GIS interpretation.

Included in the Company's estimate of total net plantable area is 30,573 ha of former shifting agricultural land within the LPF areas that Samling proposes they will be able to plant. In order to achieve this, it will be necessary to maximise the involvement of local community (Longhouse) groups in plantation development. This may involve, for example, innovative profit sharing ventures.

The difference between the gross licence area and the gross plantable area comprises the following:

1. Concession areas, some of which are still available for selective logging under the forest concession timber licences, estimated at 145,000 ha,

2. The balance of the shifting agriculture and native customary reserve areas, and other reserves such as water catchments estimated at 139,211 ha.

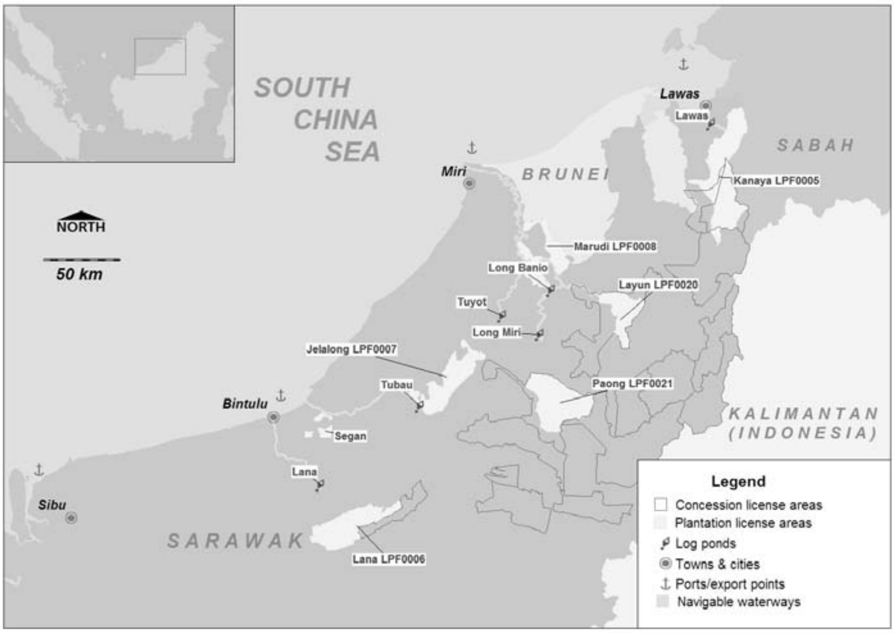
There is a further reduction between the gross plantable and net plantable land due to:

1. Consideration of appropriate river and other buffers and reserves,

2. Allowance for location of infrastructure such as roads, log landings, transmission lines and camps.

Where the plantation blocks support a salvage yield, the area to be salvaged is estimated at the gross plantable area less the allowance for buffers, etc. as described above. Location of the plantation area licenses is illustrated in Figure 6-1.

Figure 6-1:
Map of Proposed Plantation Locations



Source: Pöyry

Note:

Lana, LPF0006 is under Glenealy.

The proposed plantations will produce a combination of logs to be used for the production of sawn timber and veneer in both current and future definite and planned plants. The potential residue of chip grade material, should there be beneficial margins, could be used for a combination of export chip, MDF and also for the proposed Sarawak pulpmill near Bintulu.

Woodflows from all the plantation areas and salvage logging for all licences areas (including Lana) will be available for current and future processing.

To date, Acacia mangium (acacia) has been targeted as the main plantation species, as it is proven for rapid growing and is enjoying increasing market acceptance as a solid wood crop. A combination of other species may also be used, including teak, eucalyptus, khaya and some rubberwood. Pöyry recommends detailed trial work on these other species be implemented as soon as possible.

The following table details the currently established plantation resource at the time of the inspection.

Table 6-2:
Estimates of Currently Established Plantation Areas (ha) by Species (as at end June 2006)

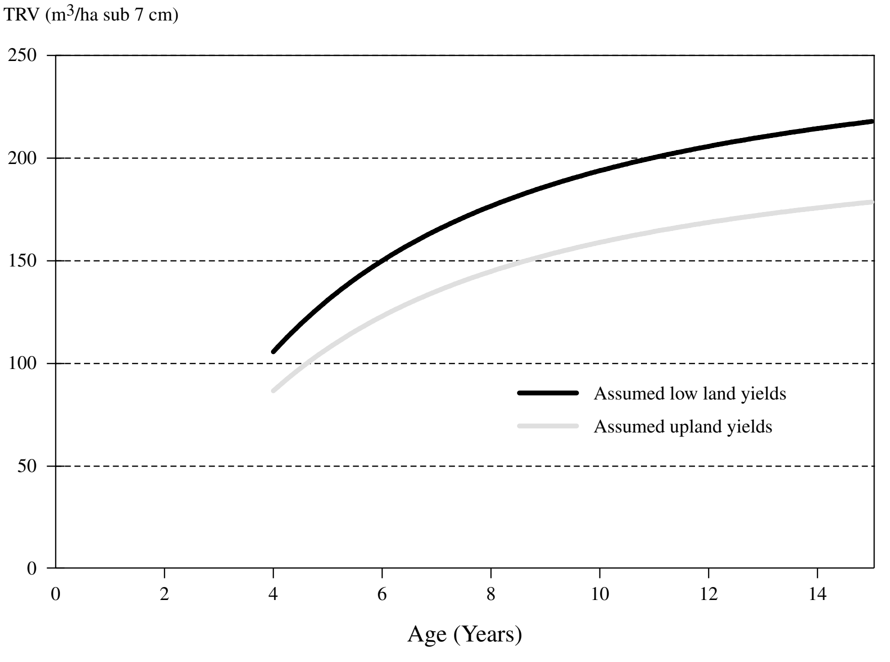
Plantation License	License No.	Species	Year End 30 June 2001	2002	2003	2004	2005	2006	Total (ha)
Paong	LPF 0021	*A.mangium*	–	–	134.1	892.8	1,397.7	2,058.1	**4,482.7**
		A.crassicarpa	–	–	17.0	–	107.6	–	**124.6**
		Rubberwood	–	–	72.4	37.8	172.6	35.0	**317.8**
		Khaya	–	–	–	121.7	98.0	293.5	**513.2**
		Others	–	–	0.2	1.1	21.6	117.2	**140.1**
Segan	LPF 0014	*A.mangium*	227.0	1,058.1	551.1	712.4	707.7	64.6	**3,320.8**
		A.crassicarpa	13.2	95.4	131.9	–	20.0	177.6	**438.1**
		Rubberwood	11.3	–	–	–	–	–	**11.3**
		Khaya	–	–	–	–	35.5	–	**35.5**
		Others	6.8	48.9	1.5	14.2	118.9	29.1	**219.3**
Layun	LPF0020	*A.mangium*	–	–	–	–	–	56.3	**56.3**
		A.crassicarpa							**–**
		Rubberwood							**–**
		Khaya							**–**
		Others	–	–	–	–	–	9.9	**9.9**
Total (ha)			**258.3**	**1,202.4**	**908.2**	**1,780.0**	**2,679.7**	**2,841.2**	**9,669.7**

Source: Samling

It is assumed that acacia will be grown on a 10 year rotation targeting both saw and peeler log-grades. To achieve the required diameters in time, management attention will have to focus on detailed silviculture (thinning intensities, timings and pruning). Pöyry believes that while the plantation establishment plan may include a number of species, it is reasonable at this stage to assume that the majority of the plantation areas will be planted with Acacia mangium. Figure 6-2 represents Pöyry's best estimates of the average recoverable yield from the plantation resource, from the lowland (Segan, Marudi, Jelalong) and upland (Layun, Paong and Kanaya) plantation areas.

Monoculture plantations, often with narrow age-class distributions, are more likely to be affected by biological and weather impacts than ecologically diverse natural forests. With the increasing clearance of land and the routine use of fire in clearing processes, fire encroachment has become an important issue. Samling intends to manage this through recruiting employees with experience in forest protection and through local community involvement.

Figure 6-2:
Average Recoverable Yield Curve for *Acacia mangium*



Source: Pöyry

Note: TRV = Total recoverable volume is an estimate of the volume able to be recovered to merchantable limits and available for processing.

Table 6-3 gives the break down of anticipated volume by log grade.

Table 6-3:
Estimated Future Plantation Yields by Log Grade

Acacia mangium *(10 year rotation)*

Est. Recoverable Production Volumes (m^3/ha)		
Log grade	**Upland Sites**	**Lowland Sites**
Peeler	45	54
Sawlog	62	76
Total Harvest Yield	**107**	**130**
Chip log potential	52	64
Total Harvest Yield with chip	***159***	***194***

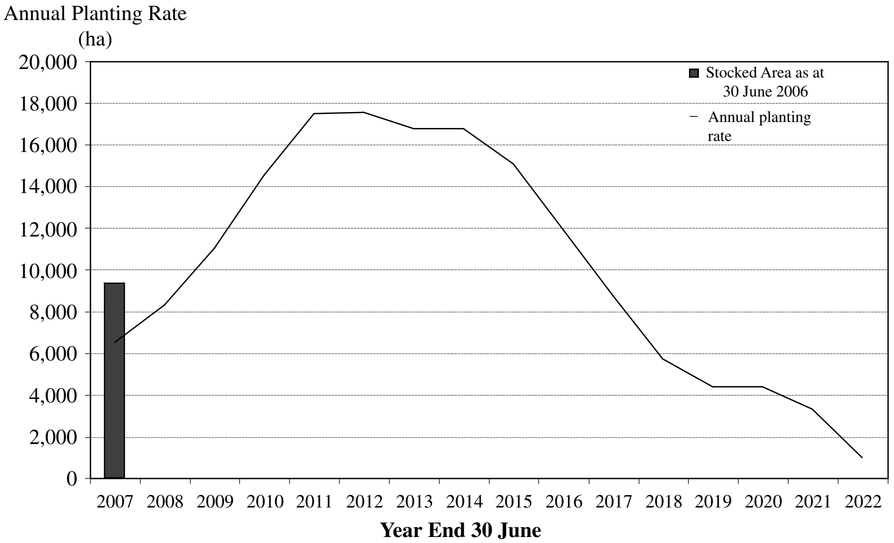
Source: Pöyry

Pöyry anticipates that planting rates will increase significantly over the next few periods as illustrated in Figure 6-3. This will require a considerable increase in labour availability to clear the remaining natural forest, establish plantation nurseries, implement planting, and carry out operational activities like weeding and thinning.

Figure 6-3 details the rate of forest plantation expansion assumed by Pöyry for the first rotation.

Factors that may affect the key assumptions regarding Samling's future plantation areas are: land encroachment, labour availability, changes in environmental legislation and changing government policy. Furthermore, detailed analysis which has not yet been undertaken by Samling may reveal that some areas are not suitable for plantation development. The impact of this issue can be reduced through continued partnership with the forestry department and through more detailed work in plantation development and planning.

Figure 6-3:
Yearly Planting Rates



Source: Pöyry

As the plantations are being established over the next 10-15 years, salvage production will yield a wood flow for current and future processing. The plantation licenses areas have been subjected to at least one logging cycle in the past and the Segan and Marudi licenses are not expected by Samling or Pöyry to produce a recoverable salvage yield.

Table 6-4:
Current Recovered Salvage Yields

Plantation Area	Recoverable Volumes (m^3/ha)	Percentage Peeler	Percentage Saw
Jelalong	12	50%	50%
Paong	38	100%	0%
Layun	86	68%	32%
Kanaya[1]	50	80%	20%
Lana	26	90%	10%

Sources: Samling and Pöyry.

Note:

1 No data available for Kanaya, figures provided are an estimate.

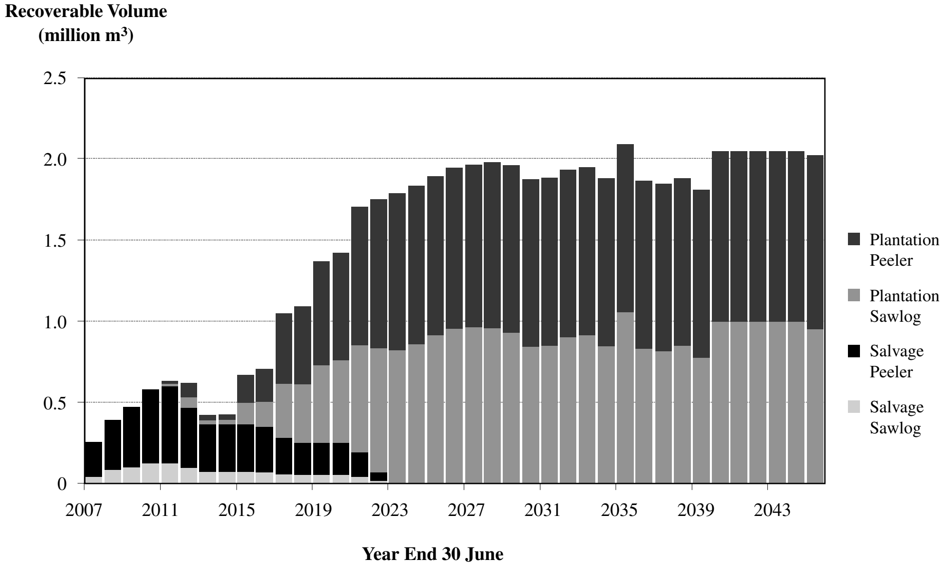
Pöyry has not conducted any forest inventory to confirm these figures, but they lie within the bounds of salvage operations being conducted elsewhere in similar forests in Sarawak.

Wood Flows

Significant plantation wood production is expected to start in 2015 – 2016 (Figure 6-4).

Table 7-1 shows this data summarised in tabular form. All are presented on a perpetual basis.

