

OVERVIEW

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

Currently, we have a gross total of approximately 4.0 million hectares of forest assets, primarily in the form of forest concessions, harvesting rights, plantation licenses, freehold land and leases, with a log production volume of approximately 2.3 million m³, 2.3 million m³, 2.2 million m³ and 0.7 million m³ for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, respectively. As of September 30, 2006, we had gross forest concession areas totaling approximately 1.4 million hectares in Malaysia and approximately 1.6 million hectares in Guyana and had harvesting rights for a further 445,000 hectares in Guyana. In addition, we own, lease or hold forestry licenses for land in New Zealand and Malaysia for existing and future tree plantations. The total gross area of our tree plantation land is approximately 438,000 hectares in Malaysia and 35,000 hectares in New Zealand of which approximately 11,000 hectares and 26,000 hectares, respectively, have been planted as of December 31, 2006. With tropical hardwood reserves in many Asian countries being depleted or under increasing harvesting restrictions, we believe our sizeable resource base provides a sustainable woodflow required for both our upstream and downstream operations. The strategic locations of our forest resources within the Asia-Pacific region and South America enable us to market these products efficiently and access key markets across the globe, including Japan, China, India, Europe and North America.

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

We currently have a total wood processing capacity of approximately 1.4 million m³ per annum (excluding the processing capacities for housing products). To maximize value from our forest resources, we convert more than half of our logs into plywood, veneer and sawn timber at our own processing facilities. We also add value to our products by further processing them into other downstream products such as housing products. Wood residue from our processing operations is used to produce products such as fiberboard and door facings to

optimize recovery from our wood resources. Our wide range of products and sizeable production capacity enable us to maximize market opportunities whilst optimizing utilization of our forest resources. Through the high integration of our operations, covering the full wood products supply chain from the management and harvesting of our forest resources to the processing, sales and distribution of our wood products, we are able to achieve significant cost efficiencies. We are able to supply our downstream operations from our sizeable upstream resources and have well-developed infrastructure and logistics support systems in place to manage our vertically integrated operations. We plan to increase our production capacity over the next five years in line with expected future increased woodflow and anticipated rising market demand.

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

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

COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have a strong team of professional managers

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

INDUSTRY OPPORTUNITIES

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

Diminishing tropical hardwood resources in the world

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

Increasing demand for wood products in the Asia-Pacific region

According to Pöyry, demand for wood in the Asia-Pacific region is projected to grow over the next decade. This is driven in part by regional consumer demand for forest products. Projected positive economic growth in Asia, increasing urbanization and expanding furniture, construction and interior decoration industries are the

major drivers that are expected to support demand for logs and wood products. Pöyry expects that these growth factors will also have a significant impact on the demand for tropical hardwoods. As our key markets include Malaysia, China, Japan, India, South Korea and other countries in the Asia Pacific region, we believe that we are positioned to benefit from such expected increase in demand for forest products.

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

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

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

OUR FUTURE PLANS

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

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

We expect to increase our woodflow in the next three to five years. We expect to increase log production levels in Guyana and New Zealand while maintaining production levels in Malaysia. In Guyana, we intend to expand our production levels from approximately 218,000 m³ for the financial year ended June 30, 2006 to an average sustained woodflow of 355,000 m³ per annum by 2008, by increasing harvesting from our existing concession areas and selecting additional commercial species for harvest. We believe our production could increase further to at least 420,000 m³ per annum when more plywood species are commercialized for the export market. See pages VI-70 and VI-71 of the Independent Technical Report prepared by Pöyry for details of the estimated future log production levels from our forest concessions in Guyana. We plan to process our increased log production in our recently expanded production facilities in Guyana to target the anticipated growing demand for tropical hardwood logs in China and India.

Our radiata pine resource in New Zealand is maturing and we expect to yield a sustainable woodflow of 800,000 m³ per annum within the next five years, depending on market conditions. This is compared to the production levels of approximately 96,000 m³ for the financial year ended June 30, 2006. See pages VI-82 and VI-83 of the Independent Technical Report prepared by Pöyry for details of the estimated future log production levels from our forest plantations in New Zealand.

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

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

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

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

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

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

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

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

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

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

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

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

Strengthen management processes and information systems

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

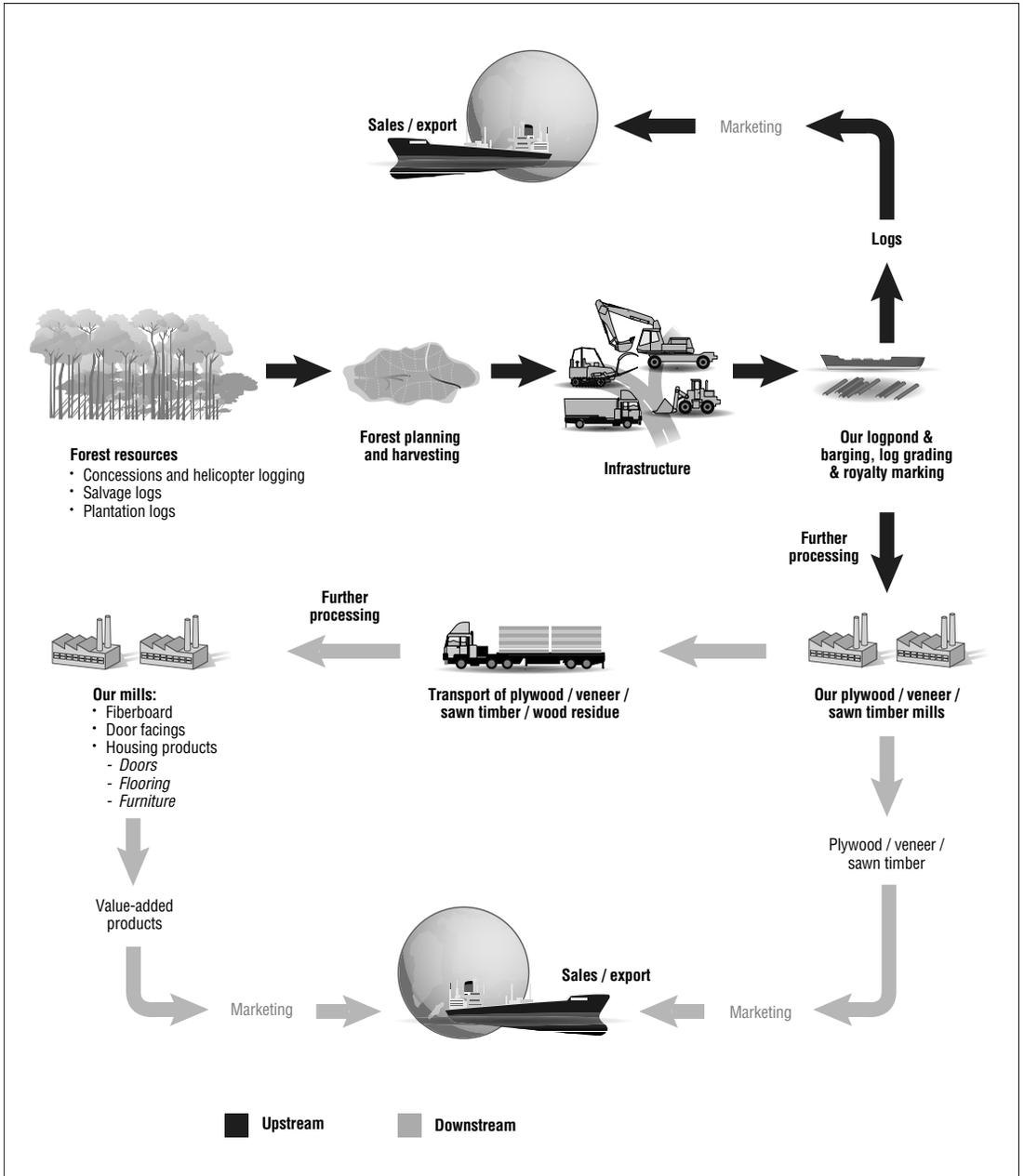
For our downstream operations we will continue to invest in information technology to enhance our plant processing efficiencies and resource planning. For our sales and marketing, we intend to invest in supply chain solutions and to facilitate efficient customer relationship management.

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

OUR PRINCIPAL BUSINESSES

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

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



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



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

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

Note:

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

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

The log production in Malaysia is categorized as:

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

BUSINESS

- Logs harvested by helicopter logging through the use of helicopters and other special equipment in high terrain areas that are difficult or inaccessible to ground-based harvesting equipment;
- Salvage logs which are harvested from clearing of areas for tree plantations under plantation licenses;
- Others which are logs which have been harvested using ground-based harvesting methods but held in stock pending royalty assessment. Such logs are presented for royalty assessment and form part of the “quota logs” in the following financial year.

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

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

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

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

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

BUSINESS

	Hardwood/Tropical Softwood				Softwood	
	Malaysia		Guyana		New Zealand	
	Concessions	Plantations	Harvesting		Plantations	Total
			Concession	rights		
m ³ (in thousands)						
For the financial year ended June 30, 2005						
Total log production	1,997	–	85	105	130	2,317
• “Quota logs”	1,684 ⁽⁴⁾	–	N/A	N/A	N/A	1,684
• Logs harvested by helicopter logging	78	–	N/A	N/A	N/A	78
• Salvage logs	253	–	N/A	N/A	N/A	253
• Others	111	–	N/A	N/A	N/A	111
Annual quota/allowable cut	1,739	N/A	291	207	N/A	2,237
Total log usage	2,132	–	160 ⁽⁸⁾		130	2,422
• Third parties — local ⁽¹⁾	369	–	11		62	442
• Third parties — export	743	–	39		68	850
• Downstream operations	1,020	–	110		–	1,131
For the financial year ended June 30, 2006						
Total log production	1,858	–	61	157	96	2,172
• “Quota logs”	1,493 ⁽⁵⁾	–	N/A	N/A	N/A	1,493
• Logs harvested by helicopter logging	36	–	N/A	N/A	N/A	36
• Salvage logs	399	–	N/A	N/A	N/A	399
• Others	40	–	N/A	N/A	N/A	40
Annual quota/allowable cut	1,727	N/A	351	293	N/A	2,371
Total log usage	1,886	–	198 ⁽⁸⁾		102	2,186
• Third parties — local ⁽¹⁾	356 ⁽²⁾	–	22		34	412
• Third parties — export	496	–	99		68	663
• Downstream operations	1,034	–	77		–	1,110
For the three months ended September 30, 2005						
Total log production	424	–	15	29	33	501
• “Quota logs”	366 ⁽⁶⁾	–	N/A	N/A	N/A	366
• Logs harvested by helicopter logging	–	–	N/A	N/A	N/A	–
• Salvage logs	95	–	N/A	N/A	N/A	95
• Others	74	–	N/A	N/A	N/A	74
Annual quota/allowable cut	1,727	N/A	351	293	N/A	2,371
Total log usage	502	–	42 ⁽⁸⁾		37	581
• Third parties — local ⁽¹⁾	119	–	4		12	135
• Third parties — export	134	–	20		25	179
• Downstream operations	249	–	18		–	267

BUSINESS

		Hardwood/Tropical Softwood			Softwood	
		Malaysia		Guyana		New Zealand
				Harvesting		
Concessions	Plantations	Concession	rights	Plantations	Total	
m ³ (in thousands)						

For the three months ended September 30, 2006

Total log production	580	–	23	44	24	671
• “Quota logs”	408 ⁽⁷⁾	–	N/A	N/A	N/A	408
• Logs harvested by helicopter logging ...	12	–	N/A	N/A	N/A	12
• Salvage logs	105	–	N/A	N/A	N/A	105
• Others	95	–	N/A	N/A	N/A	95
Annual quota/allowable cut	1,694	N/A	344	341	N/A	2,379
Total log usage	621	–	69 ⁽⁸⁾	–	23	712
• Third parties — local ⁽¹⁾	72	–	9	–	7	104
• Third parties — export	173	–	38	–	16	210
• Downstream operations	376	–	22	–	–	398

Notes:

- (1) Logs supplied to third parties includes logs supplied to our sawn timber facilities in Miri and Lawas, Sarawak which are rented and operated by an associate of our Group, Rimalco Sdn. Bhd., in which we hold a 40% interest.
- (2) This includes approximately 95,000 m³ of logs which we sold to companies which became part of our Group on June 29, 2006.
- (3) The “quota logs” include approximately 81,000 m³ of logs which were held in stock in the financial year ended June 30, 2003 and assessed for royalties in the financial year ended June 30, 2004.
- (4) The “quota logs” include approximately 128,000 m³ of logs which were held in stock in the financial year ended June 30, 2004 and assessed for royalties in the financial year ended June 30, 2005.
- (5) The “quota logs” include approximately 111,000 m³ of logs which were held in stock in the financial year ended June 30, 2005 and assessed for royalties in the financial year ended June 30, 2006.
- (6) The “quota logs” include approximately 111,000 m³ of logs were held in stock in the financial year ended June 30, 2005 and assessed for royalties in the financial period ended September 30, 2005.
- (7) The “quota logs” include approximately 40,000 m³ of logs which were held in stock in the financial year ended June 30, 2006 and assessed for royalties in the financial period ended September 30, 2006.
- (8) Log usage from concession and harvesting rights in Guyana have been combined as they form part of the logs for usage and held in stock in Guyana.
- (9) The log production data, annual quota and log usage for our concessions in Malaysia differs from the equivalent data in the Independent Technical Report prepared by Pöyry set out in Appendix VI to this prospectus principally due to an assumption made by Pöyry in the Independent Technical Report that Merawa Sdn. Bhd. and Dayabala Sdn. Bhd., two of our subsidiaries that only became part of our Group on June 29, 2006, were assumed by Pöyry to have been included in our Group for the whole of the financial year ended June 30, 2006. The table above reflects that these companies were only consolidated in our Group following the Reorganization. In addition, the Independent Technical Report also excludes log production from a portion of one of our concessions, where the concession area was contracted to a third party logging contractor who has the right to retain the timber harvested from the concession for its own use.

BUSINESS

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

Sources of logs used by our downstream processing facilities⁽¹⁾ – m³ (in thousands)

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

Notes:

- (1) The raw materials for our plywood, veneer and sawn timber manufacturing facilities are logs. We use wood residue from our processing operations to produce products such as fiberboard and door facings.
- (2) Logs sourced by our sawn timber facilities includes logs used by our sawn timber facilities in Miri and Lawas, Sarawak which are rented to, and operated by, an associate of our Group, Rimalco Sdn. Bhd. in which we hold a 40% interest. These logs are shown in the table on pages 132 to 134 of this prospectus as logs sold to third parties-local. If the logs sourced by such sawn timber facilities are excluded, the total sources of logs used by our downstream processing facilities from internal sources would be approximately 938,000 m³, 1,131,000 m³ and 1,110,000 m³ for the financial years ended June 30, 2004, 2005 and 2006, respectively, and approximately 267,000 m³ and 398,000 m³ for the three months ended September 30, 2005 and 2006, respectively.

BUSINESS

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

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

Notes:

- (1) Our sawn timber facilities in Miri and Lawas, Sarawak are rented to and operated by an associate of our Group, Rimalco Sdn. Bhd., in which we hold a 40% interest.
- (2) Our MDF facility is owned by an associate of our Group, Daiken Miri Sdn. Bhd., in which we hold a 30% interest.
- (3) Our door facings facility is owned by Magna-Foremost Sdn. Bhd. which is a 50:50 joint venture between Samling DorFoHom Sdn. Bhd. and Masonite.
- (4) Our solid/engineered doors and skin doors facilities in Selangor have been owned and operated by Foremost Crest Sdn. Bhd. since June 14, 2005, which is a 50:50 joint venture between Grand Paragon Sdn. Bhd. and Masonite.
- (5) Logs sourced from our Malaysia concessions/plantation areas include “quota logs” harvested from our forest concessions, logs harvested by helicopter logging and salvage logs harvested from clearing plantation areas.
- (6) These facilities do not use logs as raw materials.

BUSINESS

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

Financial year ended June 30, 2006					
Source of logs	Production volume/ Volume sourced from third parties	Log usages	Volume of MTCC/FSC certified logs involved	Use of certified logs	Production volume of wood products utilising certified logs
Malaysia					
- Our Group's natural forest concessions (including salvage logs from clearing areas for tree plantations)	1,858,000 m ³	<ul style="list-style-type: none"> • Plywood factories in Malaysia to produce plywood • Veneer factories in Malaysia to produce veneer • Sawmills in Malaysia to produce sawn timber • Conversion into wood chips for the production of MDF, door facings and other housing products • Third party log sales (local and export) 	1,500 m ³ of MTCC certified logs (0.1% of our log production in Malaysia)	<ul style="list-style-type: none"> • 900 m³ for the plywood mill in Miri, Sarawak, Malaysia to produce MTCC certified plywood • 600 m³ for third party sale (export) as logs without MTCC certification 	• 300 m ³ of plywood with MTCC chain of custody certification
- Our Group's tree plantations	-	-	-	-	-
- Third Party sources	354,000 m ³	<ul style="list-style-type: none"> • Plywood factories in Malaysia to produce plywood • Veneer factories in Malaysia to produce veneer • Sawmills in Malaysia to produce sawn timber 	-	-	-
Guyana					
- Our Group's natural forest concessions	61,000 m ³	<ul style="list-style-type: none"> • Plywood factories in Guyana to produce plywood • Sawmills in Guyana to produce sawn timber • Third party log sales (local and export) 	28,000 m ³ of FSC certified logs (12.8% of our total log production in Guyana) ⁽¹⁾	<ul style="list-style-type: none"> • 5,200 m³ for the plywood mill in Guyana to produce plywood • 4,400 m³ for the sawmills in Guyana to produce sawn timber • 16,700 m³ for third party log sales (local and export) as logs without FSC certification • 1,700 m³ held in stock in Guyana 	-
- Harvesting Rights granted by third party concession holders to our Group	157,000 m ³	<ul style="list-style-type: none"> • Plywood factory in Guyana to produce plywood • Sawmills in Guyana to produce sawn timber • Third party log sales (local and export) 	-	-	-

BUSINESS

Financial year ended June 30, 2006

Source of logs	Production volume/ Volume sourced from third parties	Log usages	Volume of MTCC/FSC certified logs involved	Use of certified logs	Production volume of wood products utilising certified logs
New Zealand					
- Our Group's tree plantations	96,000 m ³	<ul style="list-style-type: none"> Third party sale (local and export) 	96,000 m ³ of FSC certified logs (100% of our log production in New Zealand)	<ul style="list-style-type: none"> All for third party log sales (local and export) as logs without FSC certification 	-
China					
- Third Party sources	20,000 m ³	<ul style="list-style-type: none"> Plywood factory in China to produce plywood LVL factory in China to produce LVL 	15,000 m ³ of FSC certified logs (75% of our third party purchases in China)	<ul style="list-style-type: none"> All for plywood mill in Nantong, China to produce FSC certified plywood 	<ul style="list-style-type: none"> 2,600 m³ of plywood with FSC chain of custody certification

Note:

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

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

OUR UPSTREAM TIMBER OPERATIONS BUSINESS

Overview

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

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

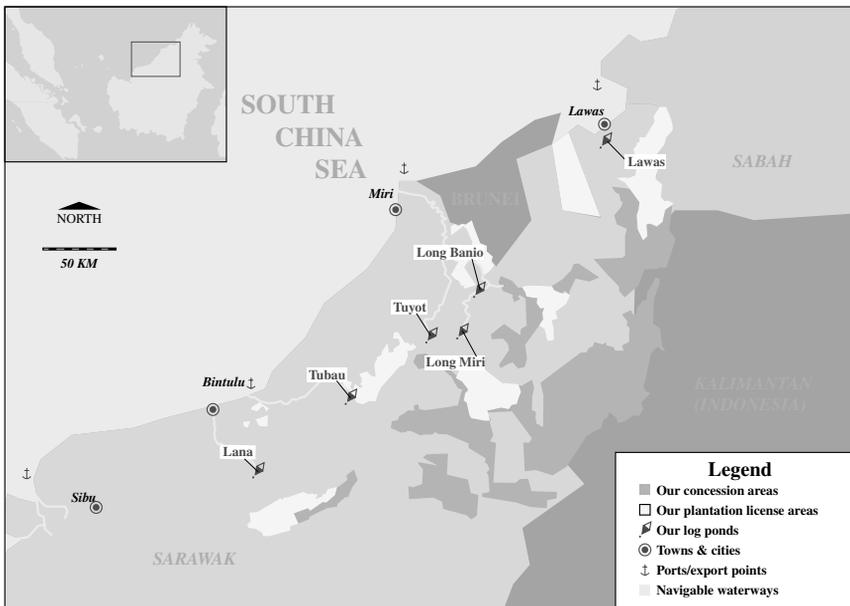
We have maturing tree plantations in New Zealand and developing tree plantations in Malaysia. As at December 31, 2006, the total gross area of our tree plantation land is approximately 35,000 hectares in New Zealand and 438,000 hectares in Malaysia of which approximately 26,000 hectares and 11,000 hectares,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

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

Natural forest concessions

Malaysia

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



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

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

- **Harvesting plans and permits**

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

- **Helicopter logging**

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

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

- **Annual quota**

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

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

- **Royalty assessment**

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

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

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

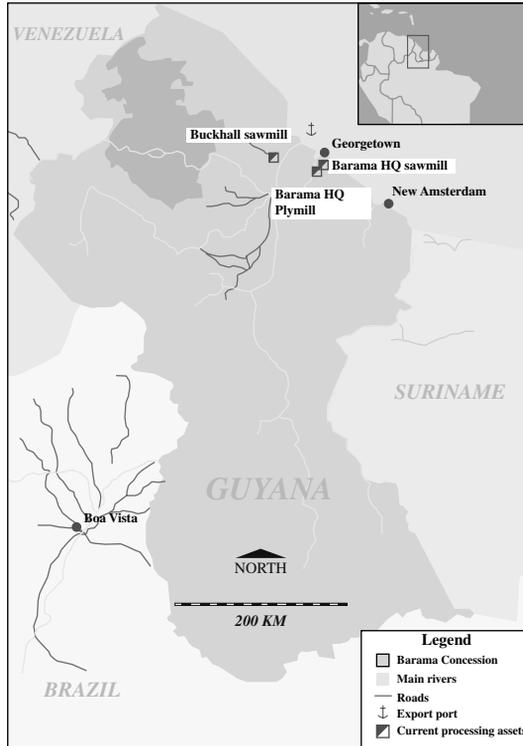
There are indigenous people who live in certain parts of our concessions as permitted by law. These communities may harvest trees for personal rather than commercial use and for clearing of land for agricultural purposes. See “Risk Factors — Risks Relating to Our Business — Our operations in some of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

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

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

Guyana

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



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

Our operations in Guyana are at an early stage of development. Out of our concessions in Guyana, approximately 78% of our net operable area is primary forest. See “Business — Our Principal Businesses” for information as to our log production volumes from our concession in Guyana during the Track Record Period. We intend to expand our production level in Guyana from approximately 219,000 m³ of logs for the financial year ended June 30, 2006 to an average sustained woodflow of 355,000 m³ per annum by 2008 by increasing

harvesting from our existing concession areas and selecting additional commercial species for harvest. We believe our production could increase further to at least 420,000 m³ per annum when more plywood species are commercialized for the export market. See pages VI-70 and VI-71 of the Independent Technical Report prepared by Pöyry for details of the estimated future production levels from our forest concessions in Guyana. We expect to spend capital expenditure of approximately US\$5.5 million during the financial year ending 2007 towards expanding our production levels.

