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.