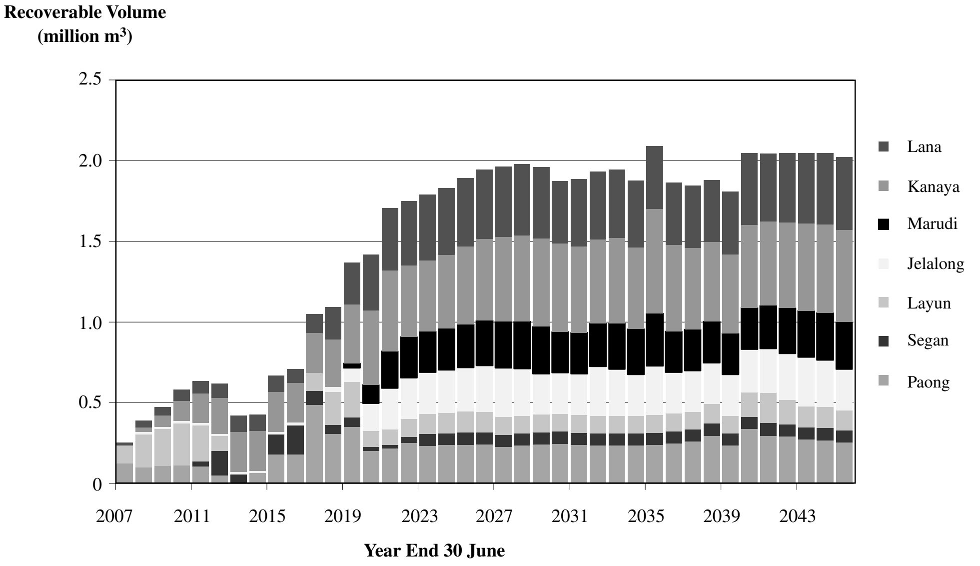
Figure 6-4:
Estimated Wood Flows for the Combined Plantation Licenses (all sources)



Source: Pöyry

Note: This includes production from Lana and Jelalong oil palm clearing.

Figure 6-5:
Estimated Woodflows From Plantation Sources only (by Plantation Origin)



Source: Pöyry

Note: Includes LPF006, Lana.

Estimated Production Costs

Volume weighted average production costs to mill gate for Samling peeler logs from salvage operations are USD16.8/m³ and USD19.9/m³ and for sawlogs (longer average haul distance) as at 30 June 2006. After the salvage of available resource, the establishment of the plantation is assumed to commence immediately before areas become infested with weeds.

The following table lists the estimated costs associated with the establishment, management and harvesting of the proposed Samling plantation forests. These costs include overheads, capital expenditure and any applicable royalties.

Table 6-5:
Costs Associated with the Samling Plantation Forest Operations (FY 2005/6)

Cost component	Year of Cost	Acacia RM/ha	Acacia USD/ha	Rubber RM/ha	Rubber USD/ha	Khaya RM/ha	Khaya USD/ha
CAPEX Allowance	0	1,700.0	462.0	1,700.0	462.0	1,700.0	462.0
Salvage Waste Fell	0	332.1	90.2	323.7	87.9	323.7	87.9
Survey & Goodwill	0	20.0	5.4	20.0	5.4	20	5.4
Road Maintenance	0	–	–	–	–	–	–
Survey & Goodwill	0	20.0	5.4	20.0	5.4	20	5.4
Lining	0	–	–	–	–	–	–
Holing	0	–	–	–	–	–	–
Planting/fertiliser	0	452.6	122.9	1,086.2	294.9	1086.2	294.9
Seedlings	0	–	–	–	–	–	–
Supplying	0	–	–	–	–	–	–
Blanking	0	–	–	–	–	–	–
Spreading	0	899.1	244.1	904.3	245.5	904.3	245.5
Underbrush	0	31.9	8.7	–	–	–	–
Weeding	1	73.5	19.9	72.8	19.8	72.8	19.8
Road Maintenance	1	–	–	–	–	–	–
Pruning/Singling	1	59.8	16.2	60.6	16.5	60.6	16.5
Weeding	1	266.9	72.5	322.8	87.6	322.8	87.6
Weeding	1	81.1	22.0	95.9	26	95.9	26
Weeding	2	177.6	48.2	–	–	–	–
Pruning/Singling	2	105.2	28.6	–	–	106.7	29
Weeding	2	–	–	–	–	227.2	61.7
Thinning	3	250.0	67.9	–	–	–	–
Weeding	3	88.8	24.1	107.6	29.2	107.6	29.2
Pruning/Singling	3	90.8	24.7	–	–	92.1	25
Thinning	3	45.8	12.4	–	–	–	–
Weeding	6	–	–	–	–	107.6	29.2
Thinning	6	–	–	–	–	45.8	12.4
Thinning	7	–	–	–	–	250	67.9
Weeding	7	–	–	–	–	–	–
Thinning	7	–	–	–	–	–	–
Thinning	12	–	–	–	–	250	67.9
Thinning	12	–	–	–	–	45.8	12.4
Fire, Pest & Disease Control	annual	15.8	4.3	19.2	5.2	19	5.2
Capex, General & Admin Overhead	annual	235.0	63.8	225.5	61.2	226	61.4
Road Maintenance	annual	89.1	63.8	103.7	28.2	103	28
Transport Overheads	annual	57.1	15.5	77.9	21.2	76.9	20.9

Sources: Pöyry and Samling 1 USD=RM 3.679

At the present time, Samling is expanding the level of management and associated research and development and systems behind their plantation forests. When all systems are in place, Pöyry estimates that the annual central overhead expenditure associated with this will be approximately USD54/planted ha/a.

In additional to the central overheads, the Sarawak Forest Department levies a land use charge of RM 5/ha/a (USD1.34/ha/a) of gross licence area.

Harvesting costs are estimated by Pöyry to be similar to other regional operations at approximately USD14.77–16.13/m^3 including extraction, loading, roading and overheads. Transport costs are derived from weighted average haulage distances from the forest to assumed destinations as estimated by Pöyry using mapping software. A rate of USD0.12/m^3/km is then applied. Transport costs vary by origin and log destination between USD2.15/m^3 and USD27.37/m^3.

Costs will vary year on year into the future as transport distances change and the area of forest planted and restocked after harvest also changes. Costs defined as production costs (direct harvesting and transport related costs on USD/m^3 basis) and annual operating expenses (all plantation development costs and overheads) are summarised in Table 7-2. Fuel and oil price changes will have a material affect on production costs.

Estimated Log Prices

Pöyry estimates that the future volume weighted average market log price at mill gate for all peeler and saw grade material will be approximately USD62/m^3.

Management Review

Although the current plantations are small, Samling has been building experience in management practices. Within Samling, there is already experience in plantation forest management as a contractor with Grand Perfect Bhd* upon which they can draw to help with systems and procedures. In addition, many of the workers have experience in oil palm plantations. Although technically a different resource, the skills involved with clearing and establishing oil palm plantations will cross over to the forestry plantation operation. It also provides experience in chemical spraying and weed control, as well as managerial skills such as overseeing contractors.

Pöyry understands from Samling that it is in the process of recruiting extra plantation forestry expertise.

To optimally manage the plantation licenses and provide information for external audit and valuations, Pöyry recommends the introduction of comprehensive geographic and information management systems. There is an opportunity to combine these systems with those of the concession license management.

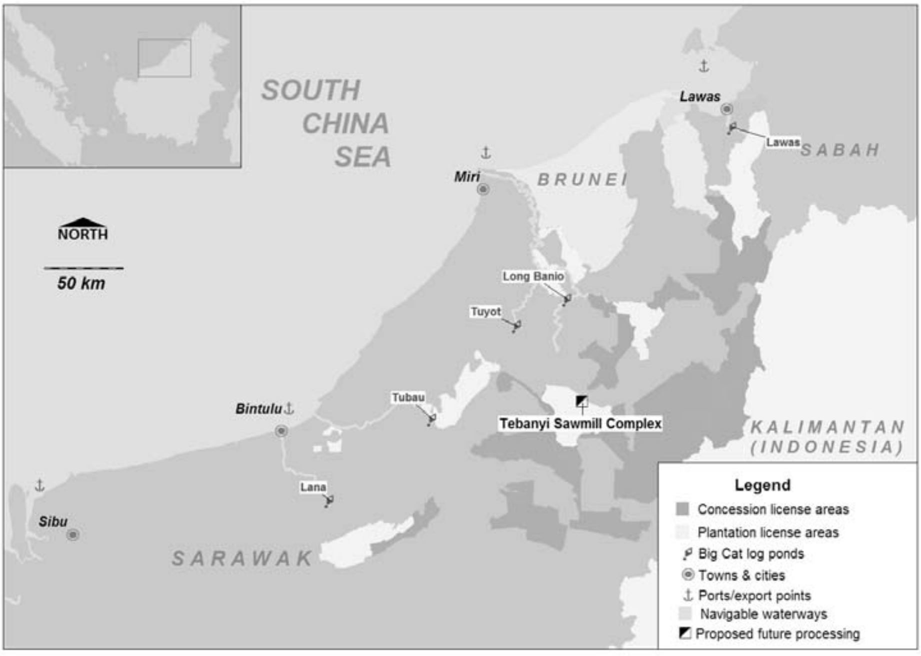
As the proposed venture includes the conversion to plantation of a proportion of the shifting agriculture and native customary reserve lands within the gross license areas, Samling will need to instigate an extension planting program that should include systems for land use negotiation and compensation.

* A nearby pulpwood plantation development.

6.1.2 Decided Mill Expansions

Samling plans to establish additional sawmilling production capacity within Sarawak. Figure 6-6 shows the location of the facility. Samling is subject to various government approval processes, such as export permits and building plans for all its operations. Any delay or failure to get the necessary approval could delay operations or require an alteration to Samling's plans.

Figure 6-6:
Location of Future Decided Processing Facilities — Sarawak



Source: Pöyry

Sawmills

Samling plans to establish a natural forest sawmill at Tebanyi in the calendar year ending December 2007 (Figure 6-6). The Company expects this plant to commence operations in the following calendar year. The Company intends to use the sawmill to process natural forest logs sourced from areas being cleared for Samling's plantation developments.

Samling estimates investment in the sawmill to be approximately USD1.2 million in real terms. Samling has indicated lately that the sawmill is expected to operate at a 35% recovery as the quality of logs being processed is not expected to be high. Delivered log costs are also expected by Pöyry to vary in the future with changes in the future costs of harvesting and transport of natural forest logs from plantation development areas. The mill will produce rough sawn air dried lumber.

6.1.3 Planned Mill Expansions

Veneer

Samling plans to establish an additional veneer mill (Lawas veneer) to process natural forest and plantation logs harvested from the northern part of Sarawak. Pöyry expects that veneer production costs at Lawas will be similar to those of the existing veneer plants. Future delivered log costs are likely to vary depending on where they are harvested. In turn, processed wood costs and total manufacturing costs will fluctuate. Other costs are not expected to change significantly in real terms in the future, with the exception of power which will be influenced by oil prices, since power generation at Lawas will be by diesel generators.

Sawmills

It is envisaged that as saw logs from Samling's plantations become available for harvesting and processing, Samling will seek to invest in plantation based hard wood saw mills to process this material. Once in operation, Samling plans to continue to invest in these plants to maintain performance.

6.2 New Zealand

6.2.1 Planned Mill Expansions

Veneer

Harvesting and export of logs at Hikurangi Forest Farms commenced in 2002 but it has been Samling's strategy to process this volume and export processed wood products rather than just logs. As such, Samling is planning to establish a veneer mill in New Zealand to process all of the veneer logs produced from the forest. Log costs will be the major cost factor for the operation and will change in line with domestic market price developments.

Sawmill

In addition to the veneer mill, Samling plans to construct and commission an export oriented sawmill in the Gisborne area to process all the saw logs expected to be harvested from Hikurangi Forest Farms. The mill will be set up mainly to process remanufacturing and structural timber grades.

Woodchip Mill

Samling is also planning to construct and commission an export woodchip mill. Samling expects that wood fibre for the chip mill will come in part from residues generated by the sawmill and veneer mill as well as from pulp logs available from the Hikurangi forest. Additionally, residues from third party sawmills and LVL facilities in the area as well as pulp logs from other plantations will be available for processing at the chip mill. Wood costs at the mill are likely to vary in the future in line with market price developments. Production costs will also change in the future as a consequence.

7 DATA TABLES

The following section contains the tables of data referenced in pervious sections.

Table 7-1:
Current and Future Asset Log Production Averaged Over Time Periods Shown (Pöyry Estimates)

Estimated Annual Production Volume (thousand m^3) Financial Year Beginning 1 July

Country	Status	Asset	2006 – 2010	2011 – 2015	2016 – 2020	2021 – 2025	2026 – 2030
Malaysia	Current	Concession licenses	1,771.6	1,771.6	1,771.6	1,771.6	
	Export sales volume		669.6	626.4	672.1	672.1	
	Domestic sales volume		44.3	3.5	–	–	
			2006 – 2010	**2011 – 2015**	**2016 – 2020**	**2021 – 2025**	**2026 – 2030**
	Future	Forest plantations volume	22.4	200.8	1,045.9	1,473.3	1,538.3
	Salvage wood volume		457.8	381.9	243.3	13.4	–

Country	Status	Asset	2006 – 2010	2011 – 2015	2016 – 2020	2021 – 2025
Guyana	Current	Concession licenses	360	397.4	420.4	420.4
	Export sales volume		144.4	151.1	182.2	182.2
	Domestic sales volume		16.3	8.1	–	–

Country	Status	Asset	2006 – 2010	2011 – 2015	2016 – 2020	2021 – 2025	2026 – 2030	2031 – 2035
New Zealand	Current	Forest Plantations	582.4	863.6	863.6	863.6	863.6	320.4

Sources: Pöyry and Samling

Notes:

(1) For Malaysian and Guyana concessions woodflows are only shown for the export and 3rd party domestic sales components going forward. These are sold at market rates, other production transferred at cost to Samling downstream plants. Current average sales prices are in the main text. Woodflows may differ from those shown in the Samling Prospectus.

(2) For Malaysian plantations, plantation material will be sold to downstream at market rates, salvage wood transferred at cost. Plantation volume does not show volume from Lana (LPF 0006) part of Glenealy, but salvage wood volume does as per agreements currently in place. Current average sales prices are in the main text.

(3) Time period groups are arranged so as to best describe the estimated asset woodflows. Lustra of no production are represented: "–".

(4) New Zealand plantation woodflows are shown for the current planted rotation only (current investment cycle) as per IAS 41. For perpetual woodflows, see main text. All others woodflows shown can be treated as perpetual from the last lustrum detailed.

(5) New Zealand plantation wood will be sold internally in the future to Samling downstream at market rates. Current average sales prices are in the main text.