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

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

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

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

Tree plantations

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

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

New Zealand

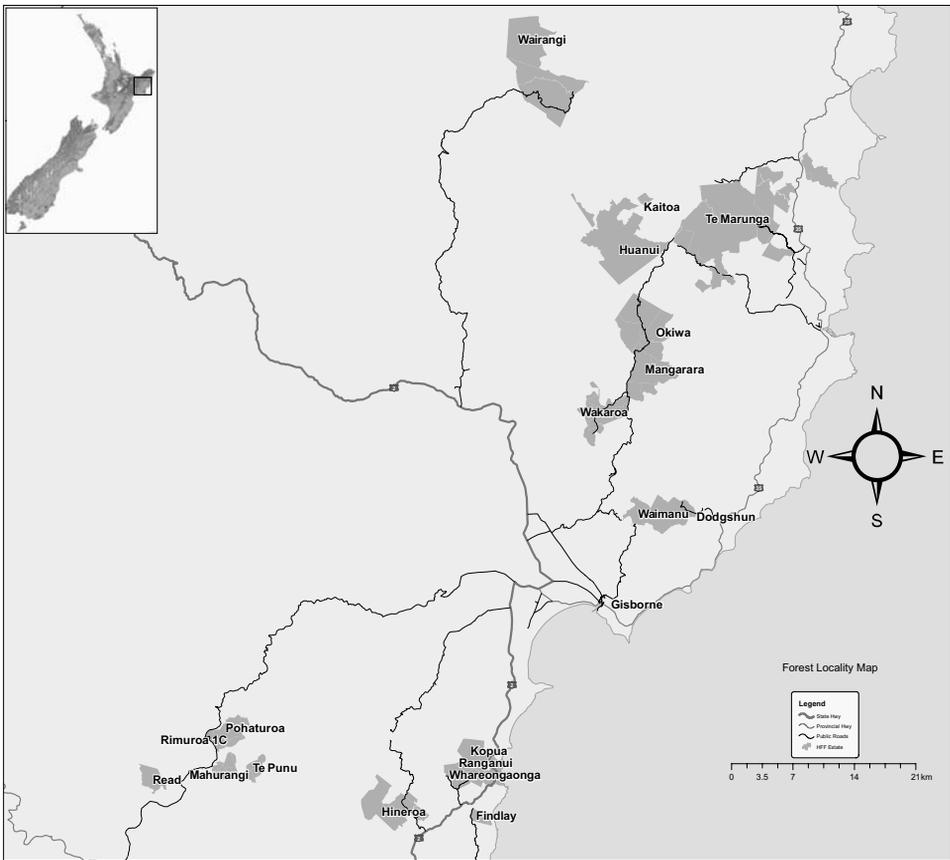
To complement and add to our existing hardwood woodflows, in 1997 we acquired HFF which owns a predominantly radiata pine plantation located on the East Coast of the North Island of New Zealand near the city of Gisborne. HFF was initially held through our associated company, Glenealy, and subsequently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

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

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

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

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



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

We began preliminary harvesting operations in 2001. Our log production from New Zealand for the financial year ended June 30, 2006 was approximately 96,000 m³. See “Business — Our Principal Businesses”

for information as to our log production volumes from our tree plantations in New Zealand during the Track Record Period. We are currently not required to pay any royalties or export duties to the New Zealand Government for our forestry operations in New Zealand. We expect our maturing radiata pine resource in New Zealand to be able to yield a sustainable woodflow of approximately 800,000 m³ per annum within the next five years, depending on market conditions. See pages VI-82 and VI-83 of the Independent Technical Report prepared by Pöyry for details of the estimated future production levels from our forest plantations in New Zealand.

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

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

Malaysia

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

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

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

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

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

Annual quotas do not apply to salvage logs or plantation logs as tree plantations are regulated separately from natural forest concessions. As trees are cleared in the relevant tree plantation areas in preparation for tree plantations instead of for the purposes of regeneration, we harvest salvage logs from any tree plantation area only once. See “Business — Our Principal Businesses” for information as to our log production volumes of salvage logs during the Track Record Period. Pöyry also estimated our production volume of salvage logs to be 457,800 m³ per annum on average over a period of five years, from 2006 to 2010. See pages VI-98 and VI-104 of the Independent Technical Report prepared by Pöyry for details of the estimated future production levels from our tree plantations in Malaysia (including salvage logs). Officers from the Sarawak Forestry Corporation will inspect and review the progress of our tree planting program before it will approve the next annual harvesting plan for clearing additional areas within our tree plantation. To date we have not harvested any plantation logs from our Malaysian tree plantations, other than salvage logs from the preparation of our tree plantation sites. We expect to harvest the first plantation logs in 2010.

At our tree plantations in Sarawak, we principally plant acacia which matures in 10 years. We also plant other species such as rubber which matures in 12 years and khaya which matures in 15 years. Acacia, rubberwood and khaya wood are used for veneer and plywood, with the residual fiber suitable for fiberboard, particleboard and pulp and paper. We apply modern techniques and recognized best practices in our nursery

BUSINESS

management. We practise rigorous selection of seedlings with the aim of ensuring good quality and healthy seedlings are planted. The following table sets forth an estimate of the currently established plantation areas by species:

**Net planted area (hectares) established at our
Malaysian plantations per establishment year — m³ (in thousands)**

Species	For the financial year ended June 30,						For the six months ended December 30,	Total
	2001	2002	2003	2004	2005	2006	2006	
	Acacia	240	1,153	834	1,605	2,233	2,357	
Rubber	11	–	72	38	173	35	36	365
Khaya	–	–	–	122	133	293	134	682
Others	7	49	2	15	141	156	8	378
Total	258	1,202	908	1,780	2,680	2,841	1,381	11,050

Log extraction and sale

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

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

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

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

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

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

Sustainable forest management and environmental protection measures

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

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

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

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

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

- economic viability: We believe we have developed economically viable methods of timber extraction that preserve the natural conditions of the forest where possible. We plan our harvesting within the coupes in our concessions with the aim of achieving efficient harvesting with minimum damage to the surrounding area. Where possible we aim to use less heavy equipment which lessens the impact on the environment and, when building logging roads, we use excavation techniques to reduce soil disturbance. We have adopted a forest management program that prescribes reduced impact logging in our designated forestry management unit, Sela'an-Linau, and in our Guyana concession, in order to minimize the damage to standing tree stocks, soil erosion and run-offs of sedimentation into surrounding river systems. By integrating our upstream and downstream operations, we intend to reduce the waste from our wood processing and maximize the use of the wood supply.
- environmental compatibility: We incorporate into our SFM plan the protection of water catchment areas and set aside protected areas for wildlife and other bio-diversity conservation. We have carried out an environmental and social impact assessment to identify ways of minimizing the adverse impact of our forest management on the environment. We have established permanent sample plots and other silvicultural research plots to observe the behavior of the logged forest conditions and other ecological factors such as changes in soil, flora and fauna following harvesting. These are part of our ongoing forest operations. Before commencing harvesting we assess the forest vegetation, water and soil. Where forests have already been harvested, we monitor residual stands and carry out aerial photo analysis to determine if the forest has sufficiently regenerated. We also manage potential environmental risks through compliance with the relevant forestry guidelines and codes of practices as well as our efforts in obtaining forest management certifications.
- social acceptance: In Sarawak, we aid community development by building dwellings, schools and clinics and undertaking other projects such as building access roads and providing water supplies to villages. We also provide educational support by awarding school grants and providing equipment. We are working with government agencies in Sarawak to initiate and support agro-forestry projects such as a community reforestation project where the community will receive the value of the timber once it is merchantable and coffee planting projects with the aim of aiding the economic advancement of local communities. In Guyana, Native Amerindians communal forests, established under Guyana law, are excluded from our concession areas. We permit local communities living in or near our concessions to freely access the nearby forest to collect forest products for domestic and traditional uses.

Before starting a logging operation in our natural forest concessions, we assess the forest to determine the most feasible access routes and logging methods to minimize the environmental impact. Our road network construction and harvesting plans are approved by the Sarawak Forestry Corporation in Malaysia and the Guyana Forestry Commission in Guyana to ensure compliance with the terms of our licenses and applicable

environmental laws. We plan directional tree felling along skid trails to reduce the damage to surrounding trees. We adopt log tagging and tracking procedures to verify that our logs are derived from legal sources. We also employ helicopter logging in high terrain and inaccessible areas.

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

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

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

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

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

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

Note:

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

Periodic surveillance audits are carried out by independent assessors accredited by the relevant certification bodies to ensure on-going compliance with the relevant certification guidelines. Such surveillance audits are carried out usually on an annual or bi-annual basis, depending on the requirements of the relevant independent assessor. During the course of their reviews, areas of non-compliance with the strict guidelines may be identified and corrective action requests (CARs) may be issued. These are subject to the discretion of the independent assessors. The independent assessors will usually require any CARs to be addressed and complied with within a specified time frame, failing which our certification may be temporarily suspended or withdrawn. See “Regulation of Our Industry — Overview of Criteria Relating to Our Certifications”. CARs are issued from time to time following the surveillance audits. For example, from February 17, 2006 to January 9, 2007, 570,000 hectares (or 35.4%) of our gross forest concession area of approximately 1.6 million hectares in Guyana were certified for forest management by the FSC and we produced 28,000 m³ of certified logs from the concession for the financial year ended June 30, 2006. This certification was temporarily suspended on January 9, 2007 following notification by the relevant independent assessor to us that there are in existence five major CARs. We were not consulted prior to the suspension or provided with any formal request for rectification of the alleged five major CARs before suspension was imposed. An annual surveillance audit was conducted by the independent assessor in November 2006 in relation to ongoing compliance with the FSC guidelines.

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

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

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

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

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

We subscribe to SFM practices in all of our concessions which adopt selective harvesting procedures to promote natural regeneration. Our forest management and chain of custody certifications enable us to build brand identity and to meet increasing market demand for certified wood products. This provides us with an advantage in accessing markets which prefer certified wood products over non-certified producers. Any failure by us to maintain, renew or reinstate our existing certifications or to successfully obtain additional forest management and chain of custody certifications may result in our inability to compete effectively in the sale of certified wood products against competitors able to sell certified wood products in greater amounts in markets with demand for such products. The production of certified logs from our concessions and plantations in Malaysia, Guyana and New Zealand for the financial year ended June 30, 2006 was approximately 1,500 m³ of MTCC certified logs from Malaysia, 28,000 m³ of FSC certified logs from Guyana and 96,000 m³ of FSC certified logs from New Zealand, respectively. We utilised some of our MTCC certified logs produced for our plywood mill in Miri, Sarawak, Malaysia to produce MTCC certified plywood. We also utilised some of our FSC certified logs produced for our plywood mill and sawmills in Guyana to produce plywood and sawn timber without FSC certification, as we have not obtained chain of custody certification for our plywood mill and sawmills in Guyana. Whilst we sold some of the MTCC and FSC certified logs we produced in Malaysia, Guyana and New Zealand during the financial year ended June 30, 2006 to third parties, we did not, however, sold such logs as MTCC or FSC certified logs due to the relatively low production volume and that there was no customer requirement for such certified logs. See "Risk Factors — Risks Relating to Our Business — We may not be able to maintain or renew our existing forest management and chain of custody certifications, to obtain new certifications with regards to additional forest areas or wood products".

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

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

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

In addition, we conduct joint development with third-party research and development institutes as part of our efforts to achieve and maintain certification of our natural forests and plantations. One of the FSC principles and criteria, which is also applied as part of the MTCC certification for forest management, requires evidence of processes on research and data collection needed to monitor a range of indicators including yield of all forest products harvested, growth rates, regeneration and condition of the forest, environmental and social impacts of harvesting and other operations, and costs, productivity, and efficiency of forest management.

In the past, we have worked with Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (the German Agency for Technical Cooperation), an international cooperation for sustainable development, together with the Sarawak Forest Department, in Sarawak from 1998 to 2000. Our collaboration with Deutsche Gesellschaft für Technische Zusammenarbeit GmbH was part of a pioneer project to research and implement “best practice” management standards and technologies on forest management following the commitment by the Government of Sarawak to achieve sustainable forest management. We also partnered with the Edinburgh Centre for Tropical Forests in Guyana from 1992 to 1999 to assist in the development of our sustainable forest management model, including collection of data and assessments of efficiency of currently employed logging practices, in preparation for FSC certification.

We have partnered with the WWF since 2002 in order to develop the social, economic and environmental aspects of our forestry operations in Guyana. Our original FSC certification in Guyana was achieved with the support of, and in collaboration with, the WWF. As part of the collaboration, WWF provided training and technical assistance to us, as well as assisting us in monitoring the progress of our activities in relation to sustainable forest management. We are required to provide quarterly reports to WWF to provide updates on status. We also received grants from WWF as part of the WWF Guyana Forest and Environmental Conservation Project, which aims to contribute to sustainable forest management operations in Guyana.

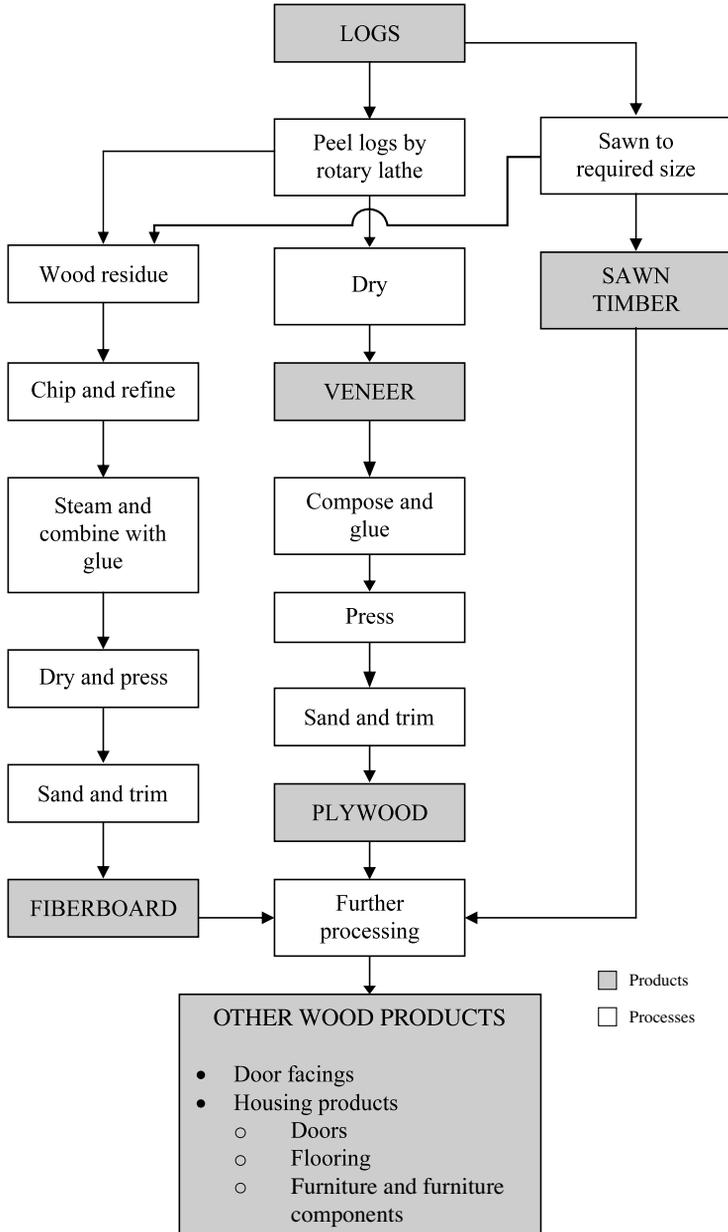
In addition, to facilitate the assessment of our MTCC certification in Malaysia, we have collaborated with the Wildlife Conservation Society, an international organization based in New York seeking to protect wildlife and wild lands, together with the Sarawak Forest Department, since 2002 on wildlife conservation research and development at our Sela’an Linau Forest Management Unit in Sarawak where we received MTCC forest management certification. We undertook to establish various measures to ensure wildlife conservation, including establishing a system to regulate access of vehicles into our concession and ensuring all our employees observe guidelines set by us. The Wildlife Conservation Society undertook to assist in conducting research and monitoring of wildlife populations, provide training to our staff in conducting surveys of wildlife population and make recommendation to enhance wildlife conservations within our concession.

OUR DOWNSTREAM TIMBER OPERATIONS BUSINESS

Overview

We have established a highly integrated production process from our upstream timber operations to our downstream operations.

Set forth below is a diagram setting out the key production steps of our downstream products.



We aim to maximize the value of our wood resources by careful selection of wood grades in accordance with our product and customer requirements. We convert a portion of our logs into plywood, veneer and sawn timber in our own processing facilities. We seek to add further value to our products by processing them into downstream products such as housing products including flooring, doors and furniture. We also convert the wood residue from our plywood and sawn timber operations into panel products such as fiberboard and door facings. In addition, we also use some of the wood residue as fuel for electricity production.

We cooperate with our customers to develop products to meet specific market needs, such as regulatory requirements, product standards and fashion trends. For instance, we produce customized designs for our furniture products, doors, specialty plywood products and flooring.

The supply of logs in our manufacturing plants is currently mainly from our own forest concessions. In the future, we will have an additional supply of logs from our plantations. We are able to maximize the log value by either exporting our logs or processing them internally for sale as wood products. We have this flexibility due to the vertical integration of our upstream and downstream operations.

Products

Our wood products comprise mainly of:

- plywood and veneer
- other wood products:
 - fiberboard and door facings
 - housing products such as doors, flooring, furniture and furniture components
 - sawn timber

See “Financial Information — Comparison of Results of Operations” for a detailed breakdown of the revenue generated from our principal product segments and the percentage of turnover attributable to sales in the product segments.

Plywood and veneer



Plywood



Veneer

- ***Plywood***

We produce a wide range of plywood including structural panels and industrial panels. Structural panels are used in building applications such as concrete formwork, exterior siding and paneling, sheeting, roofing and flooring. Industrial panels are used in industrial applications including furniture production, joinery, packaging and transport.

Our other plywood products include LVL, jumbo plywood, platform plywood, marine plywood, container flooring, concrete panel, flexible plywood, coated plywood, film faced plywood and fancy plywood. We aim to achieve superior finish applications. We seek to gain recognition as a branded supplier of certified plywood, particularly for high quality marine floor base and furniture uses.

We exported 95.0%, 95.6%, 95.2% and 96.0% of our manufactured plywood for the three years ended June 30, 2006 and the three months ended September 30, 2006, respectively.

- ***Veneer***

Our veneer is mainly used for plywood production. We have rotary peeled veneer and sliced veneer. Rotary peeled veneer is used for the production of conventional plywood products and sliced veneer is used for the production of fancy plywood. Our veneer is mainly rotary peeled veneer.

We exported 47.9%, 57.2%, 64.1% and 58.3% of our manufactured veneer for the three years ended June 30, 2006 and the three months ended September 30, 2006, respectively.

Other wood products

- ***Panel Products***

Fiberboard

Our fiberboard operations are carried out through an associated company of our Group, Daiken Miri Sdn. Bhd. We use wood residue from our processing to produce a wide range of fiberboard, including MDF and HDF, for different applications, among others: furniture, laminate flooring, printed circuit board and shoe heels.

Door facings

Our door facing operations are carried out through a jointly-controlled entity of our Group, Magna-Foremost Sdn. Bhd., which we have formed with Masonite in 2005. A 50% shareholding of Magna-Foremost Sdn. Bhd. is owned by Samling DorFoHom Sdn. Bhd., in which we hold 100% effective equity interest. The remaining 50% interest is owned by Masonite. We are responsible for the production and Masonite is responsible for the marketing of our door products. Our door facing is a special reconstituted fiberboard manufactured using wood residue and has excellent dimensional stability.

- ***Housing products***

Doors

Our door manufacturing is carried out through a jointly-controlled entity of our Group, Foremost Crest Sdn. Bhd., which we have also formed with Masonite in 2005. A 50% shareholding of Foremost Crest Sdn. Bhd. is owned by Grand Paragon Sdn. Bhd., an 80%-owned subsidiary of Lingui. The remaining 50% interest is owned by Masonite. We are responsible for the production and Masonite is responsible for the marketing of our door products. We produce solid doors, engineered doors and molded skin doors. Our solid doors are made from sawn timber. Our engineered doors are custom designed doors produced from sawn timber and sliced veneer. Our molded skin doors are made from our special reconstituted fiberboard door facings.

Flooring

We produce engineered hardwood flooring and laminate flooring. For the manufacture of our engineered hardwood flooring, the core is made of HDF or plywood which is pre-finished and strengthened with ultra-violet cured polyurethane finish for protection, moisture resistance, durability and ease of maintenance. Our laminate flooring is made from HDF and melamine impregnated papers.

Furniture and furniture components

We produce a wide range of furniture and furniture components, including bedroom and kitchen cabinets, wardrobes, shelves and small home office items. We offer customization and flexible options to our customers to choose specific designs for lamination, edge-banding and profile wrapping according to their needs. Our decorative moldings can be used by our customers to decorate wall paneling and skin doors, furniture, table tops, cabinets, wardrobes and caravan cabinets.

- ***Sawn timber***

We produce rough sawn, air dried and kiln dried timber as well as planed timber. Most of our sawn timber is exported. In Guyana, the sawn timber species are mainly purpleheart, greenheart and mora which are particularly suitable for applications such as decking and flooring. In Malaysia, our sawn timber manufacturing facility is rented to, and run by, an associated company, Rimalco Sdn. Bhd., in which we have a 40% interest. The sawn timber is produced from species such as mixed light hardwood, meranti, kapur, keruing and bindang which are used for building and construction materials.

Management and product certification and quality control

We have implemented enhanced management systems and are committed to producing high quality products to meet international standards.

We were the first company in Malaysia to receive ISO9001:2000 certification in recognition of our quality management system and high standards in plywood manufacturing in Sarawak. One of our plywood mills in Miri, Sarawak operated by our subsidiary, Samling Plywood (Baramas) Sdn. Bhd., has achieved MTCC chain

of custody certification for certain plywood produced from this factory, which independently traces the source of logs. The certificate was issued on March 31, 2004 and is valid until March 30, 2009. We also have FSC chain of custody certification for overlaid decorative plywood products produced from our plywood mill in Nantong, PRC. The certificate was issued on January 31, 2003 and is valid until January 30, 2008. Wood products produced from those factories only achieve chain of custody certification if the logs used are MTCC certified logs and FSC certified logs. We have been subject to periodic surveillance audits by relevant independent assessors and our chain of custody certifications have not been subject to any suspension.

In accordance with the requirements of chain of custody certification, we have implemented a documentary tracking system and also maintain records of the suppliers, purchases, inputs, processing and outputs of chain of custody certified products. Our chain of custody certified products are packaged and labeled with the relevant MTCC or FSC logo to ensure that its certified status can be readily identified. As we produce both certified and non-certified products from our production facilities with chain of custody certification, we are required to physically separate and segregate certified wood from non-certified wood at all stages of our production process, including transportation, distribution, sale, export and import. This includes storage of certified logs and products at designated areas within our factories. The chain of custody certification system allows a mixture of certified and non-certified wood to be used during production if minimum average percentages of certified wood inputs are met. Therefore, we are permitted to produce plywood products with MTCC or FSC chain of custody certification if we comply with the minimum average percentages certified logs specified by the relevant certification bodies from time to time.

The production of certified logs from our concessions and plantations in Malaysia, Guyana and New Zealand for the financial year ended June 30, 2006 was approximately 1,500 m³ of MTCC certified logs from Malaysia, 28,000 m³ of FSC certified logs from Guyana and 96,000 m³ of FSC certified logs from New Zealand, respectively. We also purchased approximately 15,000 m³ of FSC certified logs from China for the financial year ended June 30, 2006 for our downstream operations. The logs harvested from our MTCC certified forestry management unit in Sela'an-Linau in Sarawak are currently utilized by our plywood manufacturing facility in Miri, Sarawak and for export sales. Our plywood mill in Nantong, PRC currently utilizes FSC certified logs purchased from external sources in the production of its FSC certified plywood. Our plywood mill and sawmills in Guyana also utilizes FSC certified logs we produce in Guyana, although the plywood and sawn timber produced do not carry FSC chain of custody certification, as we have not obtained chain of custody certification for our plywood mill and sawmills in Guyana. We produced approximately 300 m³ of plywood with MTCC chain of custody certification and 2,600 m³ of plywood with FSC chain of custody certification for the financial year ended June 30, 2006. We derived revenue of approximately US\$0.3 million and US\$1.1 million from the sale of MTCC and FSC certified plywood for the financial year ended June 30, 2006, respectively. We did not use any of the FSC certified logs produced from our tree plantations in New Zealand for the financial year ended June 30, 2006 for our downstream operations.

We plan to have more of our existing production facilities certified with chain of custody certification in the future once our planned increase in supply of logs from our certified forests in Guyana and New Zealand is available. The process of certification is complex and based on existing regulations and guidelines applicable to us, our Directors are not aware of any material impediments to obtaining chain of custody certifications in the future, if we so decide, for the majority of the products produced in our production facilities where chain

of custody certifications are applicable, depending on the supply of certified logs and assuming the certification bodies do not impose additional requirements beyond those set out under their existing guidelines that have applied to us.

In addition, many of our products carry internationally recognized certificates. We produce JAS certified plywood required for Japan. Our fiberboard products meet the JIS accreditation. Our CE Marking plywood meets the requirements for plywood used for construction in the European market. We have been subject to periodic surveillance audits by relevant independent assessors and our product certifications have not been subject to any suspension. We derived revenue of approximately US\$46.0 million, US\$8.3 million and US\$11.7 million from the sale of plywood with JAS certification, fiberboard with JIS certification and plywood with CE Marking certification for the financial year ended June 30, 2006, respectively.

Given that chain of custody certification is voluntary and there has been limited demand for such certified products from our customers to date, in the event that any of our FSC or MTCC chain of custody certification is suspended or withdrawn, we have alternative customers to sell our plywood products to. For our products with JAS, JIS and/or CE Marking certification, in the event that any of such certification is suspended or withdrawn, we may divert sales to other customers pending rectification of any corrective actions identified.

We have established stringent process and quality control procedures for our wood products. Our laboratories are equipped with testing equipment to conduct a wide range of tests on raw materials, such as moisture content, density and pH-value. We also test our products for, amongst other properties, strength and dimensional stability. We also use statistical process control to analyze test data to identify product performance and machine capability.

OTHER NON-TIMBER BUSINESSES

In addition to our upstream and downstream timber operations, we also engage in a limited number of secondary businesses including the manufacturing of rubber retread, property investment and quarry businesses in Malaysia. Lingui also holds a 36.42% shareholding interest in Glenealy, an associate of our Group listed on the Malaysia Stock Exchange, whose principal business is the operation of oil palm plantations.

Glenealy's oil palm plantation operations, which involve the production and sale of crude palm oil and palm kernel, differ from our Group's tree plantation operations which produce logs for sale or further processing. As at June 30, 2006, Glenealy operates 19,000 hectares of land in the Sabah and Sarawak regions of Malaysia to which it has planted oil palm. This includes approximately 4,000 hectares of land which relates to a license for planted forests granted by the Sarawak state government in Sarawak, Malaysia. The license has a gross area of approximately 82,000 hectares and a total plantable area of approximately 50,000 hectares and Glenealy is permitted to plant up to approximately 9,300 hectares of oil palm and approximately 40,700 hectares of trees. For the three financial years ended June 30, 2006, the amount of our profits attributed to Glenealy's business was a profit of US\$5.6 million, US\$2.2 million and US\$1.0 million respectively. For the three months ended September 30, 2005 and 2006, the amount of our profits and losses attributed to Glenealy's business was a loss of US\$0.8 million and a profit of US\$0.5 million respectively.

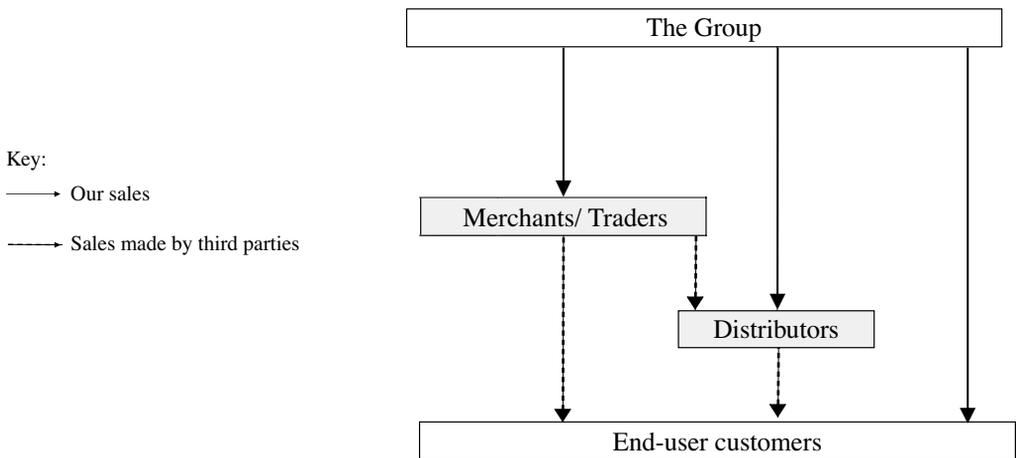
CUSTOMERS AND MARKETS

Customers

We have a broad customer base covering different segments of the distribution chain from general traders to distributors and end-user customers indirectly. For the financial year ended June 30, 2006 we sold approximately 49.2% of our logs to third parties and 50.8% to our downstream processing facilities, whilst we sell all of our downstream products to third party customers, save for some cross-selling of components within our Group.

Our wood products flow through several layers of intermediaries before reaching the end-user customers. Each layer in the market channel adds to price adjustments as each intermediary accommodates their own handling costs, margins and view of future price trends between the time they purchase the product to the time they on-sell the product.

The diagram below sets forth a summary of our main export marketing and distribution channels:



Our customers can be broadly categorized as follows:

- **Merchants and traders**

Merchants and traders, being principally large wholesalers, usually buy our products for their own account. Merchants usually operate on a regional scale, whilst traders usually have a more localized customer base. Merchants and traders resell our products to a distributor, however, we are not involved in the resale process.

- **Distributors**

Distributors, generally being regional sub-distributors, are also an important part of our supply chain for delivery of our wood products to end-user customers. As they are positioned closer to the end-user customers, they have a better understanding of the end-user customers' requirements. Distributors buy

our products for their own account. They resell our products to end-user customers, however, we are not involved in the resale process.

- **End-user customers**

End-user customers fall into four main categories: (1) contractors who use our products for house building and the construction of bridges and infrastructure; (2) furniture makers who use component parts; (3) house builders who use our products for home improvements such as in their renovation and decoration projects; and (4) manufacturers such as engineered flooring manufacturers.

Merchants and traders are currently our primary sale channels with over 90% of our sales of logs being made through these channels during each of the three financial years ended June 30, 2006. The remaining sales of our logs during each of the three financial years ended June 30, 2006 were to end-user customers. Our domestic sales of logs are mainly to end-user customers. We also sell a majority of our plywood to traders and merchants. For sales of veneer, we mainly sell our products to end-user customers. For each of the three financial years ended June 30, 2004, 2005 and 2006, we sold approximately 60% of our plywood and veneer to merchants and traders, between approximately 15% to 20% to distributors and the remainder to end-user customers. We sell to traders, merchants and distributors as they are generally able to buy in bulk and will take on risks such as price and exchange rate fluctuations and transit-associated risks which end-user customers may not be willing to assume.

In addition, some of our products are also sold to our customers through agents and brokers who have closer relationships with some customers. We do not have any agency agreements with the agents and brokers generally and the commissions payable to the agents and brokers vary. We generally negotiate commissions payable to them at the time of the order based on the type of customer, size of the order and price. We believe our sales approach is consistent with industry practice.

Our plan is to increase our sales through the distributor channels as we believe prices for our products are generally higher and more stable the closer we are to an end-user customer. Our strategy includes the potential acquisition of, investments in, or joint ventures with, existing sales and distribution networks to market our products to key markets such as Japan, the U.S., Greater China and India.

As at September 30, 2006 we had 173 sales and marketing employees. We organize our sales and marketing team by product type and handle sales from country of origin.

Our sales are generally made against secured instruments of payments from our buyers. They are either by way of prepayments, bank guarantees or letters of credit. The majority of our customers for logs buy FOB and for our plywood, veneer and panel products as well as other downstream products, the majority of our customers buy on a CNF and CIF basis. As our logs are mainly sold FOB, title in the logs passes to our customers upon loading of the logs on vessels chartered by our customers and a bill of lading is issued to us. For local sales, title passes upon delivery and acceptance of the logs to our customer's premises. For our wood products sold CIF and CNF, title passes when the original documents evidencing ownership, such as a bill of lading, are surrendered to our customer or our customer's representative, such as the bank, for payment. Revenue is recognized in our income statements at the time the bill of lading is issued, or for local sales, upon delivery of the order.

For sales of our logs and wood products, we do not have a formal product returns policy, although our sales staff address any concerns raised by our customers and take the necessary action in respect of any defects to resolve any issues.

Pricing for most of our products is market driven. In setting our prices, we take into account market conditions and our costs, including manufacturing and raw material costs.

We actively work with our customers to manage our inventory levels and production cycles through regular contact with key customers on forward orders. We have developed relationships with selected wholesalers and end-user customers to more effectively forecast product demand.

For the three years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, the five largest customers of our Group in aggregate accounted for approximately 22%, 21%, 28% and 29%, respectively, of our Group's revenue. During the same period, our Group's largest customer in each respective period accounted for approximately 6%, 6%, 7% and 8%, respectively, of our Group's revenue. Apart from interests held through us in Merawa Sdn. Bhd., none of our Directors, their associates, or any shareholders holding more than 5% of the issued share capital of our Company had any interest in any of our five largest customers for the three years ended June 30, 2006 and the three months ended September 30, 2006.

Markets

We sell our products in more than 30 countries and territories, including Japan, Malaysia, Greater China (including Hong Kong and Taiwan), the U.S., India, South Korea, Thailand, the U.K. and other countries in Europe. The following table illustrates the geographical breakdown attributable to our turnover for logs and plywood and veneer during the financial year ended June 30, 2006 and the three months ended September 30, 2006.

Percentage of Segmental Revenue

Logs	Financial year ended June 30, 2006	Three months ended September 30, 2006
Greater China ⁽¹⁾	30%	39%
Malaysia	23%	15%
Japan	14%	17%
India and Pakistan	18%	17%
South Korea	6%	3%
Other Asia Pacific	8%	6%
Others	1%	3%
Total	<u>100%</u>	<u>100%</u>

BUSINESS

<u>Plywood and veneer</u>	<u>Financial year ended June 30, 2006</u>	<u>Three months ended September 30, 2006</u>
Japan	36%	41%
North America	19%	17%
Greater China ⁽¹⁾	11%	14%
Europe	9%	7%
Malaysia	8%	9%
South Korea	6%	6%
Other Asia Pacific	7%	3%
Others	4%	3%
	<hr/>	<hr/>
Total	<u>100%</u>	<u>100%</u>

Note:

(1) Including Hong Kong and Taiwan.

Japan

Japan is one of our main markets for our export logs and our largest market for plywood. Our existing customers in Japan are primarily merchants, being Japanese trading houses, some of whom have been our customers for over 20 years. Our strategy is to capitalize on our extensive experience of over 20 years in Japan and work more closely with merchants and distributors to reach end-user customers. We intend to build brand identity and better understand our customer requirements in order to secure more stable prices.

The marketing of our fiberboard in Japan is conducted through our joint venture partners, Daiken Corporation and Itochu Corporation. We conduct the marketing of our furniture and components in Japan through our business partners, Dainippon Ink & Chemicals Inc. and Sojitz Corporation. Our business partners also provide technical support.

Malaysia

Malaysia is one of the markets for our local logs and fiberboard products. Our customers for logs in Malaysia are mostly end-user customers who are processors for products such as veneer and sawn timber. The logs that are sold locally in Malaysia are mainly those that are either unsuitable for our own plywood mills or are of sawmill quality that are in excess of our own sawmill requirements. For fiberboard, we sell mainly to end-user customers who are processors for further value addition such as lamination, flooring and furniture.

Greater China

Greater China (including Hong Kong and Taiwan) is currently the main destination for our export logs and one of the markets for our plywood products. Our customers in Greater China are generally traders. We have over 20 years experience of selling our logs in China in particular. For sales of our existing and future downstream products, we are looking to acquire or develop distribution channels. We intend to build brand identity in China to enable us to seek new opportunities to increase our market share.

North America

North America is currently our second largest market for plywood products after Japan. Our customers in the U.S. include importers, distributors and large home improvement chain stores. We work directly with our customers who are distributors or their agents in the U.S. for sales from Malaysia, China and Guyana. We organize the delivery of our products from U.S. ports to the distribution centers of our key customers. For certain products we provide after-sales support service for replacement parts and assistance for the installation of our products. The marketing of our door products in the U.S. is the principal responsibility of our joint venture partner, Masonite.

South Korea

We have over 20 years and eight years experience of selling our hardwood logs and plywood, respectively, in South Korea. Most of the logs that we sell to South Korea are for conversion to sawn timber. Our main customers in South Korea are traders some of whom we have had a relationship of over 20 years. Strategically, our aim is to maintain a presence in South Korea. We have been selling softwood logs harvested from our New Zealand plantations to South Korea for the past two years.

United Kingdom

In the U.K., we have established a close working relationship with one of the leading building product distributor which has more than 450 distribution outlets throughout the U.K. with the aim of increasing our sales through their branches. We do this by frequent visits to disseminate and improve knowledge of our products. This arrangement began in 2003 and since June 2005, includes a sales excellence award to provide incentives to the branches to sell more of our products.

India

India is becoming important and represents a high growth market opportunity due to its rapid economic growth and increased building and construction activities. Our customers in India are generally traders and we have a relationship with some of our customers of over 20 years for log sales. We intend to find new opportunities to increase our market share.