Table 7-2:

Pöyry Estimated Future Weighted Average Log Costs, Production Costs (USD/m³) and Annual Costs (thousand USD)

			Year beginning 1 July						
Country	**Status**		**2006 – 2010**	**2011 – 2015**	**2016 – 2020**	**2021 – 2025**			
Malaysia	Current concessions	Export sales							1 USD =
		Production costs	88.5	89.7	92.0	92.0			RM 3.73
		3rd party sales							
		production costs	79.6	79.0	–	–			
		Annual costs	n/a	n/a	n/a	n/a			
			2006 – 2010	**2011 – 2015**	**2016 – 2020**	**2021 – 2025**	**2026 – 2030**		
Malaysia	Future plantations	Production costs							1 USD =
		(plantation wood only)	17.4	19.6	18.6	18.6	18.6		RM 3.73
									1 USD =
		Annual Costs	9,689	13,323	11,535	11,535	11,535		RM 3.73
Country	**Status**		**2006 – 2010**	**2011 – 2015**	**2016 – 2020**	**2021 – 2025**			
									Figures
Guyana	Current concessions	Export sales							originated
		Production costs	80.5	77.2	80.5	82.1			in USD
		3rd party sales							
		Production costs	64.7	60.2	–	–			
		Annual costs	n/a	n/a	n/a	n/a			
Country	**Status**		**2006 – 2010**	**2011 – 2015**	**2016 – 2020**	**2021 – 2025**	**2026 – 2030**	**2031 – 2034**	
									1 USD =
New Zealand	Current plantation	Production costs (all)	37.4	36.4	38.2	36.8	37.1	42.7	NZD1.4839
									1 USD =
		Annual costs	2,662.4	1,705.8	1,051.4	971.6	1,175.8	35.3	NZD1.4839

Sources: Pöyry and Samling

Notes:

(1) Production costs include harvesting, extraction, loading, all transport, roading, and harvest related overheads (compliance costs, etc). For concessions, they also include royalties, barging/lighterage and all central overhead costs. These in total are expressed on a per m^3 of wood flow production basis. Plantations have an annual cost containing their central overheads (rates, office expenses, land rentals, insurance, etc) plus annual plantation growing costs and any relevant stumpage shares for New Zealand.

(2) Production costs are not included for plantation salvage production and the component of Malaysian and Guyana transferred at cost to Samling downstream processing, weighted average estimates are in the main text.

(3) New Zealand production costs are for all log grades on a weighted average basis to be sold either to external of Samling downstream processing. NZ cost data spot figures from end June 2006 so use a spot FX rate.

(4) Depreciation components of production costs if relevant are itemised in the main text sections.

Table 7-3:

Current, Decided and Planned Major Processing Assets (m^3/a)

Processing Assets	Current capacity (as at Financial Year Ending June 2006)	Planned Major Mill Expansions
Plywood		
Malaysia		
Samling Plywood Miri	132,000	
Samling Plywood Baramas	126,000	
Samling plywood Bintulu	252,000	
Rindaya Plywood Sibu	84,000	
Guyana		
Barama Plywood	108,000	
China		
Riverside Plywood	120,000	
Veneer		
Malaysia		
Tebanyi veneer mill	114,000	
Lana veneer mill	86,000	Additional capacity is planned to process peeler logs expected to beharvested from Samling's plantations in the future (2011–2020)
Layun veneer mill	84,000	
Lawas veneer mill		A veneer plant is planned (2009–2012). Additional capacity is planned to process peeler logs expected to be harvested from Samling's plantations in the future (2011–2020)
SIF veneer mill	72,000	
New Zealand		
Gisborne veneer mill		A world scale veneer plant is planned for Gisborne to process all the peeler grade logs that will be harvested from the Hikurangi Forest Farms (2008–2011)
LVL		
Foothill LVL	40,000	
Sawmills		
Malaysia		
Samling Wood Industries	24,000	
Ravenscourt (Lawas)	30,000	
Tebanyi natural forest sawmill		To process salvage logs (by Dec 2007)
Sarawak Plantation sawmills		World scale plantation based hardwood sawmills are planned for Sarawak to process all of the saw logs expected to be harvested from Samling's plantations in the future (2011–2020)
Guyana		
Barama sawmill	14,000	
Buck Hall sawmill	50,000	
New Zealand		
Gisborne Sawmill		A world scale softwood sawmill is planned for Gisborne to process all the saw logs that will be harvested from the Hikurangi Forest Farms (2008–2011)
Other		
Daiken Miri (MDF)	100,000	
Gisborne woodchip mill		A new chip mill will be built to process pulpwood and residues from the planned plywood and sawmill in Gisborne (2008–2011)
Samling Housing Products (Furniture)	6,172,000 units	
Engineered Wood Flooring	504,000 m^2	
Laminate flooring	1,500,000 m^2	
Magna Foremost door facings Malaysia	8,000,000 units	
Foremost Crest	267,000 units	

Source: Pöyry and Samling

Note: Capacity is in m^3/a unless otherwise stated.

Table 7.4

Estimated Weighted Average Total Manufacturing Costs (Real) USD/m³ (inclusive of wood costs) for Operations Existing as at 30th June 2006

Processing Assets	Annualised
Plywood	
Malaysia	**309 (Weighted average)**
Samling Plywood Miri	276
Samling Plywood Baramas[1]	331
Samling Plywood Bintulu	315
Rindaya Plywood Sibu[2]	307
Guyana	
Barama Plywood	371
China	
Riverside Plywood[3]	320
Veneer	
Malaysia	**212 (Weighted average)**
Tebanyi veneer mill	186
Lana veneer mill	256
Layun veneer mill[4]	174
SIF veneer mill[4]	222
LVL	
China	
Foothill LVL[3]	291
Sawn Timber	
Malaysia	**259 (Weighted average)**
Kuala Baram (Miri) sawmill	258
Lawas sawmill	261
Guyana	**318 (Weighted average)**
Barama sawmill	286
Buckhall sawmill	329
Other	
Malaysia	
Daiken Miri (MDF)	188
Samling Housing Products (Furniture)[5]	15.2
Engineered Wood Flooring[6]	16.0
Laminate flooring[6]	5.31
Magna Foremost door facings Malaysia[7]	1.66
Foremost Crest[7]	21.6

Source: Pöyry and Samling

Notes:

Total manufacturing costs are based on data provided by Samling unless otherwise stated. Total manufacturing costs include wood costs as well as other costs of production and are split into variable and fixed cost allocations including sales, general and administration, as well as product distribution costs to FOB, where applicable. Costs do not include depreciation and amortisation or capital expenditure to maintain plant operations over and above general repairs and maintenance costs.

Logs supplied from natural forests and land cleared for plantation development has been assumed to be delivered to mills at cost. Therefore, total manufacturing costs have been modified from actual data to reflect this. Delivered natural log costs will vary in the future as harvesting and transport costs change. In some cases (Lana for example) Calculated delivered log costs given in this table are higher than current actual delivered wood costs provided in manufacturing accounts by Samling.

1 Samling Plywood Baramas is purchasing veneer at market prices. Logs are assumed to be delivered at cost.

2 Samling plywood Sibu has recently started operations. Therefore, production costs are derived from a combination of existing manufacturing accounts and production cost models. Production costs assume the plant is operating at or near full capacity. Logs are purchased at market prices.

3 Riverside plywood and Foot Hill LVL plants purchase logs and veneer at market prices.

4 Samling veneer Layun and SIF has recently started operations. Therefore, production costs are based mainly on actual data available for the Tebanyi and Lana operations. Production costs assume the plants are operating at or near capacity.

5 Production cost is in USD million.

6 Production cost is in USD/m^2.

7 Production cost is USD/piece, and is an ex mill cost not including distribution to FOB.

Lana and SIF veneer mills not operating at optimum volume yet.

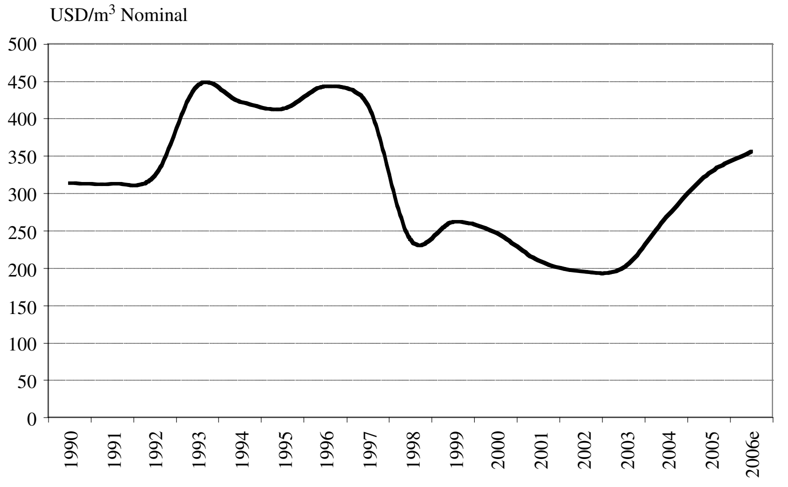


Table 7-5:
Historical Plywood Price Trend Data (USD/m³ nominal)

Grade/Type	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06e
Export weighted average price[1]	314	313	324	445	423	414	444	419	238	262	248	211	196	201	269	327	362
Indonesian export, MR, Grade BB/CC 2.7 mm							499	469	280	354	340	235	227	248	313	383	439
Indonesian export, MR, Grade BB/CC 3mm							455	423	251	305	281	204	198	216	281	356	400
Indonesian export, MR, Grade BB/CC 6mm							379	351	217	225	189	156	159	161	232	309	351
Indonesian domestic (MR grade) 9 mm							453	440	254	254	249	220	209	200	249	286	304
Indonesian domestic (MR grade) 12 mm							430	413	240	232	225	188	178	178	234	269	290
Indonesian domestic (MR grade) 15 mm							423	402	223	213	220						
Indonesian domestic (MR grade) 18 mm							398	382	211	207	214	185	168	171	233	269	277
Malaysian export (MR grade BB/CC) 2.7 mm							503	474	296	363	351	258	242	260	324	396	453
Malaysian domestic 3.6 mm							435	437	243	329	295	274	240	235	313	383	419
Malaysian domestic 9-18 mm							504	432	229	226	209	190	179	184	249	307	347

Sources: ITTO and APKINDO

Notes:

Export prices are at FOB price point
All prices are nominal
All prices are year averages

[1] Plywood price trend from 1990 to 1995 is based on weighted average Indonesian FOB plywood prices for selected key export destinations derived from APKINDO data. Plywood price trend from 1996 onwards is based on an average of a series of Indonesian and Malaysian FOB and domestic plywood prices for specific grades and thicknesses. 2 No data available from ITTO prior to 1996, and subsequently, incomplete for some grades.

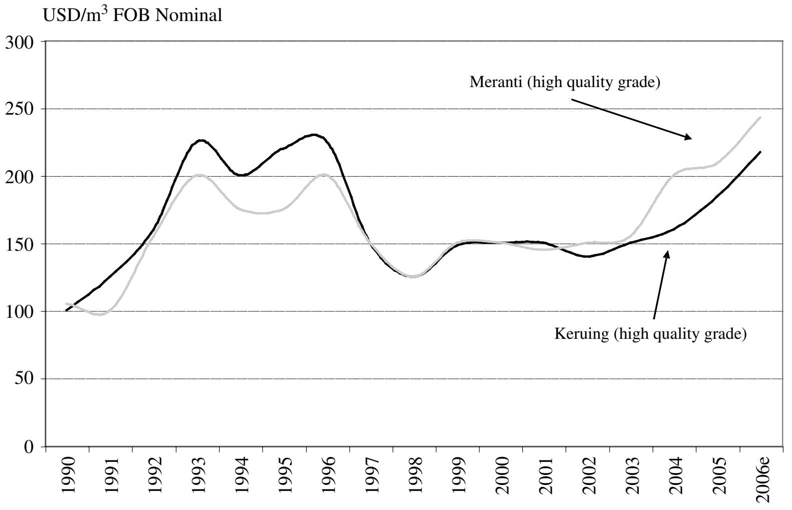


Table 7-6:
Historical Log Price Trend Data (USD/m³ nominal)

Grade/Type	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06e
Selangan Batu/Balau (Shorea spp.)	115	120	155	225	200	248	248	150	130	150	175	150	155	150	150	172	228
Kapur (Dryobalanops spp.)	118	100	175	225	198	200	225	150	125	148	150	147	150	148	148	162	203
Keruing (Dipterocarpus spp.)	100	125	160	225	200	220	225	150	125	148	150	150	140	150	160	184	227
Meranti (Shorea spp.)	105	100	155	200	175	175	200	150	125	150	150	145	150	155	200	209	247

Source: ITTO

Notes:

Prices are at FOB price point
All prices are nominal
All prices are year averages
Prices for the Meranti, Keruing and Kapur species are all Standard quality and up

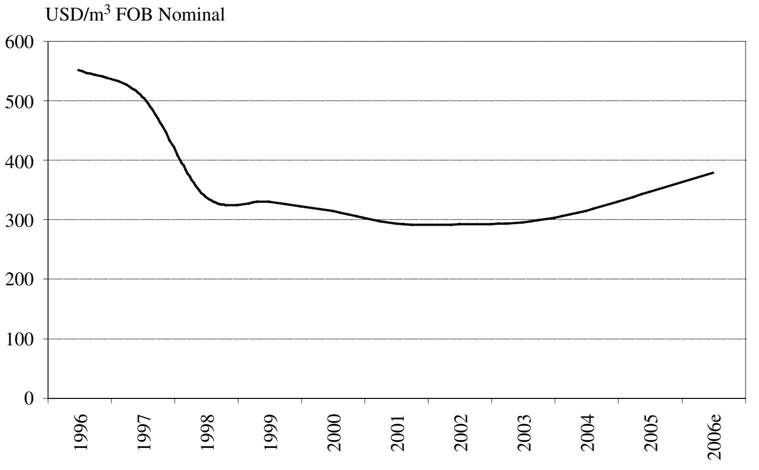


Table 7-7:
Historical Sawn Timber Price Trend Data (USD/m³ nominal)

Grade/Type	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006e
Malaysia Meranti	550	505	337	328	313	292	291	294	314	345	392

Source: ITTO

Notes:

Prices are at FOB price point
All prices are nominal
All prices are year averages
Prices for the Meranti Standard quality and up

8 GLOSSARY

a	Annum, year
APKINDO	Indonesian Wood Panels Association
CE Marking	"Conformite Europeene (European Conformity)" Marking
FOB	Free on board
FSC	Forest Stewardship Council
FY	financial year
ha	hectare
HFF	Hikurangi Forest Farms
ISO	International Organization for Standardization
ITR	Independent Technical Report
ITTO	International Tropical Timber Organization
JAS	Japan Agricultural Standards
JIS	Japan Industrial Standards
LPF	Licence for planted forest
LVL	Laminated veneer lumber
m	million
m^3/a	Cubic metres per year
MDF	Medium density fiberboard
MTCC	Malaysian Timber Certification Council
NZ	New Zealand
NZD	New Zealand Dollar
ODt	Oven dried tonne
PEFC	Programme for the Endosement of Forest Certification
PLC	Public limited company
PV	Present value
Production Quota	The maximum allowable annual harvestable volume from aggregated concession areas assessable for royalty payment as specified by the Forest Department of Sarawak
RM	Malaysian Ringgit
SGS	Société Générale de Surveillance
SPB	Samling Plywood Bintulu
SPK	Samling Plywood Kuala Baramas
SPM	Samling Plywood Miri
UK	United Kingdom
US	United States
USD	United States Dollar

Set out below is a summary of certain provisions of the Memorandum of Association and Bye-laws and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed, including acting as a holding and investment company, and its powers, including the powers set out in the First Schedule to the Companies Act, excluding paragraph 8 thereof. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the "board") upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on February 12, 2007 and will take effect upon listing of our Shares on the Stock Exchange. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorized by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarized in the paragraph headed "Bermuda Company Law" in this Appendix.