LOGISTICS MANAGEMENT AND PLANT, MACHINERY AND SUPPLIERS

Logistics management — upstream

For our upstream operations, we have developed a large infrastructure in Malaysia and Guyana consisting of a network of roads and bridges and log ponds, forest camps, offices, housing and workshops to support our forest operations. As we have invested in building and developing our extensive infrastructure, we are able to access extensive areas of our concessions for harvesting. Our log ponds are transit points for log grading and selection, and storage areas for royaltied logs, before we either export or send the logs to our local processing mills. We manage a fleet of riverine barges and tugs to transport all the logs from our log ponds to the export points or mills. Our forest camps are located in different operation areas of our concessions as supply and service centers, and also house our staff quarters and offices.

We support our upstream natural forest concession operations by managing the equipment and vessels and providing engineering services. We organize processing and purchasing through our centralized unit to achieve economies of scale. Our skilled and experienced management team continuously reviews and plans forest operations with an emphasis on logistics, equipment and manpower requirements to optimize cost efficiencies.

Our natural forest concessions in Malaysia and Guyana are contiguous in regions, allowing us to organize and manage our infrastructure and logistics in a cost-efficient manner. We carefully plan our road and bridge networks to minimize transportation distances. Our plywood and veneer operations are strategically located near to our forest resources and export points for logistical expediency in the transport of logs for processing and export.

In New Zealand we have 19 separate forest blocks, some of which form contiguous areas and some of which are geographically discrete. Access to our forests is via public roads that are maintained by the local Gisborne District Council. Logs are exported through the Port of Gisborne. In 2001 we started the construction of harvest roads within our forests. Our plan is to have main harvest roads constructed at least 18 months prior to commencing harvesting. We use local contractors to build our roads and to harvest and transport our logs to the market/point of export.

Equipment management division

Our equipment and vessel management teams in Malaysia and Guyana monitor and manage our fleet of equipment, vehicles and vessels. To maximize the use of our equipment, we pay our equipment operators by reference to productivity targets. We monitor equipment performance to ensure optimal efficiency. Our staff are trained on efficient operating methods and preventive maintenance techniques with support from our suppliers.

We have a program to monitor regular servicing and preventive repair and maintenance at our camp workshops to minimize the downtime from equipment breakdown. The monitoring includes spare parts management and quality control.

Our vessel management team coordinates the logistics for delivery of logs from our forest resources to our nearby mills or transit locations or vessels for export.

Engineering services division

Our engineering services unit specializes in reconditioning and repairing our heavy equipment. We have a workshop for component repairs and other engineering services. Our engineering team prepares and installs new and rebuilt equipment and deploys equipment by barge to our camps.

Centralized processing and purchasing division

Our purchases of spare parts, fuel, oil and lubricant are centrally controlled, enabling us to negotiate bulk prices from our suppliers. This unit also manages the logistics of spare parts and fuel for distribution to our

camp and workshops. We also enjoy economies of scale as a result of bulk and centralized purchasing of our logging equipment and vehicles. We also operate a scheduled replacement system for our equipment aimed at reducing maintenance and downtime through regular replacement.

Logistics management — downstream

For our downstream operations, we work with a large number of shipping and logistics providers to deliver our products to our customers. We have an in-house shipping and logistics department to coordinate the shipment schedule for our products with the aim of achieving timely and smooth delivery.

Plant, machinery and suppliers

We use heavy equipment for the extraction of logs, road and bridge construction and the transportation of logs. We operate one of the largest fleets of Caterpillar equipment of any single forestry company by number. For transportation of logs we use Mercedes Benz logging trucks. We have long-standing relationships with these suppliers thus affording us the opportunity to collaborate with them for equipment service, support and pricing. They also provide training to our engineers and mechanics on equipment maintenance and repairs. For riverine transportation, we have a fleet of tugs, barges and cranes. We buy our fuel and lubricant in Malaysia mainly from Shell and Petronas with whom we have a long-established relationship. We buy our fuel in Guyana from Shell and Esso.

In our downstream facilities, our machines are from internationally recognized manufacturers. In recent years, we have invested to upgrade our existing facilities, especially our plywood and veneer operations. We plan to continue this program to modernize our plants for improved efficiency and higher productivity.

In each of the three years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, the five largest suppliers of our Group in aggregate accounted for approximately 26%, 27%, 26% and 26%, respectively, of our Group's cost of sales. During the same period, our Group's largest supplier in each respective period accounted for approximately 9%, 8%, 9% and 9%, respectively, of our Group's cost of sales. Apart from Woodman Sdn. Bhd. and interests held through us in Sepangar Chemical Sdn. Bhd., none of our Directors, their associates, or any shareholders holding more than 5% of the issued share capital of our Company had any interest in any of our five largest suppliers for the three years ended June 30, 2006 and the three months ended September 30, 2006.

PRODUCTION FACILITIES

Our downstream production facilities are located in Malaysia, Guyana and China. The following table sets forth the locations, product type, rated production capacity and production for the three financial years ended June 30, 2006 and the three months ended September 30, 2005 and 2006 of each of our production facilities.

BUSINESS

Production facility location	Product manufactured	Annual rated production capacity ⁽¹⁾	Production during the financial year ended June 30,			Production during the three months ended September 30,		Logs consumed for the financial year ended June 30,	Utilization for the financial year ended June 30,
			2004	2005	2006	2005	2006	2006	2006 ⁽¹¹⁾
			m ³ (in thousands)						
Malaysia									
Bintulu, Sarawak	Plywood	252	239	244	222	59	60	508	88%
Miri, Sarawak ⁽¹²⁾	Plywood	132	118	121	115	31	32	234	87%
(two facilities)		126	109	116	110	27	30	144	87%
Sibu, Sarawak ⁽²⁾	Plywood	84	–	–	12	–	11	16	14%
Baram, Sarawak	Veneer	272	71	78	141	39	51	231	52%
(three facilities)									
Bintulu, Sarawak	Veneer	84	6	48	62	14	17	228	73%
Miri, Sarawak ⁽³⁾	Sawn timber	24	19	20	19	6	6	40	79%
Lawas, Sarawak ⁽³⁾	Sawn timber	30	20	22	19	6	6	48	63%
Miri, Sarawak ⁽⁴⁾	MDF	100	102	99	89	24	23	–	89%
Guyana									
Miri, Sarawak	Laminate flooring	1,500	446	339	286 ⁽⁵⁾	69	101	–	19%
	Engineered flooring	504	218	244	137	38	–	–	27%
China									
Bintulu, Sarawak ⁽⁶⁾	Door facings	8,000	4,318	7,562	8,165 ⁽¹⁰⁾	1,818	2,143	–	102%
Miri, Sarawak	Furniture components	6,172	4,739	5,269	5,460	1,686	916	–	88%
Selangor ⁽⁷⁾	Solid/Engineered doors	27	15	8	1 ⁽⁸⁾	–	–	–	4%
	Skin doors	240	156	66	69	11	10	–	29%
Guyana									
Land of Canaan	Plywood	108	48	48	29	6	10	63	27%
Land of Canaan	Sawn timber	14	3	5	4	2	1	11	29%
Buckhall ⁽⁹⁾	Sawn timber	50	–	–	1	–	1	3	2%
China									
Nantong ⁽¹³⁾	Plywood	120	40	56	45	8	14	20	38%
Cangshan	LVL	40	12	32	26	12	6	–	65%

Notes:

- (1) As the rated production capacity is estimated based on an assumed number of days of operations per year and for certain products, an assumed type of product, the actual production volume may vary from, and in certain circumstances, exceed the rated production capacity. The annual rated production capacity is based on the assumption that the relevant production facility operates 24 hours per day, with a half day shut down each week for maintenance and shut down during public holidays in the relevant countries in which the production facility is situated. The assumed operation days for each production facility are different and vary between approximately 323 to 329 days in Malaysia, 283 days in Guyana and 307 days in China. The annual rated capacity is based on the standard type of product manufactured which for plywood and veneer is based on a mix of product thicknesses, classified as thin, medium and thick, which varies between production facilities in different countries. The annual rated capacity for MDF and LVL assumes medium thickness product is produced.
- (2) We acquired the plywood mill in Sibu in June 2005 and operation commenced in January 2006.
- (3) Our sawn timber facility in Miri and Lawas, Sarawak is rented to, and operated by, an associate of our Group, Rimalco Sdn. Bhd., in which we hold a 40% interest.

- (4) Our MDF facility is owned and operated by an associate of our Group, Daiken Miri Sdn. Bhd., in which we hold a 30% interest.
- (5) For the financial year ended June 30, 2006, our production was less than in previous years due to our new product development efforts.
- (6) Our door facings facility is owned by Magna-Foremost Sdn. Bhd. which is a 50:50 joint venture between Samling DorFoHom Sdn. Bhd. and Masonite.
- (7) Our solid/engineered doors and skin doors facilities in Selangor, Malaysia have been owned and operated by Foremost Crest Sdn. Bhd. since June 14, 2005, which is a 50:50 joint venture between Grand Paragon Sdn. Bhd. and Masonite.
- (8) For the financial year ended June 30, 2006, our production of solid and engineered doors reduced due to increased market demand for skin doors.
- (9) Our sawn timber processing facility in Buckhall commenced operation in January 2006.
- (10) For the financial year ended June 30, 2006, the production volume of our door facing facility in Bintulu exceeded the annual rated production capacity by approximately 165,000 pieces. The higher production volume was due to the utilization of the capacity reserve above the rated capacity.
- (11) Equal to the percentage of actual production volume for the financial year ended June 30, 2006 over the annual rated production capacity.
- (12) One of our plywood mills in Miri, Sarawak operated by our subsidiary, Samling Plywood (Baramas) Sdn. Bhd., with an annual rated production capacity of approximately 126,000 m³, has achieved MTCC chain of custody certification for certain plywood produced from this facility. This facility consumed approximately 900 m³ of MTCC certified logs and produced approximately 300 m³ of plywood with MTCC chain of custody certification for the financial year ended June 30, 2006.
- (13) Our plywood mill in Nantong, China has achieved FSC chain of custody certification for overlaid decorative plywood products produced from this facility. This facility consumed approximately 15,000 m³ of FSC certified logs and produced approximately 2,600 m³ of plywood with FSC chain of custody certification for the financial year ended June 30, 2006.

We use logs harvested from our concessions in Malaysia, including logs harvested by helicopter logging as well as salvage logs which are harvested with the purpose of clearing areas for tree plantations, together with logs sourced from third parties in our manufacturing facilities in Malaysia. For our manufacturing facilities in Guyana we use logs harvested from our concession and harvesting rights. In China, we utilize logs sourced from third parties.

Our sizeable rated production capacity allows us to produce a wide range of products. With the flexibility in production, we are able to service our customers depending on product demand. Depending on the needs of our downstream operations and the relative sale price and market for our logs, we have the flexibility to switch between selling our logs to third parties and processing them internally. Our actual production volumes vary from the rated production capacity as we plan our capacity utilization in our various processing facilities according to, among other things, varying demand for particular products and availability of different species and grades of logs at particular times. Our control of the production process enables us to achieve quality control and cost efficiencies.

Our plywood and door facing operations work closely with our glue suppliers to develop new glue formulations for better product performance. Our main suppliers in Malaysia for glue are our associated company, Sepangar Chemical Industries Sdn. Bhd. and Bintulu Adhesives & Chemical Sdn. Bhd. both of whom have been supplying glue to us for over 10 years.

We place emphasis on upgrading the skills and know-how of our staff in the use of new production systems and machinery through training.

We plan to expand our production facilities to widen our product range to meet market demand and to increase our production capacity in line with expected future increased woodflow from New Zealand and Guyana over the next five years. Our plans include the construction of additional production facilities in Malaysia, Guyana and New Zealand to add value to our expected future increase in woodflow. We intend to use part of the proceeds from the Global Offering for the following purposes. See also “Future Plans and Use of Proceeds — Use of Proceeds — Acquisition opportunities and expansion of operations”.

In Malaysia, we plan to construct a sawmill within our forest in Sarawak, with a production capacity of approximately 36,000 m³ per annum, for processing logs from areas being cleared for our plantation development. The construction is expected to be completed by December 31, 2007. The investment in the sawmill is expected to be approximately HK\$10 million. We also plan to install a new log peeling and drying line in our plywood processing facilities in Miri which will be capable of processing smaller diameter logs. This will enable us to increase the recovery from our log by enabling us to peel smaller logs and reduce the size of the core of the log which can be peeled. In addition, we plan to install two new automated peeling lines in our plywood processing facility in Bintulu to increase the efficiency of our facility. The installation is expected to be completed by June 30, 2008. The combined investment in these two plywood projects is expected to be approximately HK\$40 million and together is expected to increase capacity by approximately 30,000 m³ per annum.

In Guyana, we plan to expand one of our sawmills for the production of decking and kiln dried timber and install other wood processing equipment, which are expected to increase capacity by approximately 36,000 m³ per annum. This will enable us to expand our wood processing facilities and wood products in Guyana. The construction of this sawmill is expected to be completed by June 30, 2008. The investment in the expansion project is expected to be approximately HK\$16 million.

In New Zealand, we plan to build a sawmill and/or veneer mill in Gisborne to process increased log volumes expected to be harvested from our New Zealand plantations. We are currently carrying out a feasibility study on the product mix to be produced in the New Zealand facility, however, it is expected that the processing facility in New Zealand will be able to process approximately 250,000 m³ of logs per annum by the end of 2008. The installation is expected to be completed by June 30, 2008. The investment in the sawmill is expected to be approximately HK\$136 million.

The actual increase in our production capacity as a result of the implementation of our expansion plans may vary from the estimated capacity depending on a number of factors, including the availability of wood resources, the wood products to be produced, the market conditions and production volumes during start up phases.

The exact timing and geographical focus of our expansion plans for our production capacity will also depend on a number of factors, including the success of our acquisition and expansion strategies. For a more detailed description of our strategies, see “Business — Our Future Plans”.

Manufacturing joint ventures

Our door facings and door manufacturing operations (operating under Magna-Foremost Sdn. Bhd. and Foremost Crest Sdn. Bhd.) are joint ventures with Masonite in which we hold a 50% shareholding interest. The entities are managed jointly by both parties. We are responsible for the production and Masonite is responsible for the marketing of our door products.

Our fiberboard manufacturing operation is a joint venture with Daiken Corporation, Japan and Itochu Corporation, Japan in which we hold a 30% shareholding interest. This enables us to benefit from the marketing and production expertise of our joint venture partners.

Environmental protection measures

We have implemented various environmental protection measures in our processing facilities to control the discharge of emissions into the air and water.

Our mills are installed with dust collection systems designed to minimize dust emissions. These are regularly inspected by the relevant authorities to ensure compliance with applicable laws and regulations. Our door skin facility produces waste water which is treated in specially designed treatment plants where the water passes through various filters, sedimentation tanks and biological and chemical processes before the water is discharged. Again, we are subject to regular inspection to ensure our compliance.

We operate numerous storage tanks equipped with retention systems for diesel, oil and other liquids at designated areas to prevent overflow in the case of leakages. These are also inspected by the relevant authorities.

In addition, we convert a part of our wood waste into fuel for electricity in our wood waste fired power plant. The wood waste is used to create steam for turbine generation, resulting in less diesel fuel being used in power generation.

The costs associated with our environmental protection measures are part of the general operating costs of our business and have not historically been accounted for separately.

In relation to our expansion plans for our production facilities, prior to the installation of any new machinery or equipment in our processing facilities, we will consult with the supplier or contractor regarding the necessary permits for the equipment. We will also consult with the relevant authorities and will apply for and obtain the required permits and approvals prior to commencing operations. In addition, we are subject to periodic inspections of our processing operations by relevant authorities to ensure our compliance with laws and regulations.

COMPETITION

We are operating in a competitive environment. In addition to competitive pricing, buyers are increasingly looking for quality wood products manufactured from raw materials that are harvested from legal and sustainably managed forest resources. We principally compete with other log producers on price, quality, log

species, reliability of supply and availability of forest management certifications. For our downstream products we principally compete on quality, price, specialty of product, product certifications and reliability of supply.

In relation to the tropical wood industry, we believe that the principal barriers to entry include the ability to secure concessions and/or plantations, forestry management know-how and the capital expenditure required to develop the infrastructure to carry out harvesting operations as well as equipment to carry out operation. As regards the manufacture of wood products, we believe the principal barriers to entry include the ability to source a regular and sustainable supply of quality timber for processing, customer base and technical know-how.

Our tropical hardwood log exports compete with other tropical log producers in Malaysia and other log producing countries including Papua New Guinea, Solomon Islands and countries in Africa and also temperate log producing countries such as Russia, Canada, the U.S. and countries in Europe.

Our wood products are subject to competition from other producers in China, Japan, Malaysia, Indonesia and Brazil. We also face competition from a variety of wood products and substitute products such as non-tropical wood products, non-wood and engineered wood-based composites. Our tropical hardwood plywood products face competition from other panel products such as softwood plywood and combination plywood products. Our other panel products also face competition from alternative types of panel product.

RESEARCH AND DEVELOPMENT

We regard our continual developments on sustainable forest management, where we collaborate with various third-party research and development institutes, as part of our research and development initiatives to improve on forest management. We plan to spend approximately US\$1 million per annum on such collaboration with third-party research and development institutes. See “Business — Our Upstream Timber Operations Business — Forest management certification and collaboration with third party research and development institutes”. In addition, we also conduct specific research and development concerning our tree plantation in relation to tree improvement, breeding, nursery propagation techniques, silviculture and genetics on plantation growth as well as cloning techniques.

For our tree plantations in Malaysia, we carry out research and development on tree improvement, breeding, nursery propagation techniques, growth monitoring, silvicultural operations including fertilizer trials and pest and disease control studies. Our research and development department in Malaysia comprises eight staff who hold university diplomas or degrees in science or forestry. The department was set up in 2003 with the objective of conducting research in tree breeding, site suitability assessment and silviculture, which we consider relevant to the future development of quality tree plantations. We also experiment with cloning techniques to produce better seedlings. We are currently developing the methodology of identifying proven species which have good genetic properties to broaden our species diversification pool. We engaged the Rubber Research Institute of Malaysia to conduct a feasibility studies in 1997 to improve our rubberwood clones as appropriate for timber application.

In New Zealand, we participate in various industry research co-operatives with the New Zealand Forest Research Institute Limited, a Crown research institute in New Zealand, since our acquisition of HFF in 1997. We are a member of a plantation management co-operative which enabled us to examine the practices and

effects of site, silviculture and genetics on plantation growth, quality and value. We participate in a stand growth modeling co-operative to examine growth models and yields through trials and data projection. We are also a member of a site management co-operative for research and information transfer on site management techniques such as nutrition and vegetation management. Our research initiatives are mainly conducted through research undertaken by the staff of New Zealand Forest Research Institute Limited. We do not have a dedicated team responsible for research and development in New Zealand. The forest planning manager of HFF, who holds a degree in forestry, is responsible for matters relating to the various research co-operatives and reviewing the findings of their research. Each co-operative has a designated program manager appointed by New Zealand Forest Research Institute Limited which is responsible for implementing the work programme, which is an annual schedule of research work approved by members of the co-operative. As a member of the research co-operatives, we are required to make contributions and to provide access to the programme manager to our premises to perform the work program. Through participation in these co-operatives, we are also able to collect data on growth modeling and gain access to various proprietary software for resource planning. This is important in maintaining our FSC accreditation status in New Zealand.

As the scale of our tree plantation program in Malaysia has not been significant to date, our expenditure on research and development in this area has not been significant. We intend to use approximately HK\$128 million of the net proceeds from the Global Offering to develop our plantations in Malaysia to increase our future woodflow. See “Future Plans and Use of Proceeds — Use of Proceeds”. In addition, we currently pay membership fees of approximately US\$14,000 annually for our participation in the various industry research co-operatives in New Zealand and for the use of proprietary software. We did not report our expenditure on sustainable forest management and expenses relating to our collaboration with third-party research and development institutes as expenditures on research and development.

REAL PROPERTIES

Owned properties

As at December 31, 2006, our Group had a total of 31 owned properties in Malaysia, 13 owned properties in New Zealand, one owned property in Guyana, and three owned properties in the PRC with an aggregate land area of approximately 337.04 million sq.m. and an aggregate gross floor area of approximately 524,228 sq.m. The properties held by our Group in Malaysia, New Zealand, Guyana and the PRC are either used as factories, offices, staff quarters, warehouses, industrial complexes, or for forestry purposes. For further details of our owned properties, please refer to Appendix V of this prospectus.