(v) Financial assistance to purchase shares of the Company

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (or be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

In addition, and without limitation to the foregoing, any such Director shall excuse himself from any meeting or part of any meeting of the Board and shall not participate in any discussions in respect of any resolutions where any contract or arrangement or other proposal in which he or any of his associates is materially interested is discussed or resolved, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by the remaining Directors.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorization by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director 14 days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorized or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorized representative) holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorized representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

(e) Special resolution — majority required

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95%. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

(f) Voting rights (generally and on a poll) and rights to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorized representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Bye-laws) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one tenth of the total sum paid up on all the shares conferring that right or if required by the rules of the Designated Stock Exchange (as defined in the Bye-laws), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorization including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other special general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realizable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20% per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarized in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, it is therefore subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorizing the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorized by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorized by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the

Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorized to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than 21 days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within 7 days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than 7 days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorization.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until March 28, 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a 20% interest, without the consent of any member or members holding in aggregate not less than nine tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting; (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorized it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of the fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarizing certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IX. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

We were incorporated in Bermuda as an exempted company under the Bermuda Companies Act on June 27, 2005. We established a place of business in Hong Kong at Room 2205, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong and have been registered as an oversea company under Part XI of the Hong Kong Companies Ordinance. Yau Chung Fat of Flat C, 37/F., Block 3, Sun Tuen Mun Centre, Tuen Mun, New Territories, Hong Kong has been appointed as our agent for the acceptance of service of process in Hong Kong. As we are incorporated in Bermuda, our corporate structure, Memorandum of Association and Bye-laws are subject to the laws of Bermuda. A summary of the relevant sections of our constitution and relevant aspects of Bermuda company law is set out in Appendix VII to this prospectus.

B. Changes in Share Capital

As at the date of incorporation, our initial authorized share capital was US$12,000, divided into 12,000 shares of US$1.00 each, all of which were allotted and issued as subscriber shares to Mr. Yaw Chee Ming, an executive Director, on June 29, 2005. These 12,000 shares were subsequently transferred to Samling Strategic on February 7, 2006.

On March 2, 2006, our authorized share capital was increased from US$12,000 to US$1,200,000 by the creation of an additional 1,188,000 shares of US$1.00 each.

On April 20, 2006, we allotted and issued one share of US$1.00 to Samling Strategic at an issue price of RM265,614,851.

On June 30, 2006, we allotted and issued the following numbers of shares of US$1.00 each, credited as fully paid, to various vendors as initial consideration for acquiring their interests in the Malaysian private companies and Caribbean Esskay Limited respectively, under the Reorganization, details of which are set out in the section headed "Reorganization" below:

(a) for acquiring interests in the Malaysian private companies,

 (i) 737,800 shares were allotted and issued to Samling Strategic to satisfy payment of the initial consideration of US$737,800;

 (ii) 67,000 shares were allotted and issued to Tapah to satisfy payment of the initial consideration of US$67,000;

 (iii) 67,000 shares were allotted and issued to PDT to satisfy payment of the initial consideration of US$67,000;

 (iv) 5,900 shares were allotted and issued to Merawa Holding Sdn. Bhd. to satisfy payment of the initial consideration of US$5,900;

(v) 900 shares were allotted and issued to Yong Nyan Siong to satisfy payment of the initial consideration of US$900; and

(vi) 500 shares were allotted and issued to Wong Lee Ung to satisfy payment of the initial consideration of US$500; and

(b) for acquiring Caribbean Esskay Limited,

(i) 22,077 shares were allotted and issued to Datuk Yaw Teck Seng to satisfy payment of the initial consideration of US$22,077; and

(ii) 65,925 shares were allotted and issued to SIL to satisfy payment of the initial consideration of US$65,925.

On February 4, 2007:

(a) each of our shares of par value US$1.00 each was subdivided into 10 Shares of US$0.10 each;

(b) our authorised share capital was increased from US$1,200,000 to US$500,000,000 by the creation of an additional 4,988,000,000 Shares of US$0.10 each;

(c) we allotted and issued the following numbers of Shares of US$0.10 each, credited as fully paid, to various vendors as remaining consideration for acquiring their interests in the Malaysian private companies and Caribbean Esskay Limited respectively, under the Reorganization:

(i) for acquiring interests in the Malaysian private companies,

(1) 2,312,792,250 Shares were allotted and issued to Samling Strategic to satisfy payment of the remaining consideration of US$115,582,308;

(2) 206,664,280 Shares were allotted and issued to Tapah to satisfy payment of the remaining consideration of US$10,328,093;

(3) 206,664,280 Shares were allotted and issued to PDT to satisfy payment of the remaining consideration of US$10,328,093;

(4) 18,198,790 Shares were allotted and issued to Merawa Holding Sdn. Bhd. to satisfy payment of the remaining consideration of US$909,489;

(5) 2,776,090 Shares were allotted and issued to Yong Nyan Siong to satisfy payment of the remaining consideration of US$138,736; and

(6) 1,542,270 Shares were allotted and issued to Wong Lee Ung to satisfy payment of the remaining consideration of US$77,075; and

(ii) for acquiring Caribbean Esskay Limited,

(1) 68,015,940 Shares were allotted and issued to Datuk Yaw Teck Seng to satisfy payment of the remaining consideration of US$6,777,923; and

(2) 203,105,060 Shares were allotted and issued to SIL to satisfy payment of the remaining consideration of US$20,334,075; and

(d) we allotted and issued the following numbers of Shares of US$0.10 each, credited as fully paid, to Glory Winner Trading Limited as consideration for acquiring its interests in Riverside and Foothill respectively, under the Reorganization:

(i) for acquiring Riverside, 50,976,833 Shares were allotted and issued to satisfy payment of the consideration of US$5,097,632; and

(ii) for acquiring Foothill, 13,710,007 Shares were allotted and issued to satisfy payment of the consideration of US$1,371,053.

On February 13, 2007, Merawa Holding Sdn. Bhd. and Tapah entered into an agreement whereby, conditional upon the Listing, Merawa Holding Sdn. Bhd. agreed to transfer its entire interest in our Company, which represents approximately 0.44% of our issued share capital immediately after the Global Offering (assuming the Over-allotment Option is not exercised), to Tapah at the consideration of Offer Price per Share.

Upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no options that may be granted under the Share Option Scheme has been exercised), our authorized share capital will be US$500,000,000, comprising 5,000,000,000 Shares and the issued share capital will be US$414,423,683, comprising 4,144,236,830 Shares, fully paid or credited as fully paid.

Save as disclosed herein and in the paragraph headed "Resolutions of Shareholders of our Company" below, there has been no alteration in our share capital since our incorporation.

C. Resolutions of Shareholders of our Company

Resolutions were passed by the shareholders of our Company on February 2, 2007 pursuant to which, among other matters, conditional upon the same conditions as stated in the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" of this prospectus:

(a) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering and such numbers of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;

(b) conditional further on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares to be issued pursuant to the Share Option Scheme, the Share Option Scheme and its rules were approved and adopted and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme;

(c) a general unconditional mandate was granted to our Directors to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

(i) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following the Global Offering (excluding the Over-allotment Option); and

(ii) the aggregate nominal amount of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in sub-paragraph (e) below,

this mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or scrip dividend schemes or on the exercise of options which may be granted under the Share Option Scheme or upon the exercise of the Over-allotment Option. Such mandate will expire:

— at the conclusion of the next annual general meeting of our Company;

— at the end of the period within which the next annual general meeting of our Company is required to be held under the Bye-laws or the Companies Act or any applicable Bermuda law; and

— when revoked or varied by ordinary resolution of our Shareholders at a general meeting of our Company,

whichever is the earliest;

(d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the Global Offering (excluding the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and the requirements of the Listing Rules. Such general mandate to repurchase Shares will expire:

— at the conclusion of the next annual general meeting of our Company;

— at the end of the period within which the next annual general meeting of our Company is required to be held under the Bye-laws or any applicable Bermuda law; and

— when revoked or varied by ordinary resolution of our Shareholders in a general meeting of our Company,

whichever is the earliest.

Resolutions were passed by the shareholders of our Company on February 12, 2007 pursuant to which conditional upon the Listing, our new Bye-laws were approved and adopted which would become effective upon the Listing.

D. Reorganization

The Reorganization, which was effected in preparation for the Listing, involved the following:

(a) Transfers of Malaysian private companies

(i) On July 13, 2005, SST entered into an agreement (as supplemented by two agreements dated February 15, 2006 and June 23, 2006, respectively) with Samling Strategic, Rimba Utama Sdn. Bhd., Loyal Avenue Sdn. Bhd., Strategic Corporation Sdn. Bhd., Yaw Holding Sdn. Bhd., TSTC Sdn. Bhd., Yaw Chee Ming, and Datuk Yaw Teck Seng, for the sale to SST of 100% interest in each of Kayuneka Sdn. Bhd., KTN Timor Sdn. Bhd., Samling Flooring Products Sdn. Bhd., Samling Resources Sdn. Bhd., Samling Wood Industries Sdn. Bhd., Sertama Sdn. Bhd. and SIF Management Sdn. Bhd., 30% interest in Majulaba Sdn. Bhd., 56% interest in Ravenscourt Sdn. Bhd., 35% interest in Samling DorFoHom Sdn. Bhd., 42% interest in Samling Housing Products Sdn. Bhd., 70% interest in Samling Reforestation (Bintulu) Sdn. Bhd., 49% interest in Sorvino Holdings Sdn. Bhd. and 70% interest in Syarikat Reloh Sdn. Bhd.. The consideration for the purchase was satisfied by SST releasing and discharging various non-trade debtors from their obligation to repay their debts to SST with a face value of approximately RM552,000,000 ("Non-Trade Balances") and procuring that these non-trade debtors acknowledged that an amount equivalent to the Non-Trade Balances shall become a debt due and payable by them to the sellers.

(ii) On July 13, 2005, SST entered into an agreement (as supplemented by two agreements dated February 15, 2006 and June 23, 2006, respectively) with Tapah, PDT, Merawa Holding Sdn. Bhd., Yong Nyan Siong and Wong Lee Ung for the sale to SST of 100% interest in Bedianeka Sdn. Bhd., 70% interest in Dayalaba Sdn. Bhd., 40% interest in Majulaba Sdn. Bhd., 100% interest in Merawa Sdn. Bhd., 44% interest in Ravenscourt Sdn. Bhd., 30% interest in Samling DorFoHom Sdn. Bhd., 12% interest in Samling Housing Products Sdn. Bhd., 30% interest in Samling Reforestation (Bintulu) Sdn. Bhd., 51% interest in Sorvino Holdings Sdn. Bhd. and 30% interest in Syarikat Reloh Sdn. Bhd. The consideration for the purchase was settled by SST issuing shares in itself to each of the sellers.

(iii) On July 13, 2005, Samling Strategic entered into an agreement (as supplemented by two agreements dated February 15, 2006 and June 23, 2006, respectively) with Tapah and PDT for the sale to Tapah and PDT of an aggregate 15% interest in SST for an aggregate consideration of RM324,000,000.

(iv) On July 13, 2005, our Company entered into an agreement (as supplemented by two agreements dated February 15, 2006 and June 23, 2006, respectively) with Samling Strategic, Tapah, PDT, Merawa Holding Sdn. Bhd., Yong Nyan Siong and Wong Lee Ung for the sale to our Company of the entire issued share capital of SST. The consideration was settled by our Company issuing Shares to each of the sellers.

(b) *Acquisition of 59.69% interest in Lingui*

(i) The Lingui SPA

On July 13, 2005, we entered into the Lingui SPA (as supplemented by agreements dated February 15, 2006 and April 18, 2006, respectively) with Samling Strategic (together with two other companies controlled by our Controlling Shareholders) for the acquisition of a 39.87% interest in Lingui for an aggregate consideration of RM265,614,851, which amounted to RM1.01 per Lingui share. The Lingui SPA became unconditional upon the signing of the supplemental agreement on April 18, 2006. We nominated Samling Malaysia Inc, our wholly-owned subsidiary, to be the registered owner of the shares in Lingui acquired pursuant to the Lingui SPA.

(ii) General offer for shares in Lingui

As Lingui is a company listed on the Malaysia Stock Exchange, we were required by the Malaysian Securities Commission Act 1993 and the Malaysia Takeovers Code to make a mandatory general offer for all the shares in Lingui not held by us or parties in concert with us upon the Lingui SPA becoming unconditional on April 18, 2006. On May 3, 2006, we despatched an offer document to the shareholders of Lingui as required under the Malaysia Takeovers Code to acquire the remaining ordinary shares of RM0.50 each in Lingui not owned by us or parties acting in concert with us at an offer price which was the same as the price under the Lingui SPA at RM1.01 per Lingui share.

On the closing of the offer on May 24, 2006, we received valid acceptances from shareholders of Lingui together holding an aggregate of 19.82% interest in Lingui. In total, we paid an aggregate of RM132,043,580 for the acquisition of the 19.82% interest in Lingui under the mandatory general offer.

Taking into account the 39.87% interest in Lingui sold to us by Samling Strategic (together with two other companies controlled by our Controlling Shareholders) under the Lingui SPA, we held, indirectly via Samling Malaysia Inc, an aggregate of 59.69% interest in Lingui immediately after the completion of the mandatory general offer.

Pursuant to the approval granted by the FIC in relation to our acquisitions of certain Malaysian companies (including SST and subsidiaries of Lingui) under our Reorganization, FIC has required as a condition of such approval that Samling Strategic will always remain as the largest single shareholder of our Company, whether directly or indirectly.

Certain of the Malaysian companies we acquired hold licenses issued by MITI, including with regards to our plywood production, veneer production and other downstream activities. See "Regulation of our Industry — Malaysia Regulatory Overview — Downstream operation and regulations". These licenses require that the share capital of such subsidiaries be effectively owned in certain minimum amounts by Malaysian citizens and by Bumiputera interests. Such required levels of ownership vary from license to license, such as a condition requiring that an effective shareholding interest ranging from 50% to 70% of the issued share capital of such subsidiary be held by Malaysian citizens, including an effective shareholding interest of up to at least 30% be held by Bumiputera interests.

Based on the guidelines issued by MITI, we are required to comply with such ownership requirements at the time of our Listing (and at the time of any Over-allotment Option closing), and thereafter, where a new submission or application is made to MITI in respect of a corporate exercise that increases the share capital of the relevant licensed company or our Company, being the holding company of our Group. In the absence of such corporate exercise, we would be deemed by MITI to be in compliance (irrespective of any sale of our Shares held by Bumiputera interests, for example) until the next occasion (if any) on which we undertake a corporate exercise involving any of the relevant licensed companies or the issue of Shares, when our compliance with such requirement would be assessed by MITI again.

(c) Transfer of Guyana operations

(i) On April 29, 2005, Caribbean Esskay Limited entered into two agreements with SK Networks Co., Ltd. for (i) the transfer of 20% of the issued share capital of Barama Company Limited to Caribbean Esskay Limited for a consideration of US$1,150,000 and (ii) the assignment to Caribbean Esskay Limited of all of the outstanding shareholder loan and interest of US$4,000,000 due from Barama Company Limited to SK Networks Co., Ltd. for a consideration of US$1.00.

(ii) On April 29, 2005, Caribbean Esskay Limited entered into an agreement with SK Global America, Inc. Creditor Trust for the assignment to Caribbean Esskay Limited of a working capital loan due from Barama Company Limited to SK Global America, Inc. Creditor Trust with a principal amount of US$2,238,155 and interest of US$2,127,995 for a consideration of US$649,999.

(iii) On April 29, 2005, Caribbean Esskay Limited entered into two agreements with SIL for (i) the transfer of 20% of the issued share capital of Barama Company Limited to Caribbean Esskay Limited for a consideration of US$1,150,000 and (ii) the assignment to Caribbean Esskay Limited of all of the outstanding shareholder loan and interest due from Barama Company Limited to SIL for a consideration equal to the total amount due under the shareholder loan of US$58,308,623.

(iv) On June 30, 2005, the outstanding loans between SIL and Caribbean Esskay Limited in the amount of US$84,394,044 were capitalized by Caribbean Esskay Limited issuing shares to SIL.

(v) On June 30, 2006, our Company entered into an agreement with Datuk Yaw Teck Seng and SIL for the sale to us of the entire issued share capital of Caribbean Esskay Limited. The consideration was settled by us issuing Shares to Datuk Yaw Teck Seng and SIL.

(d) Transfers of two PRC companies

(i) On June 29, 2006, Samling China Inc. entered into an agreement with Glory Winner Trading Limited for the sale of 100% equity interest in Foothill to Samling China Inc. The consideration was settled by us issuing Shares to Glory Winner Trading Limited.

(ii) On June 29, 2006, Samling China Inc. entered into an agreement with Glory Winner Trading Limited for the sale of 100% equity interest in Riverside to Samling China Inc. The consideration was settled by us issuing Shares to Glory Winner Trading Limited.

2. OUR SUBSIDIARIES

A. Investments in Subsidiaries

Our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus.

B. Changes in Share Capital

The following sets out the changes to the share or registered capital of the relevant subsidiaries of our Company within the two years immediately preceding the date of this prospectus:

Ainokitchen (Malaysia) Sdn. Bhd.:

On April 7, 2005, Ainokitchen (Malaysia) Sdn. Bhd. issued and allotted 2 ordinary shares of RM1.00 each at par for cash to Ng Ah Phong and Teng Mee Leng.

Barama Buckhall Incorporated:

On April 13, 2005, Barama Buckhall Incorporated issued 500,000 shares of Guyana $1 each at par for cash to Barama Company Limited.

Samling Power Sdn. Bhd.:

On April 25, 2005, Samling Power Sdn. Bhd. allotted and issued 1,999,998 ordinary shares of RM1.00 each at par for cash to Lingui.

TreeOne Logistic Services Sdn. Bhd.:

On May 12, 2005, TreeOne Logistic Services Sdn. Bhd. issued and allotted 145,500 and 4,500 ordinary shares of RM1.00 each at par for cash to Lingui and PDT, respectively.

Samling Riverside Co. Limited:

On June 16, 2005, Samling Riverside Co. Limited issued one share of HK$1.00 at par for cash to Alnery Secretarial (Hong Kong) Limited, as the subscriber of Samling Riverside Co. Limited.

Samling Foothill Co., Limited:

On June 16, 2005, Samling Foothill Co., Limited issued one share of HK$1.00 at par for cash to Alnery Secretarial (Hong Kong) Limited, as the subscriber of Samling Foothill Co., Limited.

Samling Flooring Products Sdn. Bhd.:

On June 24, 2005, Samling Flooring Products Sdn. Bhd. issued and allotted 500,000 ordinary shares of RM1.00 each at par for cash to Samling Strategic.

KTN Timor Sdn. Bhd.:

On June 24, 2005, KTN Timor Sdn. Bhd. issued and allotted 5,000,000 ordinary shares of RM1.00 each at par for cash to Rimba Utama Sdn. Bhd.

Samling China Inc:

On June 24, 2005, Samling China Inc allotted and issued one share of US$1.00 at par for cash to Yaw Chee Ming.

Samling Malaysia Inc:

On June 24, 2005, Samling Malaysia Inc allotted and issued one share of US$1.00 at par for cash to Yaw Chee Ming.

Samling Trademark Inc:

On June 24, 2005, Samling Trademark Inc allotted and issued one share of US$1.00 at par for cash to Yaw Chee Ming.

Samling Guyana Inc:

On June 24, 2005, Samling Guyana Inc allotted and issued one share of US$1.00 at par for cash to Yaw Chee Ming.

Caribbean Esskay Limited:

On June 30, 2005, Caribbean Esskay Limited allotted and issued three shares of US$1.00 each to SIL for capitalisation of a shareholder loan of US$84,394,044.

SST:

On June 23, 2006, SST allotted and issued at par for cash 89,556, 1,694,067, 158,380, 23,215 and 14,732 ordinary shares of RM1.00 each respectively to Tapah, PDT, Merawa Holding Sdn. Bhd., Yong Nyan Siong and Wong Lee Ung, respectively.

Save as disclosed above, there has been no alteration in the share or registered capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

3. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Material Contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by us and/or other members of the Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) the sale of shares agreement dated April 29, 2005 entered into between SK Networks Co., Ltd as vendor and Caribbean Esskay Limited as purchaser, whereby Caribbean Esskay Limited acquired a 20% interest in Barama Company Limited for a consideration of US$1,150,000;

(b) the deed of assignment dated April 29, 2005 entered into between SK Networks Co., Ltd as assignor and Caribbean Esskay Limited as assignee, whereby SK Networks Co., Ltd assigned to Caribbean Esskay Limited the outstanding shareholder loan and interest of US$4,000,000 due from Barama Company Limited to SK Networks Co., Ltd for a consideration of US$1.00;

(c) the deed of assignment dated April 29, 2005 entered into between SK Global America, Inc. Creditor Trust as assignor and Caribbean Esskay Limited as assignee, whereby SK Global America, Inc. Creditor Trust assigned to Caribbean Esskay Limited a working capital loan due from Barama Company Limited to SK Global America, Inc. Creditor Trust with a principal amount of US$2,238,155 and interest of US$2,127,995 for a consideration of US$649,999;

(d) the sale of shares agreement dated April 29, 2005 entered into between SIL as vendor and Caribbean Esskay Limited as purchaser, whereby Caribbean Esskay Limited acquired a 20% interest in Barama Company Limited for a consideration of US$1,150,000;

(e) the deed of assignment dated April 29, 2005 entered into between SIL as assignor and Caribbean Esskay Limited as assignee, whereby SIL assigned to Caribbean Esskay Limited the outstanding shareholder loan and interest of US$58,308,623 due from Barama Company Limited to SIL for a consideration of US$58,308,623 which was capitalised by Caribbean Esskay Limited allotting and issuing three shares to SIL;

(f) the sale and purchase agreement dated July 13, 2005 entered into between Samling Strategic, Rimba Utama Sdn. Bhd., Loyal Avenue Sdn. Bhd., Strategic Corporation Sdn. Bhd., Yaw Holding Sdn. Bhd., TSTC Sdn. Bhd., Yaw Chee Ming and Datuk Yaw Teck Seng as vendors and SST as purchaser, whereby SST acquired the entire issued share capital of each of Kayuneka Sdn. Bhd., KTN Timor Sdn. Bhd., Samling Flooring Products Sdn. Bhd., Samling Resources Sdn. Bhd., Samling Wood Industries Sdn. Bhd., Sertama Sdn. Bhd. and SIF Management Sdn. Bhd., 70% of each of Samling Reforestation (Bintulu) Sdn. Bhd. and Syarikat Reloh Sdn. Bhd., 56% of Ravenscourt Sdn. Bhd., 49% of Sorvino Holdings Sdn. Bhd., 42% of Samling Housing Products Sdn. Bhd., 35% of Samling DorFoHom Sdn. Bhd., and 30% of Majulaba Sdn. Bhd., in consideration of which SST released and discharged various non-trade debtors from their obligation to repay their debts to SST with a face value of RM551,915,048.94 ("Non-Trade Balances") and procured that these non-trade debtors acknowledged that an amount equivalent to the Non-Trade Balances shall become a debt due and payable by them to the vendors, as supplemented by two agreements among the parties dated February 15, 2006 and June 23, 2006, respectively;

(g) the sale and purchase agreement dated July 13, 2005 entered into between Tapah, PDT, Merawa Holding Sdn. Bhd., Yong Nyan Siong and Wong Lee Ung as vendors and SST as purchaser, whereby SST acquired the entire issued share capital of each of Bedianeka Sdn. Bhd. and Merawa Sdn. Bhd., 70% of Dayalaba Sdn. Bhd., 51% of Sorvino Holdings Sdn. Bhd., 44% of Ravenscourt Sdn. Bhd., 40% of Majulaba Sdn. Bhd., 30% of each of Samling DorFoHom Sdn. Bhd., Samling Reforestation (Bintulu) Sdn. Bhd. and Syarikat Reloh Sdn. Bhd. and 12% of Samling Housing Products Sdn. Bhd. for an aggregate consideration of RM86,820,000 which was settled by SST allotting and issuing 89,556 shares, 1,694,067 shares, 158,380 shares, 23,215 shares and 14,732 shares in SST to Tapah, PDT, Merawa Holding Sdn. Bhd., Yong Nyan Siong and Wong Lee Ung, respectively, as supplemented by two agreements among the parties dated February 15, 2006 and June 23, 2006, respectively;

(h) the sale and purchase agreement dated July 13, 2005 entered into between Samling Strategic, Tapah, PDT, Merawa Holding Sdn. Bhd., Yong Nyan Siong and Wong Lee Ung as vendors and our Company as purchaser, whereby our Company acquired the entire issued share capital of SST for an aggregate consideration of RM525,323,000 which was settled by us allotting and issuing 2,320,170,250 Shares, 207,334,280 Shares, 207,334,280 Shares, 18,257,790 Shares, 2,785,090 Shares and 1,547,270 Shares to Samling Strategic, Tapah, PDT, Merawa Holding Sdn. Bhd., Yong Nyan Siong and Wong Lee Ung, respectively, as supplemented by two agreements among the parties dated February 15, 2006 and June 23, 2006, respectively;

(i) the sale and purchase agreement dated July 13, 2005 entered into between Samling Strategic, Megadasa Sendirian Berhad, Strategic Corporation Sdn. Bhd. as vendors and our Company as purchaser, whereby our Company acquired an approximate 39.87% interest in Lingui for an aggregate consideration of RM265,614,851, as amended by two agreements among the parties dated February 15, 2006 and April 18, 2006, respectively;

(j) the subscription agreement dated March 13, 2006 entered into between Samling Strategic and our Company, whereby Samling Strategic subscribed for one share of US$1.00 in our Company for a consideration of RM265,614,851;

(k) the deed of assignment dated March 15, 2006 between Daiken Miri Sdn. Bhd. and Samling Trademark Inc, whereby Samling Trademark Inc acquired the trademark "SAMWOOD" for a consideration of RM25,544.86;

(l) the deed of assignment dated March 15, 2006 between Samling DorFoHom Sdn. Bhd. and Samling Trademark Inc, whereby Samling Trademark Inc acquired the trademark "SAMLING" for a consideration of RM11,036.46;

(m) the facility agreement dated April 17, 2006 entered into between Lingui, HSBC Bank Malaysia Berhad, OCBC Bank (Malaysia) Berhad and Affin Bank Berhad, whereby OCBC Bank (Malaysia) Berhad, HSBC Bank Malaysia Berhad and Affin Bank Berhad agreed to provide to Lingui a term loan facility of RM150,000,000;

(n) the equity interest transfer agreement dated June 29, 2006 entered into between Glory Winner Trading Limited as vendor and Samling China Inc as purchaser (as supplemented by a letter agreement among Glory Winner Trading Limited, Samling China Inc and our Company dated June 29, 2006), whereby Samling China Inc acquired the 100% equity interest in Riverside for a consideration of US$5,097,632 which was settled by us allotting and issuing 50,976,833 Shares to Glory Winner Trading Limited;

(o) the equity interest transfer agreement dated June 29, 2006 entered into between Glory Winner Trading Limited as vendor and Samling China Inc as purchaser (as supplemented by a letter agreement among Glory Winner Trading Limited, Samling China Inc and our Company dated June 29, 2006), whereby Samling China Inc acquired the 100% equity interest in Foothill for a consideration of US$1,371,053 which was settled by us allotting and issuing 13,710,007 Shares to Glory Winner Trading Limited;

(p) the sale and purchase agreement dated June 30, 2006 entered into between Datuk Yaw Teck Seng and SIL as vendors and our Company as purchaser, whereby we acquired the entire issued share capital of Caribbean Esskay Limited for an aggregate consideration of US$27,200,000 which was settled by us allotting and issuing 68,236,710 Shares and 203,764,310 Shares to Datuk Yaw Teck Seng and SIL, respectively;