We have obtained the legal title to the land and buildings comprising the properties held by us in Malaysia, New Zealand, Guyana and the PRC referred to above except for the six ancillary structures in the PRC (being workshops and storage areas) with an aggregate gross floor area of approximately 2,968 sq.m. which are used as ancillary facilities for our plywood mill. We currently do not intend to apply for their building ownership certificates as they are not used as timber production facilities and, if required, the operations can be terminated or relocated to alternative comparable premises, and therefore are not material to our Group’s business.

There are also other issues affecting our properties in Malaysia with regard to lack of occupation permits and use of properties not in accordance with specified land use conditions, none of which concerns the vesting of legal title to the properties. As at the Latest Practicable Date, we have not obtained occupation permits for certain of other properties in Malaysia. Amongst these properties:

- one is used as a plywood factory in Sibul, Sarawak (which contributed approximately 0.6% and 3.5% of our revenue for the financial year ended June 30, 2006 and the three months ended September 30, 2006, respectively), for which we have commenced the process of applying for occupation permit;
- nine are used as offices, staff quarters, quarry operation sites, log storage site, warehouse, rubber retread manufacturing facility and other ancillary facilities. We have made applications for occupation permits for two of these properties. We do not intend to make application for occupation permits for the remaining properties since they are not used as timber production facilities and they contributed only approximately 1.3% of our revenue for the financial year ended June 30, 2006 and the three months ended September 30, 2006, and, if required, the operations can be terminated or relocated to alternative comparable premises, and therefore are not material to our business operations.

In addition, three of our properties in Malaysia are not used in accordance with the land use conditions of the relevant land grant and we are in the process of applying for conversion of the use of one of these properties. We have not applied for conversion of the use of the other two properties as they are only used as office, staff quarters, log storage site and quarry operation site and therefore are only ancillary to our operations (as they contributed only approximately 0.3% of our revenue for the financial year ended June 30, 2006 and the three months ended September 30, 2006), and they are located in remote regions in Malaysia and various procedures are involved in applying for conversion of their use.

With regard to our affected properties in Malaysia which are located in various remote regions in Malaysia, there are considerable practical difficulties in obtaining occupation permits or applying for conversion of the use of these properties as we have to go through various procedures, including preparing various plans relating to the properties, engaging various professionals in the process, and liaising with various local authorities to obtain approval for the plans.

Regarding the six ancillary structures in the PRC, we have not applied for their building ownership certificates since the majority of them were built subsequent to the construction of the plywood mill (for which these six structures are used as ancillary facilities), the nature of these structures being ancillary only (with the aggregate net book value of these structures amounting to not more than US\$80,000 as at September 30, 2006) and in view of the procedures required for obtaining building ownership certificates (which involve preparing various documents for submission to and obtaining approvals of or filing registrations with local city planning, land resources administration, construction administration and buildings registration authorities and other related authorities or parties). See “Risk Factors — Risks relating to Our Business — There are defects affecting our use of or title to certain of our properties”.

We have already taken the necessary steps required for obtaining outstanding occupation permits for or applying for conversion of the use of some of the above properties, and we believe there are no legal impediments to our obtaining approvals from the relevant authorities. However, we expect that the permits will only be issued or approvals granted after our Listing.

Regarding our affected properties for which we have not made applications to rectify the defects, these defects give the relevant government authorities the rights to forfeit the land concerned and demolish the buildings on the land concerned. If we have to vacate the land or buildings concerned, in view of the fact that these properties are used as ancillary facilities (being workshops, storage areas, offices, staff quarters, quarry operation sites, log storage site, warehouse, rubber retread manufacturing facility and other ancillary facilities), and therefore that the operations thereon can be terminated or relocated to alternative comparable premises without any material adverse effect on our Group, we believe that these defects would not have any material adverse effect on our business activities.

The net book value of the affected properties together amounted to approximately US\$7.7 million as at September 30, 2006. The above defects give the relevant government authorities the rights to forfeit the land concerned and demolish the buildings on the land concerned. If we are required by the relevant government authorities to vacate the land or buildings concerned, we may suffer losses and incur additional costs and expenses for suspension and/or relocation of our affected operations.

Our Directors believe that the likelihood of being compelled to relocate in view of such issues is remote and confirm that the operations on the affected properties can be suspended, terminated or relocated to alternative comparable premises without any material adverse effect on our business activities. In respect of the plywood factory in Sibul, Sarawak which lacks occupation permit, our Directors believe that there will not be any material adverse effect on our Group's business as a whole in the event that the operations at this factory have to be suspended, as our Group can expand the production capacity of other existing factories or acquire new land to take up its operations. In respect of the other properties, our Directors believe that these issues would not have any material adverse effect on our Group's business as these properties are ancillary to our Group's operations and can be relocated to alternative comparable premises.

Samling Strategic, one of our Controlling Shareholders, has provided an indemnity in favor of us in respect of the losses and liabilities, if any, arising from the above-mentioned issues affecting our properties.

Leased properties

As at December 31, 2006, our Group leased a total of 14 properties in Malaysia, one property in Guyana, two properties in New Zealand and one property in Hong Kong. The leased properties are mainly used as offices, staff quarters, workshop and factory complexes. For further details on our leased properties, please refer to Appendix V of this prospectus.

The letter, summary of values and the valuation certificates issued by Greater China Appraisal Limited in connection with its valuation are set out in Appendix V of this prospectus which shows properties owned and rented by our Group.

INTELLECTUAL PROPERTY

A wholly-owned subsidiary of our Company, Samling Trademark Inc (“STI”), entered into a deed of assignment dated July 7, 2006 with Samling Strategic, one of our Controlling Shareholders, whereby the trademarks comprising the word “Samling” (in Roman and Chinese characters) and the Samling diamond logos owned by Samling Strategic were assigned to Samling Trademark Inc. The applications for registration of the assignment of these trademarks and logos to Samling Trademark Inc have been submitted to the relevant trademark registries and it is expected that the registration in respect of the registered trademarks will take up to 18 months to complete.

STI has entered into arrangements for granting to our subsidiaries and associated corporations non-exclusive, non-transferable and royalty-free licenses to use these trademarks and logos.

Under the above-mentioned deed of assignment, Samling Strategic retains the right, title and interest to the “Samling” word mark as part of the trade and/or company name, “Samling Strategic”, for the Samling Strategic Licensed Group in relation to the present and future businesses carried out by the Samling Strategic Licensed Group, other than forestry, timber and timber related business and products, tree plantations and such other activities ancillary to the timber business, quarry, building materials and rubber compound businesses.

Use of the Samling diamond logos by the Samling Strategic Licensed Group will eventually be phased out. Pending this, to cater for the need of the Samling Strategic Licensed Group to continue using the Samling diamond logos, Samling Trademark Inc also entered into an agreement dated July 7, 2006 with Samling Strategic for granting to the Samling Strategic Licensed Group non-exclusive, non-transferable and royalty-free licenses to use the Samling diamond logos for use in the course of their business for a term of five years. These license arrangements with the Samling Strategic Licensed Group will constitute our continuing connected transactions following Listing. Please refer to the section headed “Business — Connected Transactions” in this prospectus (see paragraph 24) for details of these license arrangements.

For details of these trademarks and logos, please refer to the section headed “Intellectual Property Rights” in Appendix VIII to this prospectus. A few of these trademarks are still pending applications due to the administrative delays at the relevant trademark registries.

OPERATIONAL COMPLIANCE

We have established a set of business and operational procedures for our upstream and downstream operational activities, which is prepared in line with relevant laws and regulations, for the purpose of providing guidance to our employees regarding continual compliance issues relating to our Group’s operations.

Internal audits are undertaken annually or on more frequent intervals, as and when required, to ensure that our business and operational procedures are complied with, and to ensure that internal control systems operating in all key activities of our Group are effective, and to take the necessary corrective actions where any non-conformity of the procedures has been identified. The internal audit function comprises a mix of accredited accountants and personnel from various operational backgrounds who are independent of our Group’s decision-making and management of day-to-day operations.

See “Business — Our upstream timber operations business — Sustainable forest management and environmental protection measures” and “Business — Our downstream timber operations business — Management and product certification and quality control” for details of the ongoing compliance measures taken by our Group for our upstream and downstream operating activities.

In order to promote and emphasize the importance of compliance with laws and regulations at our operational level, we provide regular seminars and training sessions to our staff in offices and camps on the relevant laws and regulations and reports of incidents that need to be drawn to attention. Regular training and seminars are also held by government agencies, such as the STIDC, in order to keep our staff and management abreast of the latest developments in the relevant laws and regulations. Our Directors believe that, on the basis that our principal licenses/permits/certificates have been renewed by the relevant government authorities in the past, our ongoing compliance measures are adequate and effective.

Our Directors, having made all reasonable enquiries, confirm that during the Track Record Period, other than as disclosed in the “Business — Real Properties” section of this prospectus, our Group has obtained all principal licenses, permits and certificates for our operations in the jurisdictions where our Group operates, and is in compliance in all material respects with all conditions contained in the principal licenses, permits and certificates as well as the import and export restrictions as set out in “Regulation of Our Industry”. In relation to the principal licenses, permits and certificates for our operations in the jurisdictions where our Group operates which have expired and yet to be renewed, our Directors are not aware of circumstances during the Track Record Period which would give rise to any material impediment for our Group to obtain renewal of such licenses, permits and certificates. There were no circumstances during the Track Record Period under which our forest concessions, harvesting rights, plantation licenses, forestry rights and timber titles were terminated or materially diminished, or our timber exports were rejected by the relevant government authorities.

INSURANCE AND RISK MANAGEMENT

We maintain a diverse range of insurance coverage on certain properties, fixed assets, vehicles and other assets owned or operated by us that we consider represent significant operating risks, covering fire, loss or damage to property caused by natural disasters, flood, explosion, riot and strikes, malicious acts, aircraft, vehicle and/or water damage. We also maintain heavy equipment insurance, burglary insurance, money insurance and marine cargo insurance. Our engineering equipment is typically covered by machinery all risks insurance. We also maintain machinery breakdown loss of profits policies for some of the major equipment. For the financial year ended June 30, 2006, our Group paid an aggregate of approximately US\$2.6 million in insurance premiums and incurred an inventory loss of US\$1.0 million as a result of a fire at one of our warehouses in Bintulu, Malaysia that was not fully covered by our insurance policies. Given the nature of our operations and business, the value of our assets and turnover may exceed the amount of our insurance coverage. Therefore, our insurance coverage may not adequately protect us against certain risks. See “Risk Factors — Risks Relating to Our Business — Our international operations subject us to various business, economic, political, regulatory and legal risks” and “Risk Factors — Risks Relating to Our Business — Our insurance coverage may not adequately protect us against certain risks and this may have a material adverse effect on our business” for details. However, having regard to the perceived risks and the level of premiums, as well as through consultations with our insurance agents, our Directors believe that the current insurance coverage of our Group is adequate. In order to maximize cost efficiency and appropriateness of our insurance programs,

our risk management department reviews our insurance requirements on an annual basis in consultation with our insurance agents.

We recognize the importance of internal controls and risk management practices. We have also developed an ongoing process for identifying, evaluating and managing significant risks to our business. We have a risk management department which coordinates our policies and strategies for managing risks. Our risk management department has implemented monitoring and reporting processes to continuously monitor risks and to promote risk awareness throughout our Group. Our Directors are of the view that our Group's internal controls are effective and adequate as our Group has not experienced any material deficiencies in our internal control systems during the Track Record Period.

We are also in the process of upgrading our internal reporting controls and accounting and financial systems as part of our efforts to improve and strengthen our internal controls and management information systems. For example, we are further computerizing our record keeping systems and integrating certain data and processes of our Group into a unified system, improving processes and formalizing certain procedures to coordinate recordkeeping among our various departments and subsidiaries (including implementation of a new Enterprise Resource Planning (ERP) system to improve our management reporting systems), strengthening and formalizing certain of our internal sales procedures and inventory management systems and making further enhancements to our security policy and procedures on information technology.

We have not encountered any material operational problems, such as breakdown, failure or substandard performance of equipment, improper installation or operation of equipment and industrial accidents, nor have we encountered any material interruption to our business operations beyond our control during the Track Record Period.

We take a variety of measures to protect our workers and forest resources from fire and other natural disasters. We have a fire prevention strategy in place in our forest plantations including constructing fire watch-towers, fire breaks and providing water tanks for fire fighting. We provide fire fighting equipment and train our staff on our safety procedures.

LEGAL PROCEEDINGS AND PROTESTS

We are involved in certain legal proceedings arising from the ordinary course of our business, including as plaintiff or defendant in litigation or arbitration proceedings. As the governments in Malaysia and Guyana, in which we operate certain of our concessions and plantations, allow local indigenous communities to live on or near such concessions and plantations, in the regular course of our business we have been, and may continue to be subject to proceedings and claims brought by or on behalf of members of local indigenous communities contesting our rights, obtained through the issuance of relevant government licenses and permits, to carry out our business activities on our concessions and plantations in accordance with applicable law.

Two of our subsidiaries, SST and Samling Plywood (Baramas) Sdn. Bhd., together with the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses and settlements situated on forest concessions held by Samling Plywood (Baramas) Sdn. Bhd., parts of which

relate to our Sela'an Linau Forest Management Unit which has received forest management certification from the MTCC, and where SST has been appointed as the contractor to harvest timber logs. The action commenced in 1998 and the plaintiffs are seeking a declaration that they have native customary rights over claimed land located within the relevant forest concession areas. Certain other inhabitants later joined the proceedings as defendants and made an application to stay the proceedings. As at the Latest Practicable Date, the above proceeding remained pending before the Malaysian courts.

Separately, another of our subsidiaries, Tamex Timber Sdn. Bhd., together with the Superintendent of Lands and Surveys Department (Bintulu Division) and the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses and settlements situated on planted forest licensed areas held by our subsidiary, Samling Reforestation (Bintulu) Sdn. Bhd. and where Tamex Timber Sdn. Bhd. has been appointed as the contractor to harvest timber logs in the area. The action commenced in 2003 and the plaintiffs are claiming various relief including a declaration that issuance of the land title and/or provisional lease of that parcel of land in so far as it impairs the plaintiffs' native customary land at and/or around the longhouse communities of that area was unconstitutional and wrongful. Tamex Timber Sdn. Bhd. denied the claim and also counterclaimed for damages, costs, interest and/or other relief. As at the Latest Practicable Date, the above proceeding also remained pending before the Malaysian courts.

The expenses incurred by our Group on these proceedings as at the Latest Practicable Date together amounted to approximately US\$67,000. We believe that we have merit in our defence to the claims and have not experienced any material interference to our logging operations as a result of these claims. In the event that the Malaysian courts order a judgment against us, we may lose possession and use of such lands and may be ordered to terminate our operations on the relevant parcels of land claimed by the plaintiffs, remove our structures, machines and equipment from those areas and/or pay damages and costs incurred, and/or be made subject to such other relief as a court may consider just. The areas under dispute represent approximately 4% of our gross concession area in Malaysia, out of which approximately 1.9% involve areas which we have received forest management certification. We only derived a log production of approximately 15,000 m³ from the two areas under dispute for the financial year ended June 30, 2006, comprising less than 1% of our total log production from Malaysia for the relevant year. We only derive a limited production of MTCC certified logs from the areas under dispute given that the quantity of MTCC certified logs produced from all of our Group's concession areas in Malaysia is only 1,500 m³ for the financial year ended June 30, 2006. Pending the outcome of the above proceedings, we have kept our harvesting activities in the areas under dispute to a minimum, and expect to have a log production of less than 15,000 m³ per annum from the areas under dispute. Accordingly, in the event that the Malaysian courts order a judgment against us in the above proceedings, we expect that the impact on our business, results of operations and financial condition will not be material. Whilst we believe that these proceedings will not have a material adverse impact on our business, results of operations and financial condition, the outcome of these litigations cannot be accurately ascertained at this stage, and may result in a reduction in the area we may harvest in our MTCC certified Sela'an Linau Forest Management Unit and of our plantations in Malaysia if decided against us.

Samling Strategic, one of our Controlling Shareholders, has provided an indemnity in favor of us in respect of the losses, liabilities, damages, costs and expenses, if any, directly arising from the above-mentioned legal proceedings. This indemnity does not cover losses to the extent that provision has been made in the audited financial statements of the Group for the three years ended June 30, 2006 and the three months ended September 30, 2006 or as a result of any retrospective change in the law or new law or regulations coming into force after the Listing Date, or losses after Samling Strategic, its associates and persons acting in concert with any of

them ceasing to own or control the voting rights over at least 30% of our Company's entire issued share capital or the expiry of ten years from Listing if later. The indemnity will terminate if and when judgments have been made and ordered by any courts in favour of us in respect of these legal proceedings, provided that the plaintiffs shall not have filed and obtained leave to appeal against such judgments within the period prescribed by the rules of the Malaysian courts or no further right of appeal is available to the plaintiffs and we have been unconditionally released from all liability arising from those legal proceedings (including legal costs of the counterparties). No claim shall be made under this indemnity until all avenues of appeal have been exhausted by us in relation to any judgment on the above-mentioned legal proceedings made by the courts in Malaysia and the Court of Appeal of Malaysia or in the event of a further appeal, the Federal Court of Malaysia shall have made a judgment on these legal proceedings.

The timber industry has inherent exposure to criticisms from environmental groups, interested individuals, such as indigenous persons living in our forest concessions, and activist groups seeking to organize such persons from time to time to challenge or impair our ability to harvest timber. Groups and individuals may stage protests that physically prevent or delay our harvesting plans. See "Risk Factors — Risks Relating to Our Business — Our operations in some of our concessions and plantations may be adversely affected by activities, rights and claims of indigenous people living on or near such concessions and plantations" and "Risk Factors — Risks Relating to Our Business — Environmental groups and interested individuals may seek to delay or prevent us, or timber companies generally, from harvesting timber and may adversely affect demand for our product". However, we have not experienced any material interference to our logging operations as at the Latest Practicable Date. Our Directors do not believe that such disputes and protests will result in any material interference to our logging operations which would result in any material adverse impact on our business, results of operations or financial condition. See "Business — Our Upstream Timber Operations Business — Natural forest concessions — Malaysia — Relationship with indigenous people in our concessions" for details of the measures we take in working with the indigenous communities in our concessions in Malaysia.

Adverse publicity generated in connection with such events are beyond our control. In such circumstance, we provide explanation through the media and in public forums regarding the nature of the licenses and rights we have been granted by governmental authorities of competent jurisdiction and defend any legal proceeding or claim brought against us under applicable laws which allow us to engage in our business activities consistent with the licensed rights we have been granted by applicable governmental authorities. See "Risk Factors — Risks Relating to our Business — Our business may be adversely affected by activities, rights and claims of indigenous people living on or near such concessions and plantations" and also "Risk Factors — Risks Relating to our Industry — Environmental groups and interested individuals may seek to delay or prevent us, or timber companies generally, from harvesting timber and may adversely affect demand for our products".

Save as disclosed above, we are not involved in other material legal proceedings nor, to our knowledge, are any claims of material importance threatened against us.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders

We were established on June 27, 2005 with 100% interest in our share capital owned by Mr. Yaw Chee Ming, our Chief Executive Officer and Executive Director. Pursuant to the Reorganization, our Company became approximately 74.98% owned by Samling Strategic. Immediately following completion of the Global Offering, Samling Strategic will directly own and control approximately 55.99% of our issued share capital (taking no account of the exercise of the Over-allotment Option), and will be our immediate Controlling

Shareholder. Samling Strategic is 100% owned by Yaw Holding Sdn. Bhd., which is controlled by our ultimate Controlling Shareholders, being Datuk Yaw Teck Seng and Mr. Yaw Chee Ming. Samling Strategic's and our other shareholders' shareholding interests in our Company are set out in the section headed "Substantial Shareholders" of this prospectus.

Samling Strategic is an intermediate holding company and is 100% owned by Yaw Holding Sdn. Bhd. Yaw Holding Sdn. Bhd. is an investment holding company and directly controlled by Datuk Yaw Teck Seng and Mr. Yaw Chee Ming, our Chief Executive Officer and Executive Director. Samling Strategic was incorporated as an investment holding company in 1979. Other than the timber and timber product-related business carried out by our Company of which Samling Strategic is one of our Controlling Shareholders, Samling Strategic, through its subsidiaries, is currently principally engaged in property development and investment business. It currently focuses on property development and investment projects in Malaysia. The board of Samling Strategic comprises three directors, being Datuk Yaw Teck Seng, Mr. Yaw Chee Ming and Mr. Yaw Chee Chik. The day-to-day management of its property development and investment business is carried out by the senior management of Samling Strategic.

Remaining Businesses

Of the companies held by our Controlling Shareholders, only Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd., Hormat Saga Sdn. Bhd., Adat Mayang Sdn. Bhd., Anhui Hualin, Qianshan Hualin, Premier Woodworking, Anhui Tongling, Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited remain involved in timber and timber product-related businesses (the "Remaining Businesses") and are excluded from our Group following the Reorganization. A description of the Remaining Businesses and the reasons for not including them in our Group are set out below:

- (i) Sale of logs by Limbang Trading (Bintulu) Sdn. Bhd.

Limbang Trading (Bintulu) Sdn. Bhd. is owned by Samling Strategic as to 60%. It (i) holds a monthly renewable license for a natural forest concession in Sarawak, Malaysia (which is not located in our Group's contiguous forest concessions) occupying an area of approximately 1,485 hectares and (ii) has the right to extract and sell timber from certain third party forest concession areas licensed to the STIDC. It is expected that the extraction of timber in the concession areas in (i) and (ii) above (out of which the remaining areas for harvesting are approximately 5,824 hectares) will cease in 2007.

The unaudited turnover of Limbang Trading (Bintulu) Sdn. Bhd. for the two years ended June 30, 2006 amounted to approximately US\$10,000,000 and US\$2,800,000, respectively. The unaudited profit attributable to shareholders of Limbang Trading (Bintulu) Sdn. Bhd. for the two years ended June 30, 2006 amounted to approximately US\$2,000,000 and US\$880,000, respectively, out of which approximately US\$1,200,000 and US\$530,000 was attributable to Samling Strategic respectively. The unaudited total assets of Limbang Trading (Bintulu) Sdn. Bhd. for the two years ended June 30, 2006 amounted to approximately US\$3,390,000 and US\$4,100,000, respectively. The financial statements of Limbang Trading (Bintulu) Sdn. Bhd. are prepared in accordance with generally accepted accounting principles in Malaysia.

Limbang Trading (Bintulu) Sdn. Bhd. has subcontracted SST to carry out the logging in these concessions. Please refer to “Business – Connected Transactions” for details of these transactions with Limbang Trading (Bintulu) Sdn. Bhd. Currently, Samling Strategic is entitled to appoint such number of directors as it considers appropriate, and has appointed one director, to the board of Limbang Trading (Bintulu) Sdn. Bhd., which comprises three directors. Samling Strategic is however not involved in the management and running of the day-to-day business of Limbang Trading (Bintulu) Sdn. Bhd., which is managed by Mr. John Yong Hock Thoo, who has more than 10 years of experience in the timber industry and is an Independent Third Party, and none of the senior management members of Limbang Trading (Bintulu) Sdn. Bhd. is appointed by Samling Strategic. The other shareholders of Limbang Trading (Bintulu) Sdn. Bhd. are Yayasan Sarawak (as to 15%) and PDT (as to 25%). Yayasan Sarawak, a government-linked body in Malaysia, is an Independent Third Party. PDT, a company incorporated under the laws of Malaysia, is an existing shareholder of our Company and is held as to 40% by Wan Morshidi Bin Tuanku Abdul Rahman, who is a director of certain of our subsidiaries.

Since the extraction of timber will cease in 2007, Samling Strategic is not involved in the management of the day-to-day business of Limbang Trading (Bintulu) Sdn. Bhd. and as SST has already been appointed as a subcontractor, our Directors have decided not to include Limbang Trading (Bintulu) Sdn. Bhd. into our Group.

(ii) Planting of timber by Grand Perfect Sdn. Bhd.

Grand Perfect Sdn. Bhd. is owned by Samling Strategic as to 35% and is a single project company established for acting as a contractor to plant trees in a reforestation project in Sarawak, Malaysia for the Government of the State of Sarawak. Grand Perfect Sdn. Bhd. has subcontracted SST to carry out the felling and extraction of timber in preparation of tree planting, tree planting, and maintenance of the tree plantation for this project. Please refer to “Business – Connected Transactions” for details of these transactions with Grand Perfect Sdn. Bhd. The remaining reforestation area is approximately 14,000 hectares and this project is expected to be completed in 2010.

The unaudited turnover of Grand Perfect Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US\$13,820,000 and US\$18,713,000 respectively. The unaudited profit attributable to shareholders of Grand Perfect Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US\$60,000 and US\$320,000 respectively, out of which approximately US\$21,000 and US\$112,000 was attributable to Samling Strategic respectively. The unaudited total assets of Grand Perfect Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US\$7,007,000 and US\$9,863,000 respectively. The financial statements of Grand Perfect Sdn. Bhd. are prepared in accordance with generally accepted accounting principles in Malaysia.

Currently, Samling Strategic is entitled to appoint one director, and has appointed a director (and his alternate director), to the board of Grand Perfect Sdn. Bhd., which comprises three directors and three alternate directors. Samling Strategic is however not involved in the management and running of the day-to-day business of Grand Perfect Sdn. Bhd., which is managed by KTS Timber

Industries Bhd., which is a major timber company in Sarawak and an Independent Third Party, and none of the senior management members of Grand Perfect Sdn. Bhd. is appointed by Samling Strategic. The management team of KTS Timber Industries Bhd. comprises only Independent Third Parties who have experience in managing timber business. The other shareholders of Grand Perfect Sdn. Bhd. are KTS Timber Industries Bhd. (as to 35%) and Gasijaya Sdn. Bhd. (as to 30%). KTS Timber Industries Bhd. and Gasijaya Sdn. Bhd., both based in Sarawak, are Independent Third Parties.

Accordingly, in view of the duration of the reforestation project, the management by KTS Timber Industries Bhd., our role as a passive investor and the fact that SST has already been appointed as a subcontractor, our Directors have decided not to include Grand Perfect Sdn. Bhd. into our Group.

(iii) Sale of logs by Hormat Saga Sdn. Bhd.

Hormat Saga Sdn. Bhd. is owned by Samling Strategic as to 50%. It has the right to extract and sell timber from a forest concession licensed to the STIDC in Sarawak, Malaysia. The total volume of logs sold amounted to approximately 61,000 m³ and 18,000 m³ for the two years ended December 31, 2005 respectively. The license of the STIDC in respect of the forest concession will expire in September 2007. Within the remaining nine months of the license, the remaining harvestable area of the forest concession occupies an area of approximately 3,100 hectares, and the total volume of logs to be extracted from such area is estimated to amount to approximately 60,000 m³.

The unaudited turnover of Hormat Saga Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US\$5,628,000 and US\$1,423,000, respectively. The unaudited profit attributable to shareholders of Hormat Saga Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US\$611,000 and US\$55,000, respectively, out of which approximately US\$305,000 and US\$27,000 was attributable to Samling Strategic, respectively. The unaudited total assets of Hormat Saga Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US\$912,000 and US\$306,000, respectively. The financial statements of Hormat Saga Sdn. Bhd. are prepared in accordance with generally accepted accounting principles in Malaysia.

Hormat Saga Sdn. Bhd. sells its logs to our subsidiary, Samling Plywood (Bintulu) Sdn. Bhd. Please refer to “Business — Connected Transactions” for details of these transactions with Hormat Saga Sdn. Bhd. Currently, Samling Strategic is entitled to appoint, and has appointed, three directors to the board of Hormat Saga Sdn. Bhd., which comprises six directors. Samling Strategic is however not involved in the management and running of the day-to-day business of Hormat Saga Sdn. Bhd., which is managed by KTS Timber Industries Bhd., an Independent Third Party as referred to in paragraph (ii) above, and none of the senior management members of Hormat Saga Sdn. Bhd. is appointed by Samling Strategic. The other shareholder of Hormat Saga Sdn. Bhd. is KTS Timber Industries Bhd. (as to 50%).

In view of our role as a passive investor in Hormat Saga Sdn. Bhd., our Directors have decided not to include Hormat Saga Sdn. Bhd. into our Group.

(iv) Sale of logs by Adat Mayang Sdn. Bhd.

Adat Mayang Sdn. Bhd. is owned as to 70% by Grand Perfect Sdn. Bhd. which is owned by Samling Strategic as to 35%. It is engaged in trading of logs and purchase logs from certain third party forest concession owners in Sarawak, Malaysia for sale.

The unaudited turnover of Adat Mayang Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US\$1,832,000 and US\$1,386,000 respectively. The unaudited profit attributable to shareholders of Adat Mayang Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US\$67,000 and US\$162,000, respectively, out of which approximately US\$16,000 and US\$40,000 was attributable to Grand Perfect Sdn. Bhd., respectively. The unaudited total assets of Adat Mayang Sdn. Bhd. for the two years ended December 31, 2005 amounted to approximately US\$572,000 and US\$656,000, respectively. The financial statements of Adat Mayang Sdn. Bhd. are prepared in accordance with generally accepted accounting principles in Malaysia.

Adat Mayang Sdn. Bhd. sells its logs in its raw form to the market. Our subsidiary, Samling Plywood (Bintulu) Sdn. Bhd., is one of its customers and buys logs from Adat Mayang Sdn. Bhd. at prevailing market prices. Please refer to “Business — Connected Transactions” for details of these transactions with Adat Mayang Sdn. Bhd. Currently, Samling Strategic, through its shareholding in Grand Perfect Sdn. Bhd., is entitled to appoint, and has appointed, one director to the board of Adat Mayang Sdn. Bhd., which comprises four directors. Samling Strategic is however not involved in the management and running of the day-to-day business of Adat Mayang Sdn. Bhd., which is managed by KTS Timber Industries Bhd., an Independent Third Party as referred to in paragraph (ii) above, and none of the senior management members of Adat Mayang Sdn. Bhd. is appointed by Samling Strategic. The remaining shareholder of Adat Mayang Sdn. Bhd. is Sinar Pegun Sdn. Bhd. (as to 30%). Sinar Pegun Sdn. Bhd., incorporated in Sarawak, is an Independent Third Party.

In view of our role as a passive investor in Adat Mayang Sdn. Bhd., our Directors have decided not to include Adat Mayang Sdn. Bhd. into our Group.

In relation to Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd., Hormat Saga Sdn. Bhd. and Adat Mayang Sdn. Bhd. as referred to in paragraphs (i) to (iv) above, Samling Strategic has not been involved in the management of the day-to-day businesses of these companies. In addition, for Limbang Trading (Bintulu) Sdn. Bhd. and Grand Perfect Sdn. Bhd. as referred to in paragraphs (i) to (ii) above, the remaining “life” of these businesses is short (less than one year and four years, respectively), and SST (our subsidiary) is already appointed as a subcontractor to carry out logging, felling, tree planting and maintenance of the tree plantation for them respectively and will earn revenues for the remaining periods in any event. In relation to Hormat Saga Sdn. Bhd. and Adat Mayang Sdn. Bhd. as referred to in paragraphs (iii) to (iv) above, we buy logs from these two companies in the same way as any other suppliers. In the light of these reasons and the reasons disclosed in each of the paragraphs (i) to (iv) above, these businesses have not been included as part of our Group.

- (v) Manufacture and sale of MDF by Anhui Hualin, manufacture and sale of fingerjoint by Qianshan Hualin, and manufacture and sale of flooring, treadmill panel and flush doors by Premier Woodworking

Anhui Hualin is owned by SIL (which is wholly-owned by the Yaw Family) as to 53.5%. Anhui Hualin owns a 99% interest in Qianshan Hualin and a 75% interest in Premier Woodworking. Anhui Hualin manufactures and sells MDF in the PRC. Qianshan Hualin has a fingerjoint mill in the PRC which manufactures fingerjoint for sale. Premier Woodworking manufactures and sells flooring, treadmill panel and flush doors in the PRC.

The unaudited turnover of Anhui Hualin for the two years ended December 31, 2005 amounted to approximately US\$24,000,000 and US\$20,000,000 respectively. The unaudited profit attributable to shareholders of Anhui Hualin for the two years ended December 31, 2005 amounted to approximately US\$1,900,000 and US\$180,000 respectively. The unaudited total assets of Anhui Hualin amounted to approximately US\$50,000,000 and US\$49,000,000 for the two years ended December 31, 2005 respectively. The financial statements of Anhui Hualin are prepared in accordance with generally accepted accounting principles in the PRC. The production capacity per annum of Anhui Hualin's MDF facility is approximately 150,000 m³.

The unaudited turnover of Qianshan Hualin for the year ended December 31, 2005 amounted to approximately US\$77,000. Qianshan Hualin recorded loss of approximately US\$24,000 for the year ended December 31, 2005. No turnover and profit/loss was recorded for the year ended December 31, 2004 as Qianshan Hualin had yet to start its operations in 2004. The unaudited total assets of Qianshan Hualin amounted to approximately US\$2,300,000 and US\$5,600,000 for the two years ended December 31, 2005, respectively. The financial statements of Qianshan Hualin are prepared in accordance with generally accepted accounting principles in the PRC. The production capacity per annum of Qianshan Hualin's fingerjoint facility is approximately 6,000 m³.

The unaudited turnover of Premier Woodworking for the two years ended December 31, 2005 amounted to approximately US\$2,000,000 and US\$6,700,000 respectively. Premier Woodworking recorded loss of approximately US\$270,000 and US\$590,000 for the two years ended December 31, 2005, respectively. The unaudited total assets of Premier Woodworking amounted to approximately US\$2,200,000 and US\$3,200,000 for the two years ended December 31, 2005 respectively. The financial statements of Premier Woodworking are prepared in accordance with generally accepted accounting principles in the PRC. The production capacity per annum of Premier Woodworking's flooring facility is approximately 480,000 m², the production capacity per annum of its treadmill panel facility is approximately 5,400 m³ and the production capacity per annum of its flush doors facility is approximately 12,000 units.

SIL is not involved in the management and running of the day-to-day business of Anhui Hualin, which is managed by its own management team, comprising only Independent Third Parties who have experiences in managing timber businesses. Qianshan Hualin and Premier Woodworking are managed by only Independent Third Parties.

The other shareholders of Anhui Hualin are Anqing Wood-based Panel Mill (as to 42.5%), China Forestry International Cooperation Company (as to 2%) and Anhui Province Yu Sen Forestry Company (as to 2%). Anqing Wood-based Panel Mill, China Forestry International Cooperation Company and Anhui Province Yu Sen Forestry Company, all incorporated in the PRC, are each an Independent Third Party. The remaining shareholder of both Qianshan Hualin and Premier Woodworking is Glory Winner Trading Limited (as to 1% in Qianshan Hualin and as to 25% in Premier Woodworking). Glory Winner Trading Limited, incorporated in the British Virgin Islands, is a shareholder of our Company and will hold approximately 1.56% in us immediately after completion of the Global Offering.

Anhui Hualin (together with its subsidiaries, Qianshan Hualin and Premier Woodworking) are excluded from our Group due to issues affecting the shareholdings of Anhui Hualin. One of the shareholders of Anhui Hualin has not duly made its capital contribution to Anhui Hualin within the prescribed period. The shareholders of Anhui Hualin are currently in discussions with a view to resolving this.

The types of customers targeted by our Group in the PRC are different from those of Anhui Hualin, Qianshan Hualin and Premier Woodworking. Anhui Hualin sells pine/poplar MDF, Qianshan Hualin sells fingerjoint and Premier Woodworking sells flushdoors. These product types are different from those produced by our Group and are targeted at customers requiring products with different input materials, quality and pricing.

(vi) Planting of timber by Anhui Tongling

The entire registered capital of Anhui Tongling is owned by SIL which is wholly-owned by our Controlling Shareholders. Anhui Tongling carries out tree planting in a plantation in Anhui, the PRC, occupying an area of approximately 3,100 hectares. We consider that the plantation activities of Anhui Tongling are still at its early stage since it has only planted trees covering an area of approximately 1,000 hectares in total, representing approximately only one-third of the total area in this plantation.

The unaudited turnover of Anhui Tongling for the year ended December 31, 2005 amounted to approximately US\$183,000. No turnover was recorded for the year ended December 31, 2004 as Anhui Tongling had yet to derive any revenue from its operations in 2004. Anhui Tongling recorded losses of approximately US\$32,000 and US\$10,000 for the two years ended December 31, 2005 respectively. The unaudited total assets of Anhui Tongling amounted to approximately US\$910,000 and US\$840,000 for the two years ended December 31, 2005 respectively. The financial statements of Anhui Tongling are prepared in accordance with generally accepted accounting principles in the PRC.

SIL is not involved in the management and running of the day-to-day business of Anhui Tongling, which is managed by its own management team comprising only Independent Third Parties who have experiences in managing tree planting businesses.

In light of the small size of the plantation, the early stage of the plantation activities and the insignificant amount of log sales from Anhui Tongling in the foreseeable future, our Directors have decided not to include Anhui Tongling into our Group.

(vii) Sales and marketing business of Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited

Interwil (Proprietary) Limited is wholly-owned by Interwil Holdings (Proprietary) Limited which is owned by SIL as to 16.7%. Interwil Holdings (Proprietary) Limited is an investment holding company and currently Interwil (Proprietary) Limited is its only operating subsidiary. Interwil (Proprietary) Limited is principally engaged in selling softwood products in South Africa, but it also purchases hardwood products from us for sale in South Africa.

The unaudited turnover of Interwil Holdings (Proprietary) Limited for the two years ended March 31, 2006 amounted to approximately US\$42,226,000 and US\$47,346,000, respectively. The unaudited profit attributable to shareholders of Interwil Holdings (Proprietary) Limited for the two years ended March 31, 2006 amounted to approximately US\$2,875,000 and US\$2,566,000 respectively, out of which approximately US\$480,000 and US\$423,000 was attributable to SIL respectively. The unaudited total assets of Interwil Holdings (Proprietary) Limited for the two years ended March 31, 2006 amounted to approximately US\$10,867,000 and US\$16,026,000, respectively. The financial statements of Interwil Holdings (Proprietary) Limited are prepared in accordance with generally accepted accounting principles in South Africa.

Currently, SIL is entitled to appoint, and has appointed, one director to the board of Interwil Holdings (Proprietary) Limited, which comprises three directors. SIL is not involved in the management and running of the day-to-day business of Interwil Holdings (Proprietary) Limited or Interwil (Proprietary) Limited, and none of the senior management members of Interwil Holdings (Proprietary) Limited or Interwil (Proprietary) Limited is appointed by SIL. The management team of Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited comprises only Independent Third Parties who have experiences in managing sales and marketing business. The other shareholders of Interwil Holdings (Proprietary) Limited are Wil Investments (Proprietary) Limited (as to 50.1%) and Standard Bank (as to 33.2%). Wil Investments (Proprietary) Limited and Standard Bank, both based in South Africa, are Independent Third Parties.

In view of our role as a passive investor in Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited and the principal business of Interwil (Proprietary) Limited of trading in South Africa which is regarded as peripheral to our Group's business, our Directors have decided not to include Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited into our Group.

As the Remaining Businesses are timber business or timber-product related business, they may compete with our Group's business.

Other than the Remaining Businesses as described above, Samling Strategic also held a 15.35% interest in Glenealy, in which Lingui, our subsidiary, held a 36.42% interest, as at the Latest Practicable Date.

Glenealy is listed on the Malaysia Stock Exchange and is principally engaged in the operation of oil palm plantations. As at June 30, 2006, Glenealy operated 19,000 hectares of land in the Sabah and Sarawak regions of Malaysia in which it has planted oil palm. This includes approximately 4,000 hectares of land in Sarawak, Malaysia which relates to a license for planted forests granted by the Sarawak state government. The license covers a gross area of approximately 82,000 hectares and a net plantable area of approximately 50,000 hectares, and Glenealy is permitted to plant up to approximately 9,300 hectares (which includes the 4,000 hectares noted above) of oil palm and approximately 40,700 hectares of trees. Glenealy has not commenced any tree planting in the relevant area. In view of this license, Glenealy's business may compete with our Group's business in the future.

For the three financial years ended June 30, 2006, Glenealy recorded profits of US\$6.3 million, US\$5.2 million and US\$4.2 million respectively, and the amount of our profits attributed to Glenealy's business was profits of US\$2.2 million, US\$1.8 million and US\$1.5 million respectively. For the three months ended September 30, 2005 and 2006, Glenealy recorded profits of US\$0.9 million and US\$1.2 million respectively, and the amount of our profits attributed to Glenealy's business was profits of US\$0.3 million and US\$0.4 million respectively. The financial statements of Glenealy are prepared in accordance with generally accepted accounting principles in Malaysia.