(q) the deed of assignment dated July 7, 2006 between Samling Strategic and Samling Trademark Inc, whereby Samling Trademark Inc acquired from Samling Strategic various trademarks as set out therein for use in forestry, timber and timber related business and products, tree plantations and such other activities ancillary to the timber business, quarry, building materials and rubber compound business in consideration of RM168,392.56 and Samling Trademark Inc granting a license to Samling Strategic to use the Samling diamond logos as described in paragraph (r) below;

(r) the license dated July 7, 2006 between Samling Trademark Inc and Samling Strategic, whereby Samling Trademark Inc granted to Samling Strategic a non-exclusive, non-transferable, royalty-free license to use the Samling diamond logos as set out therein for a term of five years from the effective date of the license in consideration of the deed of assignment as described in paragraph (q) above and the obligations undertaken by Samling Strategic under the license;

(s) the license dated July 7, 2006 between Samling Trademark Inc and our Company, whereby Samling Trademark Inc granted to our Company a non-exclusive, non-transferable, royalty-free license to use various trademarks as set out therein in consideration of the obligations undertaken by our Company under the license;

(t) twelve deeds of assignment each dated July 7, 2006 between Samling Strategic and Samling Trademark Inc, whereby Samling Strategic assigned to Samling Trademark Inc the various trademarks as set out therein in Brunei, China, European Union, Guyana, India, Japan, Republic of Korea, Malaysia, New Zealand, Singapore, South Africa, and the United States, respectively, each for a consideration of RM1.00;

(u) two deeds of assignment each dated July 7, 2006 between Samling Strategic and Samling Trademark Inc, whereby Samling Strategic assigned to Samling Trademark Inc various trademarks as set out therein in Taiwan and Thailand, respectively, at nil consideration;

(v) the deed of non-competition undertaking dated February 12, 2007 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of the other members of our Group) regarding timber and timber product-related businesses, details of which are set out in the section headed "Business — Non-competition Agreement";

(w) the option agreement dated February 12, 2007 given by SIL in favour of our Company regarding SIL's interest in Anhui Tongling, details of which are set out in the section headed "Business — Call options in respect of the Remaining Businesses";

(x) the option agreement dated February 12, 2007 given by SIL in favour of our Company regarding SIL's interest in Anhui Hualin, details of which are set out in the section headed "Business — Call options in respect of the Remaining Businesses";

(y) the option agreement dated February 12, 2007 given by SIL in favour of our Company regarding SIL's interest in Interwil Holdings (Proprietary) Limited, details of which are set out in the section headed "Business — Call options in respect of the Remaining Businesses";

(z) the option agreement dated February 12, 2007 given by Samling Strategic in respect of Samling Strategic's interest in Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd., and Hormat Saga Sdn. Bhd., details of which are set out in the section headed "Business — Call options in respect of the Remaining Businesses";

(aa) the deed of property indemnity dated February 12, 2007 entered into by Samling Strategic in favour of our Company (for itself and as trustee for our subsidiaries as set out therein) in respect of liabilities arising out of property title defects of certain of our subsidiaries, details of which are set out in the section headed "Business — Real Properties";

(bb) the deed of indemnity dated February 12, 2007 entered into by Samling Strategic in favour of our Company (for itself and as trustee for our subsidiaries as set out therein) in respect of liabilities arising out of certain legal proceedings, details of which are set out in the section headed "Business — Legal Proceedings and Protests"; and

(cc) the Hong Kong Underwriting Agreement.

B. Our Intellectual Property Rights

(a) Trade Marks

As at the Latest Practicable Date, our subsidiary, Samling Trademark Inc, has acquired the following trademarks (which have been registered or for which applications have been made) pursuant to a deed of assignment dated July 7, 2006 between one of our Controlling Shareholders, Samling Strategic, and Samling Trademark Inc:

(i) Registered Trade Marks

Trademark	Class (note)	Territory of Registration	Registration Number	Registration Date	Expiry Date
三 SAMLING 林	19	Brunei	26,781	October 28, 1998	October 28, 2015
三 SAMLING 林	19	Brunei	26,780	October 28, 1998	October 28, 2015
	19	China	1118726	October 14, 1997	October 13, 2007
SAMLING	19	China	1929991	November 7, 2002	November 6, 2012
SAMLING	19	EU (Community Trade Mark)	001961051	November 14, 2000	November 14, 2010

Trademark	Class (note)	Territory of Registration	Registration Number	Registration Date	Expiry Date
	19	EU (Community Trade Mark)	001960798	November 14, 2000	November 14, 2010
三 SAMLING 林	19	Guyana	17094A	November 16, 1998	November 16, 2019
三 SAMLING 林	19	Guyana	17095A	November 16, 1998	November 16, 2019
三 SAMLING 林	19	Hong Kong	200009899	October 20, 1998	October 20, 2015
	19	Japan	4488064	July 6, 2001	July 6, 2011
三 SAMLING 林	19	Korea	0478584	October 10, 2000	October 10, 2010
	19	Malaysia	95006385	June 29, 1995	June 29, 2012
三 SAMLING 林 三 SAMLING 林	19	New Zealand	312638	July 15, 1999	July 15, 2016
SAMLING	19	New Zealand	289954	March 18, 1998	March 18, 2015
SAMLING	40	New Zealand	289955	March 18, 1998	March 18, 2015

Trademark	Class (note)	Territory of Registration	Registration Number	Registration Date	Expiry Date
SAMLING	19	New Zealand	289956	March 18, 1998	March 18, 2015
SAMLING	40	New Zealand	289957	March 18, 1998	March 18, 2015
HIKURANGI FOREST FARMS LTD	19	New Zealand	289958	March 18, 1998	March 18, 2015
HIKURANGI FOREST FARMS LTD	40	New Zealand	289959	March 18, 1998	March 18, 2015
TREEONE(NZ) LIMITED	19	New Zealand	289960	March 18, 1998	March 18, 2015
TREEONE(NZ) LIMITED	40	New Zealand	289961	March 18, 1998	March 18, 2015
三 SAMLING 林	19	Singapore	T98/09993E	October 5, 1998	October 5, 2008
三 SAMLING 林	19	South Africa	99/04031	March 15, 1999	March 15, 2009
	19	Taiwan	696624	November 16, 1995	November 15, 2015
三 SAMLING 林	19	Taiwan	696656	November 16, 1995	November 15, 2015
三 SAMLING 林	19	Taiwan	905971	September 16, 2000	November 15, 2015

Trademark	Class (note)	Territory of Registration	Registration Number	Registration Date	Expiry Date
SAMLING	19	Thailand	146627	August 7, 2000	August 7, 2010
	19	USA	2,517,130	December 11, 2001	December 11, 2011
SAMLING	19	USA	2,558,467	April 9, 2002	April 9, 2012
SAMLING	16, 19 & 20	Turkey	2000 27572	December 19, 2000	December 19, 2010
	16, 19 & 20	Turkey	2000 27571	December 19, 2000	December 19, 2010
SAMWOOD	19	Guyana	17,214A	January 29, 1999	January 29, 2020
SAMWOOD	19	Hong Kong	16268	March 17, 1998	March 17, 2015
SAMWOOD	19	Singapore	T98/09995A	October 5, 1998	October 5, 2008
SAMWOOD	19	Taiwan	897507	July 16, 2000	July 15, 2010

(ii) *Trade Mark Applications*

Trademark	Class (note)	Territory of Application	Application Number	Application Date
三 SAMLING 林	19	India	849719	April 5, 1999
SAMWOOD	20	Malaysia	99010003	October 8, 1999
	19	China	4180629	July 21, 2004
AINOKITCHEN AiNO KITCHEN AiNO KITCHEN	20	Malaysia	06016366	September 8, 2006

Trademark	Class (note)	Territory of Application	Application Number	Application Date
AINOKITCHEN	35	Malaysia	06016365	September 8, 2006
AINOKITCHEN	42	Malaysia	06016364	September 8, 2006

Notes:

(i) Class 16 generally relates to (a) stationery which consist of office stationery including files, notebooks, forms, pens, internal memo pads; (b) printed matter which consists of items such as complimentary notes and staff newsletters, bulletins, printed documents, free notes and printed documents, letterheads being writing pads for correspondence with third parties, sheets of titled letter; (c) corporate and product brochures being pamphlets or booklets containing information regarding the Applicant and the products they offer and is used as advertising and/or promotional material; and (d) envelopes.

(ii) Class 19 (for all countries with the exception of Japan) generally relates to (a) treated timber, semi-finished and finished timber products, worked and semi-worked wood and timber, sawn timber (b) particle boards, medium density boards, fiberboards, three ply boards, adhesive boards, wood shavings boards, wood timber boards, veneer boards (c) wood flooring products, wooden floor, container flooring plywood, engineered hardwood flooring, wood flooring underlayments for containers, finger jointed trailer length wood flooring for platform trailers (d) cabinets, solid wood doors and moulded doors (e) doorskins, molded skin, veneers, building timber and building materials, transport materials, transportable buildings, monuments (all of which are non-metallic), log wood for use in building and furniture (f) plywood, parquet, moulding, marine plywood, logs and logs rolls, wood blocks, cork, pine wood, Japanese cypress wood, luan wood, plywood and fiberboard crates.

(iii) Class 19 (for Japan) relates to ceramic products, linoleum products, plastic products, synthetic products, asphalt and asphalt products (all used exclusively for building); rubber products, lime products and gypsum products (all used exclusively for building and construction); bricks; refractories; plaster; rockfall prevention nets of fiber; cement and their products; building timber, building stone, building glass and building fittings (all of which are non-metallic).

(iv) Class 20 generally relates to furniture, goods of wood and wood substitutes, woodwork of plastic or wood, panelling, wooden divisions and wooden poles.

(v) Class 35 relates to retail services specialising in household and kitchen furniture; appliances, apparatus, textiles and home security.

(vi) Class 40 relates to treatment of timber materials, wood and timber and related products; sawmilling; pulp and sawmill services; woodworking; timber felling and processing.

(vii) Class 42 relates to interior decoration, planning and design services; architectural services and architecture consultation services; engineering services; graphic arts designing; professional advice and consultancy relating thereto.

(b) Domain Names

As at the Latest Practicable Date, members of the Group have registered or filed applications for the following material domain names:

Domain name	Date of registration
www.samling.com.my	November 18, 2005
www.lingui.com.my	July 11, 2005
www.glenealy.com.my	July 11, 2005
www.baramaguyana.com	July 20, 1998
www.lingui.co.nz	October 7, 2004
www.hff.net.nz	October 7, 2004
www.treeone.co.nz	October 7, 2004
www.hff.co.nz	August 18, 1997
www.hikurangi.com	October 7, 2004
www.samling.co.nz	October 7, 2004
www.samlingglobal.com	October 7, 2005
www.sgl.org.nz	October 7, 2005
www.sgl.net.nz	October 7, 2005
www.samlingglobal.co.nz	October 7, 2005
www.shp-rta.com	February 3, 2002
www.samlingusa.com	November 16, 2003
www.samlingglobal.net	December 10, 2005
www.samlingglobal.biz	December 11, 2005
www.samling.biz	December 11, 2005
www.samlingchina.com	November 9, 2001
www.samlingchina.net	December 10, 2005
www.samlingchina.biz	December 11, 2005
www.samlingmalaysia.com	November 9, 2001
www.samlingmalaysia.net	December 10, 2005
www.samlingmalaysia.biz	December 11, 2005
www.samlinguk.com	June 2, 2006
www.samlingaustralia.com	June 2, 2006
www.samling.com	June 25, 1996
www.lingui.com	June 25, 1996

4. FURTHER INFORMATION ABOUT OUR DIRECTORS

A. Particulars of Directors' Service Contracts

Save as disclosed below, none of our Directors has entered or proposed to enter into a service contract with our Company or the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(i) Service contract for Mr. Yaw Chee Ming with our Company dated October 16, 2006 wherein Mr. Yaw was appointed as the Chief Executive Officer and the effective date of this service contract is July 1, 2006. Either party may terminate the employment at any time by giving 12 months' notice or payment in lieu. Where our Company is to terminate the employment without cause (as more particularly set out in the service contract), the Board shall, where required, recommend for shareholders' approval payment of such ex-gratia payment as it deems fit, taking into account the past contribution made by Mr. Yaw to our Company and the Group.

(ii) Service contract for Mr. Yaw Chee Ming with Lingui dated January 1, 2003 wherein Mr. Yaw was appointed as the Managing Director of Lingui and the effective date of this service contract is October 1, 1995. Lingui may terminate the employment at any time by giving 6 months' notice or payment in lieu. In such event, to the extent permitted by law and subject to shareholders' approval, Mr. Yaw may be entitled to compensation and ex-gratia lump sum payment for past services of an amount of RM1.5 million.

(iii) Service contract for Mr. Cheam Dow Toon with our Company dated October 16, 2006 wherein Mr. Cheam was appointed as the Chief Finance Officer and the effective date of this service contract is July 1, 2006. Either party may terminate the employment at any time by giving 12 months' notice or payment in lieu. Where our Company is to terminate the employment without cause (as more particularly set out in the service contract), the Board shall, where required, recommend for shareholders' approval payment of such ex-gratia payment as it deems fit, taking into account the past contribution made by Mr. Cheam to our Company and the Group.

(iv) Service contract for Mr. Cheam Dow Toon with Lingui dated January 1, 2003 wherein Mr. Cheam was appointed as the Finance Director of Lingui and the effective date of this service contract is September 16, 1997. Lingui may terminate the employment at any time by giving 6 months' notice or payment in lieu. In such event, to the extent permitted by law and subject to shareholders' approval, Mr. Cheam may be entitled to compensation and ex-gratia lump sum payment for past services of an amount of RM1 million.

B. Directors' Remuneration

During the year ended June 30, 2006, the aggregate emoluments paid/payable by us to our Directors (excluding the independent non-executive Directors) amounted to US$385,000.

Under the arrangements currently in force, the aggregate remuneration payable by us to, and benefits in kind receivable by, our Directors, but excluding discretionary management bonuses, for the year ending June 30, 2007 is estimated to be approximately US$1.0 million.

There are no outstanding loans or guarantees granted or provided by any member of the Group to, or for the benefit of, any of our Directors.

C. Business Address

The business address of each of our Directors and senior management officers is care of Room 2205, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

D. Directors' and Chief Executive's Interests and Short Positions in the Share Capital and Debenture of our Company and our Associated Corporations

Immediately following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option), save as disclosed below, none of our Directors and chief executive will have any interest or short position in the shares, underlying shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed on the Stock Exchange:

Name of Director	Interests in us or which associated corporation	Member and class of shares/equity interest held	Capacity in holding the interest	Long/short position	Approximate percentage of shareholding in such class of shares as at the Latest Practicable Date
Chan Hua Eng	Lingui	154,623 ordinary shares(1)	Beneficial owner	Long	0.05%
	Glenealy	32,000 ordinary shares(2)	Beneficial owner/ Interest of a controlled corporation	Long	0.03%
Yaw Chee Ming	Yaw Holding Sdn. Bhd.	30,937 ordinary shares	Beneficial owner	Long	39.60%
		2,500 preference shares	Beneficial owner	Long	50%
	Samling Strategic	75,000,000 ordinary shares(3)	Interest of a controlled corporation	Long	100%
		1,497,021 redeemable preference shares(3)	Interest of a controlled corporation	Long	100%
		3,122,467 Class A redeemable preference shares(4)	Interest of a controlled corporation	Long	100%
		4,102,879 Class B redeemable preference shares(4)	Interest of a controlled corporation	Long	100%
		350,000 Class C redeemable preference shares(5)	Interest of a controlled corporation	Long	100%
		950,000 Class D redeemable preference shares(4)	Interest of a controlled corporation	Long	100%

Name of Director	Interests in us or which associated corporation	Member and class of shares/equity interest held	Capacity in holding the interest	Long/short position	Approximate percentage of shareholding in such class of shares as at the Latest Practicable Date
	Our Company	2,320,290,260 Shares(3)	Interest of a controlled corporation	Long	55.99%
	Glenealy	59,068,522 ordinary shares(6)	Interest of a controlled corporation	Long	51.77%
	Strategic Corporation Sdn. Bhd.	17,040,000 ordinary shares(7)	Beneficial owner/ Interest in a controlled corporation	Long	71%
	TSTC Sdn. Bhd.	6,125,000 ordinary shares(8)	Interest in a controlled corporation	Long	100%
Cheam Dow Toon	Lingui	29,030 ordinary shares	Beneficial owner	Long	0.01%
	Glenealy	14,000 ordinary shares	Beneficial owner	Long	0.01%

Notes:

(1) As at the Latest Practicable Date, 96,290 ordinary shares of Lingui were held by CIMSEC Nominees (Tempatan) Sdn. Bhd. in favour of Chan Hua Eng. Additionally, Chan Hua Eng was directly interested in 58,333 ordinary shares in Lingui.

(2) As at the Latest Practicable Date, 2,000 ordinary shares of Glenealy were held by CIMSEC Nominees (Tempatan) Sdn. Bhd. in favour of Chan Hua Eng. Additionally, Chan Hua Eng was deemed interested in 30,000 ordinary shares of Glenealy since he and his spouse were each interested in 25% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turn held 30,000 ordinary shares of Glenealy.

(3) As at the Latest Practicable Date, Yaw Chee Ming was interested in approximately 39.60% of the issued share capital of Yaw Holding Sdn. Bhd., which in turn was interested in all the ordinary shares and redeemable preference shares of Samling Strategic. Yaw Chee Ming was therefore deemed to be interested in all the shares held by Samling Strategic. Samling Strategic in turn held 2,320,290,260 ordinary shares of our Company.

(4) As at the Latest Practicable Date, Samling Strategic and Yaw Holding Sdn. Bhd. held approximately 45.00% and 25.00% of Perdana Parkcity Sdn. Bhd. respectively. Accordingly, by virtue of note (3) above, Yaw Chee Ming was deemed interested in the 3,122,467 Class A redeemable preference shares and 4,102,879 Class B redeemable preference shares of Samling Strategic held by Yaw Holding Nominee Sdn. Bhd. in favour of Perdana Parkcity Sdn. Bhd., and the 950,000 Class D redeemable preference shares of Samling Strategic held by Perdana Parkcity Sdn. Bhd..

(5) As at the Latest Practicable Date, Yaw Holding Sdn. Bhd. held 100% of Samling Mewah Sdn. Bhd.. Accordingly, by virtue of note (3) above, Yaw Chee Ming was deemed interested in the 350,000 Class C redeemable preference shares of Samling Strategic held by Samling Mewah Sdn. Bhd..

(6) As at the Latest Practicable Date:

i. our Company held 100% of Samling Malaysia Inc., which (through a nominee, Bumiputra — Commerce Nominees (Asing) Sdn. Bhd.) in turn held 59.69% of Lingui, which in turn held 36.42% of Glenealy. By virtue of note (3) above, Yaw Chee Ming was deemed to be interested in the 41,548,522 ordinary shares of Glenealy held by Lingui; and

ii. Samling Strategic held 15.35% of Glenealy. By virtue of note (3) above, Yaw Chee Ming was deemed to be interested in the 7,520,000 ordinary shares of Glenealy held by Samling Strategic, and the 10,000,000 ordinary shares of Glenealy held by RHB Capital Nominees (Tempatan) Sdn. Bhd., in favour of Samling Strategic which has been pledged as security for bank borrowings by Eternal Grand Sdn. Bhd., a wholly-owned subsidiary of Yaw Holding Sdn. Bhd..

(7) As at the Latest Practicable Date, Samling Strategic held 71.00% of Strategic Corporation Sdn. Bhd. By virtue of note (3) above, Yaw Chee Ming was deemed to be interested in the 17,039,998 ordinary shares of Strategic Corporation Sdn. Bhd. held by Samling Strategic. Additionally, Yaw Chee Ming was directly interested in 2 ordinary shares of Strategic Corporation Sdn. Bhd.

(8) As at the Latest Practicable Date:

i. Strategic Corporation Sdn. Bhd. held 50.61% of TSTC Sdn. Bhd.. By virtue of notes (3) and (7) above, Yaw Chee Ming was deemed to be interested in the 3,100,000 ordinary shares of TSTC Sdn. Bhd. held by Strategic Corporation Sdn. Bhd., and

ii. Yaw Chee Ming and his spouse were each interested in 50% of Loyal Avenue (M) Sdn. Bhd., which in turn held 49.39% of TSTC Sdn. Bhd. Yaw Chee Ming was therefore deemed interested in the 3,025,000 ordinary shares of TSTC Sdn. Bhd. held by Loyal Avenue (M) Sdn. Bhd..

E. Substantial Shareholders and Persons who have an Interest or Short Position Discloseable under Division 2 and 3 of Part XV of the SFO

Information on the persons, not being Directors or chief executive of our Company, who will, immediately following the completion of the Global Offering and taking no account of any Shares which may be taken up under the Global Offering or which may be allotted and issued pursuant to the exercise of the Over-allotment Option, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of the subsidiaries of our Company, is set out in the section entitled "Substantial Shareholders" in this prospectus.

F. Disclaimer

Save as disclosed in this prospectus:

(a) none of our Directors nor any of the parties listed in paragraph 6E of this Appendix is, directly or indirectly, interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to us or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to us or any of our subsidiaries;

(b) none of our Directors nor any of the parties listed in paragraph 6E of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(c) save in connection with the Hong Kong Underwriting Agreement and the International Purchase Agreement, none of the parties listed in paragraph 6E of this Appendix:

    (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or

    (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or any securities in any of our subsidiaries;

(d) none of our Directors or their respective associates has any interest in our five largest suppliers or our top five business customers; and

(e) no authorized debentures of our Company and subsidiaries has been issued.

5. SHARE OPTION SCHEME

The following is a summary of all the principal terms of the share option scheme conditionally approved and adopted by written resolutions passed by the shareholders of our Company on February 2, 2007 and our Directors on February 4, 2007 (the "Share Option Scheme" or "Scheme").

A. Purposes of the Share Option Scheme

The purposes of the Share Option Scheme are to attract and retain high calibre Employees (as defined in paragraph B below), and to motivate them to higher levels of performance and enhance the value of our Company and its Shares for the benefit of our Company and its shareholders as a whole.

B. Who may join

The Board may, at its absolute discretion, offer any employee, executive and non-executive directors of our Company and our subsidiaries (the "Employee") options to subscribe for Shares at a price calculated in accordance with paragraph D below and subject to the other terms of the Share Option Scheme summarized below. Upon acceptance of the offer of an option, the grantee shall pay HK$1.00 to our Company as nominal consideration for the grant.

C. Maximum number of Shares

(a) The maximum number of Shares in respect of which options may be granted under the Scheme (the "Maximum Number") when aggregated with the maximum number of Shares in respect of which options may be granted under any other share option scheme established by our Company ("another scheme") (if any) is that number which is equal to 3% of the issued share capital of our Company immediately following the commencement of dealings in the Shares on the Stock Exchange, provided, however, that:

(i) the Maximum Number of Shares may be increased or "refreshed", with the approval of the shareholders of our Company in general meeting, up to a maximum of 3% of the issued share capital of our Company at the date of such shareholders' approval, inclusive of the maximum number of Shares in respect of which options may be granted under another scheme, if any;

(ii) our Company may obtain a separate approval from its shareholders in general meeting to permit the granting of options which will result in the number of Shares in respect of all the options granted under the Scheme exceeding the then Maximum Number of Shares provided that such options are granted only to Employees specifically identified by our Company before shareholders' approval is sought (in which case such options granted shall not be counted towards the then applicable Maximum Number of Shares); and

(iii) the total maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other options granted and yet to be exercised under another scheme shall not exceed 10% of the issued share capital of our Company from time to time.

(b) Unless approved by the shareholders of our Company in general meeting (with the relevant Employee and his associates (as defined in the Listing Rules) abstaining from voting), no Employee shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to such Employee in any 12-month period up to the date of the latest grant would exceed 1% of the issued share capital of our Company from time to time. Subject to this overall limit, the Board may further set certain cap on the level of option grant to employees with different ranking within our Company from time to time.

D. Subscription price

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised in accordance with the terms of the Share Option Scheme shall be determined by the Board and notified to an Employee at the time of offer of the option and shall be at least the highest of (subject to any adjustments made as described in paragraph K below):

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date, which must be a business day, of the written offer of the option (the "Offer Date"); and

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Offer Date; and

(c) the nominal value of the Shares.

E. Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

F. Options granted to directors or substantial shareholders

Any options to be granted to an Employee who is a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) shall be approved by the independent non-executive directors of our Company other than the independent non-executive director who is the proposed grantee of such option (if applicable).

Where any grant of options to a substantial shareholder or an independent non-executive director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the shareholders of our Company. All connected persons of our Company must abstain from voting in favour at such general meeting.

G. Grant of option

The Board is entitled at any time and from time to time within five years from the date the Scheme is adopted to offer to grant options to any Employee, which may be subject to such conditions (including but not limited to imposition of any performance target(s) and/or vesting scale) as the Board may think fit.

An offer of the grant of an option shall be by letter, specifying the number of Shares, the subscription price, the option period in respect of which the offer is made, the date by which the option must be applied for and further requiring the Employee to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Scheme.

Our Directors shall not offer the grant of any option to any Employee after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published or disclosed in accordance with the requirements of the Listing Rules. In particular, no option may be offered during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

H. Exercise of option

The Board may impose and state in the relevant offer letter the performance targets to be achieved before an Option can be exercised.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee (subject to any vesting schedule, if applicable), such period not to exceed 10 years from the Offer Date of the relevant option ("Option Period").

I. Cancellation of options

Any cancellation of any subsisting options shall be subject to the approval by the Board.

In the event that options are to be cancelled and new options issued to the same option holder, the issue of such new options shall be made with available unissued options (excluding the cancelled options) within the limits described in paragraph C above.

J. Voting and dividend rights

No voting rights shall be exercisable and no dividends shall be payable in relation to options that have not been exercised.

K. Effects of alterations in the capital structure of our Company

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision, redenomination, cancellation or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding adjustments (if any) shall be made to the number or nominal amount of Shares in respect of which options may be granted subject to outstanding options so far as unexercised; and/or the aggregate number of Shares subject to outstanding options; and/or the subscription price per Share of each outstanding option, as the auditors of our Company or an independent financial adviser shall confirm in writing to the Board that the adjustments satisfy the requirements set out in the note to Rule 17.03(13) of the Listing

Rules or otherwise comply with the Listing Rules or other rules, practices or directions of the Stock Exchange in effect from time to time (other than any adjustment made on a capitalisation issue, in which case such adjustment shall be made as the Board shall consider to be in its opinion fair and reasonable). Subject to the foregoing, any such adjustments will be made on the basis that the proportion of the issued share capital of our Company to which a grantee is entitled after such adjustment shall remain as nearly as possible the same as but no greater than that he/she was entitled before such adjustment. No such adjustment will be made the effect of which would be to enable a Share to be issued at less than its nominal value or to increase the proportion of the issued share capital of our Company for which any grantee would have been entitled to subscribe had he/she exercised all the options held by him/her immediately prior to such adjustments.

L. Rights on a general offer

If a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares, our Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantee shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

M. Rights on schemes of compromise or arrangement

If, pursuant to the Bermuda Companies Act, a compromise or arrangement between our Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all grantees on the same date as it despatches to each shareholder or creditor of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part at any time prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine.

N. Rights on a voluntary winding up

In the event a general meeting of our Company to consider and, if thought fit, approve a resolution for the voluntary winding-up of our Company is convened or a petition to the court for the winding-up of our Company is presented, our Company shall give notice thereof ("winding-up notice") to all grantees on the same day as the notice of the general meeting is despatched passed or notice of the presentation of the petition is received by our Company. The grantee may by notice in writing to our Company not less than three (3) days before the date of the general meeting or the court hearing of the petition, as the case may be, exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in the grantee's notice, such notice to be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the grantee will be granted the relevant numbers of shares and will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election.

O. Ranking of Shares

Shares to be allotted upon the exercise of an option shall rank equally in all respects with fully paid up Shares in issue at the date of allotment and will be subject to the Articles of Association for the time being in force. A share issued upon the exercise of an option shall not carry voting rights until the registration of the grantee (or any other person) as the holder thereof.

P. Duration of the Share Option Scheme

Unless otherwise terminated by the Board or the shareholders of our Company in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of five years from the date on which it is conditionally adopted by resolution of our shareholders in general meeting (the "Scheme Period"), and after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted within the scheme period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Q. Amendment of the Share Option Scheme

(a) Subject to sub-paragraph (b) below, the Board may amend any of the provisions of the Share Option Scheme at any time.