Samling Strategic is entitled to appoint directors, and has appointed two directors, to the board of Glenealy. Mr. Yaw Chee Ming, our Chief Executive Officer and Executive Director, and one of our Controlling Shareholders, is the Managing Director of Glenealy. Mr. Cheam Dow Toon, our Executive Director, is an executive director of Glenealy. They are only involved in the affairs of Glenealy in respect of key decisions regarding its affairs, and are not involved in the day-to-day management of the business of Glenealy. Mr. Chan Hua Eng, our Chairman and our non-executive Director, is the Chairman and an independent non-executive director of Glenealy. The day-to-day business of Glenealy is carried out by its own management team which comprises only Independent Third Parties.

Glenealy's oil palm plantation operations, which involve the production and sale of crude palm oil and palm kernel, differ from our Group's tree plantation operations which produce logs for sale or further processing. Furthermore, the acquisition of the 15.35% interest in Glenealy by Lingui will trigger a mandatory general offer on the part of Lingui to acquire the remaining shares in Glenealy under Malaysia laws and regulations, which will require substantial additional financial resources on the part of our Group. The acquisition will also be subject to approvals from various government authorities. We do not plan to use our financial resources for this purpose given the priority of using our financial resources for carrying out our timber and timber-related businesses and repaying the short term loan we have obtained for making the mandatory general offer of the remaining shares in Lingui pursuant to the Reorganization. In view of the different type of business carried out by Glenealy, and the additional financial resources required for making any mandatory general offer, our Directors have decided not to include Glenealy into our Group.

Other than Grand Perfect Sdn. Bhd., Hormat Saga Sdn. Bhd., Adat Mayang Sdn. Bhd., Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited, Samling Strategic or SIL (as the case may be) are entitled to take active management role in the day-to-day business of the Remaining Businesses and Glenealy in case they wish to do so. However, Samling Strategic or SIL (as the case may be) has no intention to take active management role in the day-to-day business of the Remaining Businesses and Glenealy.

Our Controlling Shareholders have no current intention to inject the above Remaining Businesses and the 15.35% interest in Glenealy into our Group. However, Samling Strategic has granted in favour of us call options to acquire its interests in Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd. (which holds interests in Adat Mayang Sdn. Bhd.) and Hormat Saga Sdn. Bhd., respectively, and our Controlling Shareholders, through SIL, have granted in favour of us call options to acquire SIL's interests in Anhui Hualin (which holds interests in Qianshan Hualin and Premier Woodworking), Anhui Tongling and Interwil Holdings (Proprietary) Limited (which holds interests in Interwil (Proprietary) Limited), respectively. Please see the paragraph headed "Call options in respect of the Remaining Businesses" for further details of the call option agreements.

Mr. Yaw Chee Ming, our Chief Executive Officer and our Executive Director, is one of our Controlling Shareholders, and therefore is interested in the above-mentioned Remaining Businesses. Mr. Yaw Chee Ming, our Executive Director, and Mr. Yaw Chee Chik, a member of the senior management of our Company and a director of certain of our subsidiaries, are directors of Samling Strategic. They have no involvement in the day-to-day management or affairs of Samling Strategic and they will only be involved in the affairs of Samling Strategic when it comes to making key decisions regarding its affairs. In addition, Mr. Tan Seng Hock, a member of the senior management of our Company, is a director of Interwil Holdings (Proprietary) Limited, one of the Remaining Businesses, but he is not involved in the day-to-day management or affairs of Interwil Holdings (Proprietary) Limited or Interwil (Proprietary) Limited. Another member of the senior management of our Company, Mr. Chia Ti Lin, Colin, is the President of Anhui Hualin, the Chairman and legal representative of Premier Woodworking and the Chairman of Anhui Tongling, three of the Remaining Businesses, but he is not involved in the day-to-day management or affairs of any of these companies. Other than disclosed above, none of our Directors and senior management of our Group is involved in the day-to-day management of the above-mentioned Remaining Businesses and Glenealy.

Our Controlling Shareholders have entered into a non-competition agreement with us, whereby each of them undertakes that, other than the Remaining Businesses, it or he shall not, and will procure that no company controlled by it or him and will use its or his reasonable endeavors to procure that none of its or his associates (as defined in Chapter 1 of the Listing Rules) (other than the companies which are controlled by any Controlling Shareholder only by virtue of its or his shareholding interests in our Company, including, but not limited to, Glenealy) shall, carry on or engage, invest, participate, or be interested in any timber and timber product-related business. Please see the paragraph headed "Non-Competition Agreement" for further details of the non-competition agreement.

Except as disclosed above, none of our Controlling Shareholders and any of our Directors is interested in a business which competes or is likely to compete, either directly or indirectly, with our Group's business.

Call options in respect of the Remaining Businesses

We have entered into a call option agreement dated February 12, 2007 with Samling Strategic, under which Samling Strategic has granted to us the rights to acquire Samling Strategic's 60% interest in Limbang Trading (Bintulu) Sdn. Bhd., 35% interest in Grand Perfect Sdn. Bhd. and 50% interest in Hormat Saga Sdn. Bhd. In addition, we have entered into three call option agreements dated February 12, 2007 with SIL, under which SIL has granted to us the rights to acquire SIL's 53.5% interest in Anhui Hualin, 100% interest in Anhui Tongling and 16.7% interest in Interwil Holdings (Proprietary) Limited, respectively.

The price at which the above-mentioned call options will be exercised will be the open market value as agreed between Samling Strategic or SIL (as the case may be) and us, or failing which, will be the value as determined by an independent internationally recognized firm of valuers agreed by the parties, or in the absence of an agreement, the average of two prices determined by valuers appointed by each party. The term for exercising each of the call options is indefinite.

The above-mentioned call options will terminate if (i) our Shares cease to be listed on any internationally recognized stock exchange following the Listing; or (ii) the acquisition of the relevant interests is rejected by our independent shareholders; or (iii) the acquisition of the relevant interests is not approved by government authorities.

The decision as to whether or not to exercise any of the above-mentioned call options will be made by the majority of our independent non-executive Directors, and will be subject to approval by our independent Shareholders if required by Chapter 14A of the Listing Rules. In the event that the above-mentioned call options are exercised, the acquisitions of Anhui Hualin and Anhui Tongling are subject to complying with pre-emptive rights and obtaining government approvals in the PRC, the acquisitions of Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd. and Hormat Saga Sdn. Bhd. are subject to obtaining government approvals in Malaysia, and the acquisition of Interwil Holdings (Proprietary) Limited is subject to compliance with pre-emptive rights. We will in good faith enter into negotiations with Samling Strategic or SIL (as the case may be) in relation to the terms of the acquisitions of the relevant interests. If required by the Listing Rules, we will also appoint an independent financial adviser to review the terms of the acquisition of the relevant interest and provide a letter of advice to our independent board committee and our independent Shareholders.

Independence from our Controlling Shareholders

Having considered the following factors, we are satisfied that we can conduct our business independently of our Controlling Shareholders after the Global Offering.

Operational Independence/Independence of our Board and management

We have full rights to make decisions on, and to carry out, our own business operations independently. We hold all relevant licenses necessary to carry on our business and we have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders.

Our operational decisions are made by our executive Directors and management. We have established our own organizational structure made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operations of our business.

All timber and timber product-related business will be carried out through our Group. Samling Strategic and its other subsidiaries will not be involved in timber and timber product-related business (other than the Remaining Businesses) and are primarily engaged in property development and investment.

The board of each of Samling Strategic and Yaw Holding Sdn. Bhd. comprises three directors, being Datuk Yaw Teck Seng, Mr. Yaw Chee Ming and Mr. Yaw Chee Chik. Only Mr. Yaw Chee Ming is on the board of our Company. Mr. Yaw Chee Ming, also as our Chief Executive Officer, is involved in making key executive decisions regarding our affairs and business operations. Mr. Yaw Chee Chik is a member of senior management of our Company and a director of certain of our subsidiaries. Although Mr. Yaw Chee Ming and Mr. Yaw Chee Chik are directors of Samling Strategic, they have no involvement in the day-to-day management or the affairs of Samling Strategic and do not spend any significant amount of time on the affairs of Samling Strategic. The day-to-day management of the property development and investment business of Samling Strategic, being its principal business, is carried out by the senior management of Samling Strategic which comprises Mr. Yaw Chee Siew, Mr. Yaw Chee Weng, Mr. Tham Kit Chong and Mr. Lee Liam Chye. Mr. Yaw Chee Ming and Mr. Yaw Chee Chik, as directors of Samling Strategic, will only be involved in making key decisions regarding the affairs of Samling Strategic. Although Mr. Yaw Chee Ming is a director of Yaw Holding Sdn. Bhd., he does not spend any significant amount of time on the affairs of Yaw Holding Sdn. Bhd. The management of Yaw Holding Sdn. Bhd., being an investment holding company, is principally carried out by Datuk Yaw Teck Seng. Irrespective of his position as director of each of Samling Strategic and Yaw Holding Sdn. Bhd., Mr. Yaw Chee Ming owes fiduciary duties as director of our Company. In case of potential conflict of interest, the bye-laws of our Company provides that directors shall not vote, nor be counted in the quorum, nor attend the board meeting or any relevant part thereof (unless his attendance is specifically invited by the disinterested directors) on any board resolution.

Other than disclosed above, our senior management is independent from the management of our Controlling Shareholders. All personnel involved in production and management of our operations were transferred into our Group at the time of Reorganization.

Our assets/Connected transactions with our Controlling Shareholders

Pursuant to the Reorganization, except for certain assets which remained with our Controlling Shareholders which are immaterial to our business as referred to above under the heading “Remaining Businesses”, our Controlling Shareholders have transferred all their interests in timber and timber product-related businesses to us and we can function independently from our Controlling Shareholders.

We have entered into various connected transactions with our Controlling Shareholders and their respective associates.

As regards those non-timber related continuing connected transactions, they are on normal commercial terms.

In relation to those timber-related continuing connected transactions which are the Remaining Businesses, they are on normal commercial terms and Samling Strategic has granted call options to our Company over Limbang Trading (Bintulu) Sdn. Bhd., Grand Perfect Sdn. Bhd. and Hormat Saga Sdn. Bhd. Please refer to the paragraph headed “Call Options in respect of the Remaining Businesses” for further details of the option agreements.

With reference to the licenses of Samling diamond logos to Samling Strategic group of companies, the license arrangement is in place because Samling Strategic has assigned such logos to our Company in preparation for the listing and Samling Strategic group of companies will still need to use such logos to carry on their businesses immediately after the assignment. This license arrangement has a term of only five years pending steps taken by Samling Strategic to discontinue use of such logos eventually.

Details of such transactions are set out in the section headed “Connected Transactions” below.

Independent access to suppliers and customers

We have independent access to our suppliers and customers, and do not rely on our Controlling Shareholders’ supplier and customer base. Our Controlling Shareholders do not assist our Company in gaining access to sources of supplies necessary for our Group’s operation. Our suppliers are appointed and selected by our Company based on its own sets of criteria, and prices of supplies purchased by our Group are determined after arm’s length negotiations between our Company and the relevant supplier without the involvement of any of our Controlling Shareholders in such negotiations. Similarly, we operate our own sourcing and distribution network with a team independent of our Controlling Shareholders, and source and distribute to our customers independently.

Financial independence

All the guarantees provided by our Controlling Shareholders to or for the benefit of our Group will be released before listing.

NON-COMPETITION AGREEMENT

Our Company has entered into a non-competition agreement with our Controlling Shareholders to govern the conduct of the following activities between our Controlling Shareholders and our Company:

- timber and timber product-related businesses; or
- acquisition, holding or dealing in any shares of, or interest in, any company, investment trust, joint venture or other entity which engages in timber and timber product-related businesses,

(together, the “Defined Business”).

Under this agreement, each of our Controlling Shareholders has undertaken that, other than the Remaining Businesses, it or he shall not, and will procure that no company controlled by it or him and will use its or his reasonable endeavors to procure that none of its or his associates (as defined in Chapter 1 of the Listing Rules) (other than those companies which are controlled by any Controlling Shareholder only by virtue of its or his shareholding interest in our Company, including, but not limited to, Glenealy) shall carry on, participate or be

engaged, concerned or interested, or acquire, hold or deal in any shares of, or interest in, any company, investment trust, joint venture or other entity which engages in any Defined Business.

Each of our Controlling Shareholders has undertaken further that it or he shall first refer to our Company any investment or other commercial opportunity relating to the Defined Business that is identified by, or offered by a third party to, it or him or any company controlled by it or him (other than those companies which are controlled by any Controlling Shareholder only by virtue of its or his shareholding interest in our Company) in the following manner:

- the relevant Controlling Shareholder shall give a written offer notice to our Company of such opportunity identifying the nature of business, investment or acquisition costs and other details reasonably necessary for our Company to consider whether to pursue the opportunity;
- our Company is required to notify the relevant Controlling Shareholder within 30 business days (which, if our Company in its sole discretion decides, may be extended for another 30 business days by our Company notifying the relevant Controlling Shareholder of such extension) in writing of any decision taken to pursue or decline such opportunity. Our Company will seek approval from its board committee, comprising independent non-executive Directors who do not have a material interest in the matter, as to whether to pursue or decline such opportunity;
- the relevant Controlling Shareholder will be entitled to pursue such opportunity if (i) it or he has received a notice from our Company declining the opportunity or (ii) it or he has not received any notice from our Company within 30 business days (which, if our Company in its sole discretion decides, may be extended for another 30 business days by our Company notifying the relevant Controlling Shareholder of such extension); and
- if there is a material change in the nature of the opportunity pursued by the relevant Controlling Shareholder, it or he will refer the opportunity as so revised to our Company in the manner as outlined above.

Each of our Controlling Shareholders has acknowledged that our Company may be required by law, regulatory bodies or the rules and regulations of the stock exchange(s) on which our Company may be listed from time to time to disclose information on such opportunities, including but not limited to disclosure in public announcements or in our Company's annual report of decisions made by our Company to pursue or decline such opportunities, and they have agreed to such disclosure to the extent necessary to comply with any such requirement.

The non-competition agreement will terminate upon the earlier of:

- the date when our Controlling Shareholders cease to control, directly or indirectly, 30% or more of our Shares; or
- the date when our Shares cease to be listed on the Stock Exchange.

Corporate governance measures relating to the non-competition agreement, the transactions with our Controlling Shareholders, the transactions with the Lingui Group, and the transactions with Glenealy

The decision-making process in relation to the non-competition agreement, the transactions with any company (other than us) in which any of our Controlling Shareholders is a controlling shareholder (as defined in the Listing Rules) and any company (other than us) which is an associate (as defined in Chapter 1 of the Listing Rules) of any of our Controlling Shareholders (the “Controlled Companies”), the transactions with the Lingui Group, and the transactions with Glenealy will be governed and monitored as follows:

- Our independent non-executive Directors will review the terms of any of our transactions with our Controlling Shareholders and their Controlled Companies on a quarterly basis with a view to ensuring that the terms of the transactions are in the best interest of our Company and our shareholders as a whole.
- We intend to adopt the following measures in respect of matters which require consideration by the board at our board meetings:
 - Mr. Chan Hua Eng and Mr. Cheam Dow Toon, and any Director with duties in our Controlling Shareholders, currently being Mr. Yaw Chee Ming, shall not vote (nor be counted in the quorum) on any resolutions relating to our transactions with our Controlling Shareholders and their Controlled Companies;
 - any Director who is also a director of Glenealy, currently being Mr. Yaw Chee Ming, Mr. Chan Hua Eng and Mr. Cheam Dow Toon, shall not vote (nor be counted in the quorum) on any resolutions relating to any transactions between our Group and Glenealy and its subsidiaries;
 - any Director who is also a director of Lingui, currently being Mr. Yaw Chee Ming, Mr. Chan Hua Eng and Mr. Cheam Dow Toon, shall not vote (nor be counted in the quorum) on any resolutions relating to any transactions between our Group (excluding the Lingui Group) and the Lingui Group; and
 - any Director who shall not vote (nor be counted in the quorum) on any resolutions as mentioned above shall not attend the board meeting or the relevant part of the board meeting nor participate in the discussions on the relevant resolutions unless his attendance and participation are specifically invited by the disinterested Directors, but subject to the aforesaid restrictions on his voting and being counted in the quorum on the relevant resolutions.

- Our auditors will provide to our independent non-executive Directors a confirmation letter on any of our transactions with our Controlling Shareholders and their Controlled Companies on a quarterly basis, confirming that, on the basis of the unaudited accounts of the Group for each quarter, the amounts for the relevant transactions have not exceeded the proposed annual caps and other matters set out under rule 14A.38 of the Listing Rules. However, if and when all transactions with our Controlling Shareholders and their Controlled Companies in respect of the Remaining Businesses have ceased, our auditors will provide to our independent non-executive Directors such confirmation on a yearly basis or otherwise as required by the Listing Rules.
- Each of our Controlling Shareholders has undertaken to us to provide to us all information necessary for the quarterly review by our independent non-executive Directors and the enforcement of the non-competition agreement entered into with our Controlling Shareholders. Our independent non-executive Directors will review the compliance by our Controlling Shareholders with the non-competition agreement on a quarterly basis.
- Each of our Controlling Shareholders has undertaken to us to make an annual declaration on compliance with the non-competition agreement in our annual report.
- Our independent non-executive Directors, who do not have a material interest in the matter, will form a board committee to consider and decide whether to pursue or decline any investment or other commercial opportunity relating to the Defined Business referred to us by our Controlling Shareholders under the non-competition agreement. Where this board committee considers necessary, we will facilitate the appointment by this board committee of an independent industry expert of its choice to consider and evaluate the merits of any opportunity referred to us by the Controlling Shareholders, and to make recommendations to this board committee with regard to any such opportunity. We will, by way of announcements and in our interim and annual reports and in a timely manner, make disclosure of any decisions of this board committee to pursue or decline any such investment or other commercial opportunity referred to us by our Controlling Shareholders under the non-competition agreement.
- Our independent non-executive Directors, who do not have a material interest in the matter, will form a board committee to review and consider whether to exercise any of the call options granted to us in respect of the Remaining Businesses on a quarterly basis. We will, by way of announcements and in our interim and annual reports and in a timely manner, make disclosure of the decisions of this board committee to exercise or not to exercise such call options. In the circumstances where this board committee decides to exercise any of such call options, we will complete the acquisitions of the relevant interests as soon as practicable, and, in the event that the acquisitions are subject to pre-emptive rights and/or government approvals as referred to in the section “Call options in respect of the Remaining Businesses” above, after pre-emptive rights are complied with and/or government approvals are obtained.
- We shall disclose in our annual report the details of the mechanisms in place to protect our independent shareholders, with a discussion of how those mechanisms have operated during the relevant period.

CONNECTED TRANSACTIONS

Overview

Following the completion of the Global Offering, we will continue to have certain transactions which will constitute connected transactions under the Listing Rules. Although Glenealy has been accounted for as an associated company of our Group under IFRS, the Stock Exchange has requested that, as a condition to our listing on the Stock Exchange, Glenealy be treated in a manner consistent with the regulation of subsidiaries of a listed group for the purposes of application of the Listing Rules to our Company, including the requirements on connected transactions applicable to our subsidiaries under the Listing Rules. See “Appendix VIII – Statutory and General Information – 8. Treatment of Glenealy for the purpose of our compliance with the Listing Rules”. Accordingly, for the purpose of this section, we have treated Glenealy as if it were our subsidiary for the purpose of our compliance with the Listing Rules. Further, Glenealy will be treated as our connected person since Samling Strategic, one of our Controlling Shareholders, holds an approximate 15.35% interest in and is a substantial shareholder of Glenealy, and therefore any transaction between Glenealy (together with its subsidiaries) and us will constitute connected transactions for us under the Listing Rules. Set out below is a summary of each of these transactions.