(b) No alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alternation except with the consent or sanction of such majority of the grantees as would be required of the shareholders of our Company under its Bye-laws for the time being for a variation of the rights attached to the Shares. The provisions of the Scheme relating to the following matters cannot be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of the shareholders of our Company in general meeting:

- the purpose of the Share Option Scheme;
- the participants;
- the authority of the Board in relation to any alteration to the terms of the Share Option Scheme;
- the limitations on the number of Shares which may be issued under the Share Option Scheme;
- the individual limit for each grantee under the Share Option Scheme;
- the determination of the amount payable for each Share to be subscribed for under an option;
- any rights attaching to the options and the Shares;
- the terms of the granted options;

- the rights of grantees in the event of a capitalization issue, rights issue, sub-division or consolidation of shares or reduction or any other variation of capital of our Company;

- the provisions under the Share Option Scheme as described in paragraph H above; and

- any matters set out in rule 17.03 of the Listing Rules as amended from time to time.

(c) Any alterations to the terms and conditions of the Share Option Scheme of material nature shall be subject to the approval of the shareholders of our Company, save where such alterations take effect automatically under the existing terms of the Share Option Scheme.

(d) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of the Listing Rules.

R. Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of the following events:

(i) expiry of the Option Period;

(ii) the date on which the grantee ceases to be an Employee for reason other than his death or the termination of his employment on any ground specified in sub-paragraph (vi) below;

(iii) the first anniversary of the death of the grantee (and in the 12 months following such death, the personal representative may exercise the option (to the extent not already exercised) in whole or in part in accordance with the terms of the Share Option Scheme);

(iv) the expiry of any of the periods referred to in paragraphs L, M and N above;

(v) subject to the right as set out in paragraph N above, the date of the commencement of the winding-up of our Company;

(vi) the date on which the grantee ceases to be an Employee on any one or more of the following grounds:

- the grantee's misconduct;

- the grantee being convicted of any criminal offence involving his/her integrity or honesty; or

- any other grounds on which his/her employer would be entitled to summarily terminate his/her office or employment at common law or pursuant to his/her service contract; or

(vii) the date on which the grantee ceases to be an Employee on or after becoming bankrupt or insolvent or making any arrangements or composition with his/her creditors generally; or

(viii) the date on which the grantee commits a breach of paragraph E above.

S. Termination

The Board or the shareholders of our Company in general meeting may at any time terminate the Share Option Scheme and in such event, no further option shall be granted or offered but the provisions of the Share Option Scheme shall remain in force in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

T. Present status of the Share Option Scheme

The Share Option Scheme shall take effect subject to the following conditions being fulfilled:

(i) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options; and

(ii) the commencement of dealings in the Shares on the Stock Exchange,

in each case, on or before 30 days after the date of this prospectus.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options granted under the Share Option Scheme. The Share Option Scheme is further conditional upon the Bermuda Monetary Authority granting approval of any options which may be granted under the Share Option Scheme and the allotment and issue of Shares pursuant to the exercise of such options.

As at the date of this prospectus, no option has been granted or agreed to be granted by our Company under the Share Option Scheme.

6. REPURCHASE OF OUR SECURITIES

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

A. The Listing Rules

The Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) Shareholders' approval

All proposed repurchases of securities by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate or by specific approval of a particular transaction.

Note: Pursuant to a written resolution passed by the shareholders of our Company on February 2, 2007, a general mandate (the "Repurchase Mandate") was given to our Directors authorizing any repurchase by our Company on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of such aggregate nominal amount of Shares not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Bye-laws to be held, or (iii) it is varied or revoked by an ordinary resolution of shareholders in general meeting, whichever occurs first.

(b) Source of funds

Repurchases must be funded out of funds legally available for such purpose. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(c) Trading restrictions

The shares proposed to be repurchased by a company must be fully paid up. A maximum of 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering may be repurchased on the Stock Exchange. A company may not issue or announce a proposed issue of new shares for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. A company shall not repurchase shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days. The Listing Rules also prohibit a company from repurchasing its own securities on the Stock Exchange if the repurchase would result in the number of that company's listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Listing Rules.

(d) Status of repurchased securities

The listing of all repurchased securities will be automatically cancelled upon purchase and the certificates for those securities must be cancelled and destroyed.

(e) Suspension of repurchases

A company may not repurchase securities at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, a company may not repurchase securities on the Stock Exchange, unless the circumstances are exceptional, during the period of one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange) for the approval of the company's results for any year, half-year, quarterly or any other interim period and (ii) the deadline for the company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period, and ending on the date of the results announcement. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has committed a breach of the Listing Rules.

(f) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which we make a purchase of shares. In addition, a company's annual report is required to disclose details regarding repurchases of securities made during the year including the number of securities repurchased each month, the repurchase price for each such securities or the highest and lowest price paid for each repurchase where relevant, and the aggregate price paid for such purchases and the reasons of the directors of the company for making such repurchases. A company shall procure that any broker appointed by the company to effect the repurchase of securities shall disclose to the Stock Exchange such information with respect to repurchases made on behalf of that company as the Stock Exchange may request.

(g) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities in the company back to the company on the Stock Exchange.

B. Share capital

The exercise in full of the Repurchase Mandate, on the basis of 4,144,236,830 Shares in issue immediately after completion of the Global Offering, could accordingly result in up to 414,423,683 Shares being repurchased by our Company during the period prior to (i) the conclusion of our Company's next annual general meeting; (ii) the expiration of the period within which our Company's next annual general meeting is required by any applicable law or the Bye-laws to be held; or (iii) the revocation or variation of the Repurchase Mandate by an ordinary resolution of shareholders in general meeting, whichever occurs first.

C. Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our shareholders to have a general authority from our Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and shareholders.

D. Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Bye-laws, the laws of Bermuda and the Listing Rules. Repurchases pursuant to the Repurchase Mandate will be made out of funds of our Company legally permitted to be utilized in this connection, that is, out of the capital paid up thereon or out of the funds of our Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for such purpose. Any premium payable on a purchase over the par value of the Shares to be purchased must be provided for out of funds of our Company otherwise available for dividend or distribution or out of sums standing to the credit of the share premium account of our Company before the shares are repurchased.

There might be a material adverse effect on the working capital or gearing position of our Company, as compared with the position disclosed in this prospectus, in the event that the Repurchase Mandate is exercised in full at any time. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or gearing levels of our Company which, in the opinion of our Directors, are from time to time appropriate for our Company.

E. General

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, their respective associates (as defined in the Listing Rules), have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate only in accordance with the Listing Rules and the applicable laws of Bermuda.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the shareholders' interest, could obtain or consolidate control of our Company and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchases of Shares pursuant to the Repurchase Mandate.

No connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

7. REQUIREMENTS FOR FINANCIAL DISCLOSURES OF LINGUI AND GLENEALY

Pursuant to the listing requirements of the Malaysia Stock Exchange ("Malaysian Listing Requirements"), each of Lingui and Glenealy is required to give the Malaysia Stock Exchange for public release, an interim financial report that is prepared on a quarterly basis, as soon as the figures have been approved by its board of directors, and in any event not later than two months after the end of each quarter of a financial year. The Malaysian Listing Requirements also prescribe that such interim financial report shall include the information set out in the Malaysian Listing Requirements (including a review of the performance of the Group, an explanatory comment on any material change in the profit before taxation, and a commentary on the prospects) and any other information as may be required by the Malaysia Stock Exchange. In addition, each of Lingui and Glenealy is required to submit to the Malaysia Stock Exchange returns as at June 30 and December 31 of each calendar year within two months from these dates respectively. Such returns shall include such information set out in the Malaysian Listing Requirements (including information on directors, substantial shareholders and employees of the Group) and any other information as may be required by the Malaysia Stock Exchange.

In accordance with rule 13.09(2) of the Listing Rules, we will publish the quarterly/interim financial information of Lingui and Glenealy (which would be treated as our subsidiary for the purpose of our compliance with the Listing Rules) in Hong Kong when they are published in Malaysia, however we do not intend to publish a reconciliation of the quarterly/interim financial information of Lingui and Glenealy, which are prepared in accordance with the generally accepted accounting principles in Malaysia, with IFRS promulgated by the International Accounting Standards Board.

8. TREATMENT OF GLENEALY FOR THE PURPOSE OF OUR COMPLIANCE WITH THE LISTING RULES

Our subsidiary, Lingui, holds a 36.42% shareholding interest in Glenealy, an associate of our Group listed on the Malaysia Stock Exchange, whose principal business is the operation of oil palm plantations. Glenealy has been accounted for as an associated company of our Group under IFRS. The Stock Exchange has requested that, as a condition to our listing on the Stock Exchange, Glenealy be treated in a manner consistent with the regulation of subsidiaries of a listed group for the purposes of application of the Listing Rules to our Company.

We will, accordingly, treat Glenealy, our associated company, as if it were our subsidiary for the purpose of our compliance with the Listing Rules. As a result, Glenealy will be subject to requirements that apply to our subsidiaries under the Listing Rules following our Listing including, but not limited to, the following requirements under the Listing Rules:

- continuing obligations (Chapter 13 of the Listing Rules);
- notifiable transactions (Chapter 14 of the Listing Rules);
- connected transactions (Chapter 14A of the Listing Rules);
- share option schemes (Chapter 17 of the Listing Rules); and
- spin-off applications (Practice Note 15 of the Listing Rules).

For the purpose of the "Business — Connected Transactions" section of this prospectus in relation to the application of relevant provisions of Chapter 14A of the Listing Rules, we have treated Glenealy as if it were our subsidiary for the purpose of our compliance with the Listing Rules and have sought waivers from the Stock Exchange on certain provisions of the Listing Rules. See transactions 15 and 22 in the "Business — Connected Transactions" section.

9. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under Bermuda law is likely to fall upon us.

B. Litigation

Save as disclosed in the "Business — Legal Proceedings and Protests" section of this prospectus, no member of the Group is engaged in or, so far as we are aware, has pending or threatened by or against it any litigation, arbitration or claim of material importance which may have or would have a significant effect on the Group's financial position. Samling Strategic, one of our Controlling Shareholders, has provided an indemnity in favour of us in respect of the losses, liabilities, damages, costs and expenses, if any, directly arising from the legal proceedings set out in the "Business — Legal Proceedings and Protests" section of this prospectus. See "Business — Legal Proceedings and Protests" for details.

C. Properties

There are issues affecting our properties in Malaysia and the PRC. Samling Strategic, one of our Controlling Shareholders, has provided an indemnity in favour of us in respect of the losses and liabilities, if any, arising from these issues affecting our properties. See "Business — Real Properties" for details.

D. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for listing of, and permission to deal in, the Shares and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and options granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made enabling the securities to be admitted into CCASS.

The listing of our Shares on the Stock Exchange is jointly sponsored by Credit Suisse and Macquarie. Each of the Joint Sponsors have declared pursuant to Rule 3A.08 of the Listing Rule that it is independent pursuant to Rule 3A.07 of the Listing Rules.

E. Preliminary expenses

Our estimated preliminary expenses are approximately HK$111 million and payable by us.

F. Qualification of Experts

The qualifications of the experts (as defined under the Listing Rules) who have given opinions or advice in this prospectus are as follows:

Name	Qualification
Credit Suisse (Hong Kong) Limited	Deemed licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) as defined under the SFO
Macquarie Securities Limited	Licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) as defined under the SFO
KPMG	Certified public accountants
Conyers Dill & Pearman	Bermuda barristers and attorneys
Pöyry Forest Industry Pte Ltd	Independent Forestry Consultant
Greater China Appraisal Limited	Property Valuer
Global Law Office	PRC legal advisers

G. Taxation of Holders of Shares

The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (as amended) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of the Shares.

The sale, purchase and transfer of the Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the Hong Kong branch register, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the Share being sold or transferred.

H. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position since September 30, 2006, being the date of our latest audited combined financial statements.

I. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

J. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash.

(b) Save as disclosed in this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) We have not issued nor agreed to issue any founder shares, management shares or deferred shares.

(d) Save as disclosed in this prospectus, none of the equity and debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(e) We have no outstanding convertible debt securities.

(f) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

K. Consents

Each of Credit Suisse (Hong Kong) Limited and Macquarie Securities Limited as our Joint Sponsors, KPMG as our independent reporting accountants, Conyers Dill & Pearman as our Bermuda legal advisers, Pöyry Forest Industry Pte Ltd as our independent forestry consultant, Greater China Appraisal Limited as our property valuer and Global Law Office as our PRC legal advisers has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

L. Promoter

We do not have a promoter.

M. Dividends

There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

N. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- copies of the **white** and **yellow** Application Forms;
- the written consents referred to in the section headed "Other Information" in Appendix VIII of this prospectus;
- copies of the material contracts referred to in paragraph 3A under the section headed "Further Information about Our Business" in Appendix VIII of this prospectus; and
- the statement of adjustments to the Accountants' Report prepared by KPMG.

The prospectus filed with the Registrar of Companies in Bermuda had attached to it copies of the Application Forms.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Allen and Overy, at 9th Floor, Three Exchange Square, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

- our Memorandum of Association and the new Bye-laws conditionally adopted to take effect on the Listing;
- our Accountants' Report as prepared by KPMG, the text of which is set out in Appendix I of this prospectus, together with the statement of adjustments prepared by KPMG;
- the comfort letter from KPMG on unaudited pro forma financial information, the text of which is set out in Appendix II of this prospectus;
- the audited combined financial statements of our Group for the three years ended June 30, 2006;
- the letters relating to the profit forecast of our Company, the texts of which are set out in Appendix III of this prospectus;
- the unaudited interim financial information of Lingui and the report prepared by KPMG on the unaudited interim financial information of Lingui, the text of which is set out in Appendix IV of this prospectus;
- the letter and valuation certificates relating to our property interests prepared by Greater China Appraisal Limited, the text of which is set out in Appendix V of this prospectus;

- the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Bermuda company law;
- the Companies Act;
- the independent technical report from Pöyry Forest Industry Pte Ltd, the text of which is set out in Appendix VI of this prospectus;
- the material contracts referred to in paragraph 3A under the section headed "Further Information about Our Business" in Appendix VIII of this prospectus;
- the written consents referred to in the section headed "Consents" in Appendix VIII of this prospectus;
- the two service contracts between our Directors and our Company, and the two service contracts between our Directors and Lingui, referred to in the section headed "Further Information about Our Directors" in Appendix VIII of this prospectus;
- the terms of the Share Option Scheme; and
- the legal opinion issued by Global Law Office in respect of the Group's property interests in the PRC referred to in Appendix V to this Prospectus.