Connected Person	Nature of Transaction
<i>Non-exempt Continuing Connected Transactions</i>	
1. Sojitz Corporation and its subsidiaries	Sale of logs, plywood and LVL by us
2. Sojitz Building Materials Corporation (previously known as Sun Building Materials Corporation)	Sale of housing products by us
3. Si Khiong Industries Sdn. Bhd.	Purchases of transportation vehicles and parts by us
4. SUS Company, LLC	Sale of plywood, sawn timber and flooring products by us
<i>Continuing Connected Transactions Exempt From Independent Shareholders' Approval Requirements</i>	
5. Limbang Trading (Bintulu) Sdn. Bhd.	Provision of timber extraction, transportation and agency services, and purchase of logs by us
6. Grand Perfect Sdn. Bhd.	Provision of services on timber extraction, establishment and maintenance of tree plantations by us
7. Rimalco Sdn. Bhd.	Rental of our sawmill and equipment and sale of logs and parts by us
8. Yong Joo Sawmill Sdn. Bhd.	Sale of logs by us
9. Pi Zhou Yanglin Woodware Co., Ltd.	Purchase of veneer by us
10. Pacific Plywood Corporation	Purchase of plywood and sale of veneer by us
11. Samling Plantation Sdn. Bhd.	Sale of fuel and parts by us
12. Dainippon Ink & Chemicals, Inc.	Provision of products marketing and agency services, grant of license to use technical information and supply of consumables to us
13. Doyon Development Sdn. Bhd.	Lease of properties in Sarawak to us
14. Hornbill Travel Agency Sdn. Bhd.	Provision of ticket sales agency services to us
15. Hap Seng Sasco Fertilizers Sdn. Bhd.	Purchase of fertilizers and agro-chemicals by us

BUSINESS

Connected Person	Nature of Transaction
<i>Continuing Connected Transactions Exempt from Reporting, Announcement and Independent Shareholders' Approval Requirements</i>	
16. Hormat Saga Sdn. Bhd.	Purchase and transportation of logs by us
17. Adat Mayang Sdn. Bhd.	Purchase and transportation of logs by us
18. Sojitz Corporation	Provision of marketing services to us
19. Adtec Sdn. Bhd.	Charter of helicopters to us
20. Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd.	Provision of hotel accommodation to us
21. Subsidiaries and associated companies of Samling Strategic	Provision of insurance agency services by us
22. Sarawak Land (Kemena Park) Sdn. Bhd.	Lease arrangements relating to properties in Sarawak
23. 3D Networks Sdn. Bhd.	Lease of our property in Kuala Lumpur
24. Samling Strategic	Licenses of Samling diamond logos to Samling Strategic group of companies
<i>Connected Transaction Exempt from Reporting, Announcement and Independent Shareholders' Approval Requirements</i>	
25. Our Controlling Shareholders	Non-competition undertaking given to us

Each of the above transactions is described in detail below.

Details of the Connected Transactions

Non-exempt Continuing Connected Transactions

(1) Sale of logs, plywood and LVL to Sojitz Corporation and its subsidiaries

Sojitz Corporation, a company listed on the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co., Ltd., owns a 17% interest in our subsidiary, Samling Housing Products Sdn. Bhd. Sojitz Corporation and its subsidiaries are therefore our connected persons.

Sojitz Corporation and its subsidiaries are engaged in, amongst others, trading of plywood, logs, LVL and/or other wood products. Sojitz Corporation is a long term customer and business partner of our Group. Our subsidiary, Kayuneka Sdn. Bhd., as agent on behalf of our various subsidiaries, regularly sells logs to Sojitz Corporation and its subsidiaries. Two of our subsidiaries, Samling Plywood (Miri) Sdn. Bhd. and Samling Plywood (Baramas) Sdn. Bhd., regularly sell plywood and other wood products to Sojitz Corporation and its subsidiaries. Our other subsidiary, Foothill, regularly sells LVL to Sojitz Corporation and its subsidiaries. Our Company and Sojitz Corporation entered into an agreement dated January 16, 2007, whereby our Company and our subsidiaries, including Kayuneka Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., Samling Plywood

(Baramas) Sdn. Bhd. and Foothill, sell logs, plywood, LVL and other wood products to Sojitz Corporation and its subsidiaries. The term of the agreement will expire on June 30, 2009. The Sojitz group of companies is a long-term customer of our Company in Japan. By selling our products to Sojitz Corporation and its subsidiaries, we could obtain access to the logs, plywood and LVL market in Japan. Sales of logs by Kayuneka Sdn. Bhd. to Sojitz Corporation and its subsidiaries, sales of plywood and other wood products by Samling Plywood (Miri) Sdn. Bhd. and Samling Plywood (Baramas) Sdn. Bhd. to Sojitz Corporation and its subsidiaries and sales of LVL by Foothill to Sojitz Corporation and its subsidiaries, are based on prevailing market prices and are on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total sales of logs by Kayuneka Sdn. Bhd. to Sojitz Corporation and its subsidiaries, total sales of plywood and other wood products by Samling Plywood (Miri) Sdn. Bhd. and Samling Plywood (Baramas) Sdn. Bhd. to Sojitz Corporation and its subsidiaries, and total sales of LVL by Foothill to Sojitz Corporation and its subsidiaries, together amounted to approximately US\$33,600,000, US\$33,200,000, US\$30,900,000 and US\$11,200,000, respectively. We estimate that total sales of logs by Kayuneka Sdn. Bhd. to Sojitz Corporation and its subsidiaries, total sales of plywood and other wood products by Samling Plywood (Miri) Sdn. Bhd. and Samling Plywood (Baramas) Sdn. Bhd. to Sojitz Corporation and its subsidiaries, and total sales of LVL by Foothill to Sojitz Corporation and its subsidiaries, together will not exceed US\$62,000,000 for each of the three years ending June 30, 2009. The estimates are based on the highest volumes of logs, plywood and LVL sold to Sojitz Corporation and its subsidiaries for the last three years and these wood products' prevailing prices. The proposed caps are significantly higher than the historical amounts because (i) we anticipate that the sales of our wood products in Japan through the Sojitz group of companies will increase significantly due to an expected increase in demand for wood products following a recent improvement in the housing starts in Japan; and (ii) the prices for wood products are expected to increase as such prices have already been increasing over the year ended June 30, 2006.

(2) Sale of housing products to Sojitz Building Materials Corporation

Sojitz Building Materials Corporation (previously known as Sun Building Materials Corporation) is a subsidiary of Sojitz Corporation. As Sojitz Corporation is a connected person as discussed in paragraph (1) above, Sojitz Building Materials Corporation is a connected person by virtue of it being an associate of Sojitz Corporation.

Sojitz Building Materials Corporation is a trading company based in Japan engaged in the sale of construction materials, lumber and residential-related equipment and building interior finish works. Our subsidiary, Samling Housing Products Sdn. Bhd., regularly sells housing products to Sojitz Building Materials Corporation. Our Company and Sojitz Corporation entered into an agreement dated January 16, 2007, whereby our Company and our subsidiaries, including Samling Housing Products Sdn. Bhd., sell housing products to Sojitz Corporation and its subsidiaries. The term of the agreement will expire on June 30, 2009. By selling our products to Sojitz Building Materials Corporation, we could obtain access to the Japanese housing products market. Sales by Samling Housing Products Sdn. Bhd. of housing products to Sojitz Building Materials Corporation are based on prevailing market prices and are on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total sales of housing products by Samling Housing Products Sdn. Bhd. to Sojitz Building Materials Corporation amounted to approximately US\$9,500,000, US\$11,400,000, US\$11,200,000 and US\$2,400,000, respectively. Sojitz Building Materials Corporation purchased from Samling Housing Products Sdn. Bhd. approximately 4,400,000, 4,300,000 and 4,300,000 units of housing products, respectively, for the three financial years ended June 30, 2006. We estimate that approximately 4,900,000 units of housing products will be purchased by Sojitz Building Materials Corporation from Samling Housing Products Sdn. Bhd. and total sales of housing products will not exceed US\$12,000,000 for each of the three years ending June 30, 2009. The projected figures are calculated primarily based on (i) the expected increase in sales of our housing products in Japan by volume through Sojitz Building Materials Corporation, and (ii) the fact that Sojitz Building Materials Corporation has expanded its customer base.

(3) Purchases of transportation vehicles and parts from Si Khiong Industries Sdn. Bhd.

Si Khiong Industries Sdn. Bhd. is a subsidiary of Hap Seng Consolidated Berhad, a company listed on the Malaysia Stock Exchange. Datuk Lau Cho Kun, who is the father in law of Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 30% of Si Khiong Industries Sdn. Bhd. Therefore, Si Khiong Industries Sdn. Bhd. is an associate of Mr. Yaw Chee Ming and thus a connected person.

Si Khiong Industries Sdn. Bhd. is a distributor of Mercedes Benz vehicles in Malaysia. As our operations involve extensive use of transportation vehicles, we enter into transactions with Si Khiong Industries Sdn. Bhd. to operate and maintain our fleet of vehicles and parts for transportation of logs. Three of our subsidiaries, Tamex Timber Sdn. Bhd., Miri Parts Trading Sdn. Bhd. and SST, buy Mercedes Benz logging trucks and other transportation vehicles and parts from Si Khiong Industries Sdn. Bhd. on a regular basis. Tamex Timber Sdn. Bhd., SST, Miri Parts Trading Sdn. Bhd. and Si Khiong Industries Sdn. Bhd. entered into an agreement dated January 12, 2007, whereby Tamex Timber Sdn. Bhd., SST and Miri Parts Trading Sdn. Bhd. purchase vehicles and parts from Si Khiong Industries Sdn. Bhd. The term of the agreement will expire on June 30, 2009. Sales of transportation vehicles and parts by Si Khiong Industries Sdn. Bhd. to Tamex Timber Sdn. Bhd., Miri Parts Trading Sdn. Bhd. and SST are based on prevailing market prices and are on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total purchases by Tamex Timber Sdn. Bhd., Miri Parts Trading Sdn. Bhd. and SST of logging trucks, transportation vehicles and parts from Si Khiong Industries Sdn. Bhd. amounted to approximately US\$12,300,000, US\$8,500,000, US\$15,200,000 and US\$3,500,000, respectively. We estimate that total purchases by Tamex Timber Sdn. Bhd., Miri Parts Trading Sdn. Bhd. and SST of logging trucks, transportation vehicles and parts from Si Khiong Industries Sdn. Bhd. will not exceed US\$15,000,000, respectively, for each of the three years ending June 30, 2009. The projected figures are based on the current forecast of our business development plans in the relevant years and the prevailing market prices of the logging trucks, transportation vehicles and parts.

(4) Purchase of plywood, sawn timber and flooring products by SUS Company, LLC

SUS Company, LLC is a company controlled by Mr. Chia Ti Lin, Colin, a director of our subsidiaries, Riverside and Foothill. SUS Company, LLC is therefore a connected person by virtue of being an associate of Mr. Chia Ti Lin, Colin.

SUS Company, LLC is engaged in trading of wood products. Each of our subsidiaries, Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside, entered into an agreement dated September 15, 2006 with SUS Company, LLC, whereby Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside sell plywood and sawn timber, flooring products and plywood, respectively, to SUS Company, LLC. The agreement was entered into with SUS Company, LLC because our Group does not have a sales and distribution network in the United States and therefore engages SUS Company, LLC as an intermediate seller to purchase our plywood and sawn timber, flooring products and plywood for sales in the United States. The term of the agreements will expire on June 30, 2009. Sales of plywood and sawn timber, flooring products and plywood by Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside respectively to SUS Company, LLC are based on prevailing market rates and on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, sales of plywood and sawn timber, flooring products and plywood by Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside to SUS Company, LLC amounted to approximately US\$18,250,000, US\$24,250,000, US\$20,650,000 and US\$4,900,000, respectively. We estimate that total sales of plywood and sawn timber, flooring products and plywood by Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside to SUS Company, LLC will not exceed US\$23,000,000 for the year ending June 30, 2007. The estimates are based on the historical trends of our sales of plywood and sawn timber, flooring products and plywood to SUS Company, LLC and the prevailing prices of these products. We anticipate that sale of our wood products to SUS Company, LLC will cease in 2007 since the Group intends to sell its wood products in the United States through Samling Global USA, Inc., our newly established wholly-owned subsidiary, in the second half of 2007.

Continuing Connected Transactions Exempt From Independent Shareholders' Approval Requirements

(5) Provision of timber extraction, transportation and agency services to, and sale of logs by, Limbang Trading (Bintulu) Sdn. Bhd.

Limbang Trading (Bintulu) Sdn. Bhd. is held as to 60% by Samling Strategic, one of our Controlling Shareholders. Limbang Trading (Bintulu) Sdn. Bhd. is therefore a connected person by virtue of being an associate of one of our Controlling Shareholders.

Limbang Trading (Bintulu) Sdn. Bhd. has the right to extract and sell timber from certain third party forest concession areas licensed to the STIDC in Sarawak, Malaysia. Please also refer to the section headed

BUSINESS

“Relationship with our Controlling Shareholders — Remaining Businesses”. Limbang Trading (Bintulu) Sdn. Bhd. entered into transactions with our following subsidiaries as evidenced by the following:

- (a) logging agreement dated January 13, 2006 with SST;
- (b) transportation agreement dated May 24, 2006 with Tinjar Transport Sdn. Bhd.;
- (c) agency agreement dated May 24, 2006 with Kayuneka Sdn. Bhd.; and
- (d) purchase agreement dated July 1, 2006 with Samling Plywood (Bintulu) Sdn. Bhd.

Under the above agreements, we act as contractors of Limbang Trading (Bintulu) Sdn. Bhd. to fell, extract and transport timber in forest concession areas in Sarawak, Malaysia on an exclusive basis, we act as its agent to sell logs on an exclusive basis, and we also purchase logs from Limbang Trading (Bintulu) Sdn. Bhd. For the agreements referred to in paragraphs (a) to (c) above, Limbang Trading (Bintulu) Sdn. Bhd. pays to SST, Tinjar Transport Sdn. Bhd. and Kayuneka Sdn. Bhd. prescribed fees or commissions as specified under the respective agreements. Samling Plywood (Bintulu) Sdn. Bhd. purchases logs from Limbang Trading (Bintulu) Sdn. Bhd. under the agreement referred to in paragraph (d) above at prevailing market prices.

Each of the above agreements is on normal commercial terms and has a term not exceeding three years, commencing on the date they were entered into and expiring on January 12, 2009 in the case of the agreement referred to in paragraph (a) above and June 30, 2009 in the case of the other agreements. Each party to the above agreements has the right to terminate the respective agreement by giving the other party one month’s written notice. It is expected that the extraction of timber in the relevant areas will cease in 2007 and there will no longer be any transactions under the respective agreements after June 30, 2007.

The approximate historical figures and the proposed caps for each of the agreements are illustrated in the table below:

	For the financial year ended June 30, 2004	For the financial year ended June 30, 2005	For the financial year ended June 30, 2006	For the three months ended September 30, 2006	For the financial year ending June 30, 2007 Proposed Caps
	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)
(a) Logging agreement (we receive)	2,200,000	4,300,000	900,000	600,000	3,000,000
(b) Transportation agreement (we receive)	290,000	660,000	150,000	80,000	400,000
(c) Agency agreement (we receive)	2,500	6,600	4,000	1,000	13,000
(d) Purchase agreement (we pay)	2,200,000	5,200,000	900,000	900,000	3,200,000

The historical volume of logs extracted during each year in the Track Record Period are different as: (i) the annual quotas issued by the Sarawak Forest Department varied during each year; (ii) the density of timber in different areas of the forest concessions varied and therefore the volume of timber extracted would differ

accordingly; and (iii) the felling and extraction of timber was affected by adverse weather conditions. The basis of the proposed caps for the above logging agreement referred to in (a) is the area of the forest concessions to be logged and the prescribed logging fees which are based on prevailing market rate. The proposed caps are higher than the historical figures for the financial year ended June 30, 2006 due to the higher density of timber in the areas of the forest concessions to be logged by SST, resulting in the expected higher volume of logs to be extracted by SST from the remaining forest concession areas, currently estimated to be approximately 75,000 m³ for the year ending June 30, 2007, as compared to approximately, 67,000 m³, 118,000 m³ and 25,000 m³ for the three years ended June 30, 2006.

The volume of timber transported by our Group amounted to approximately 59,000 m³, 130,000 m³ and 28,000 m³ for each of the three years ended June 30, 2006, respectively, and the volume of timber to be transported by the Group is estimated to be approximately 75,000 m³ for the year ending June 30, 2007. The basis of the proposed caps is the projected higher volume of timber to be transported from the relevant forest areas (due to the projected higher volume of logs to be logged by SST) and the prescribed transportation fees which are based on prevailing market rate.

The volume of logs sold by our Group as agent amounted to approximately 3,800 m³, 10,200 m³ and 6,000 m³ for each of the three years ended June 30, 2006, respectively, and the volume of timber to be sold by the Group as agent is expected to be approximately 17,000 m³ for the year ending June 30, 2007. The basis of the proposed caps is the projected higher sales by Kayuneka Sdn. Bhd. for and on behalf of Limbang Trading (Bintulu) Sdn. Bhd. (due to the projected higher volume of logs to be logged by SST) and the prescribed commission rate which is based on prevailing market rate.

The volume of logs purchased by our Group amounted to approximately 31,000 m³, 66,000 m³ and 11,000 m³ for each of the three years ended June 30, 2006, respectively, and the volume of logs to be purchased by our Group is expected to be approximately 36,000 m³ for the year ending June 30, 2007. The basis of the proposed caps is the projected higher volume of log purchases by Samling Plywood (Bintulu) Sdn. Bhd. (due to the projected higher volume of logs to be logged by SST) and the projected average price per m³ of logs (in accordance with prevailing market prices).

(6) *Provision of services on timber extraction, establishment and maintenance of tree plantations to Grand Perfect Sdn. Bhd.*

Grand Perfect Sdn. Bhd. is a joint venture company in which Samling Strategic owns a 35% interest. Grand Perfect Sdn. Bhd. is therefore a connected person as an associate of one of our Controlling Shareholders.

Grand Perfect Sdn. Bhd. is a single project company established for acting as a contractor to plant trees in a reforestation project in Sarawak, Malaysia for the Government of the State of Sarawak. Please also refer to the section headed "Relationship with our Controlling Shareholders — Remaining Businesses". Grand Perfect Sdn. Bhd. has been engaged by the Sarawak Government for the project for a term up to 2010. Our subsidiary, SST, entered into transactions with Grand Perfect Sdn. Bhd. as evidenced by the following:

- (a) two timber extraction agreements both dated October 6, 2003;

- (b) agreement for establishment of tree plantations dated December 5, 2002 (as amended by an agreement dated May 17, 2006); and
- (c) agreement for maintenance of tree plantations dated December 5, 2002 (as amended by an agreement dated May 17, 2006).

Under the above agreements, Grand Perfect Sdn. Bhd. subcontracted SST to fell and extract timber in preparation of tree planting, establish tree plantations and carry out maintenance works in tree plantations in Sarawak, Malaysia. For each of the above agreements, Grand Perfect Sdn. Bhd. pays to SST prescribed fees as specified under the respective agreements based on terms negotiated between Grand Perfect Sdn. Bhd. and the Sarawak Government.

Each of the above agreements is on normal commercial terms. The agreements referred to in (a) above will expire when all timber in the tree plantations has been extracted or upon expiry of the forest timber licenses covering the tree plantations, whichever is the earlier. The term of each of the agreements referred to in (b) and (c) above will expire on December 31, 2010. Therefore, the above agreements will each have a term exceeding three years. Our Directors, including our independent non-executive Directors, are of the view that there are special circumstances requiring a duration longer than three years and they are:

- (i) the tree plantations establishment and maintenance work involves planting of trees and the duration of such work is usually of a longer term;
- (ii) the establishment and maintenance of tree plantations requires substantial capital investment in the initial stage of the project and it is therefore in the commercial interest of SST to have a long term contract;
- (iii) the agreements referred to in (b) and (c) above were entered into for this particular project and it is therefore in the commercial interest of SST to have the same term for these agreements as the term of engagement between Grand Perfect Sdn. Bhd. and the Sarawak Government; and
- (iv) the agreements referred to in (a) above are in relation to the extraction of existing standing timber in the reforestation area, and it is in the commercial interest of SST to have the same term for these agreements as the term of the forest timber licenses covering the reforestation area, or alternatively when all timber in the reforestation area has been extracted, whichever is the earlier.

Our Directors, including our independent non-executive Directors, confirm that it would be normal business practice for contracts of a similar nature to the above agreements to be entered into for more than three years. Our Company will comply with the applicable requirements under Chapter 14A of the Listing Rules following the expiry of the three years ending June 30, 2009.

BUSINESS

The approximate historical figures and the proposed caps for each of the agreements are illustrated in the table below:

	For the financial year ended June 30, 2004	For the financial year ended June 30, 2005	For the financial year ended June 30, 2006	For the three months ended September 30, 2006	For the financial year ending June 30, 2007 Proposed Caps	For the financial year ending June 30, 2008 Proposed Caps	For the financial year ending June 30, 2009 Proposed Caps
	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)
(a) Timber extraction agreements (we receive)	58,000	150,000	87,000	43,000	320,000	-	-
(b) Agreement for establishment of tree plantations (we receive)	650,000	2,800,000	2,600,000	540,000	4,000,000	4,000,000	3,500,000
(c) Agreement for maintenance of tree plantations (we receive)	600	130,000	440,000	100,000	1,000,000	800,000	800,000
Total	<u>708,600</u>	<u>3,080,000</u>	<u>3,127,000</u>	<u>683,000</u>	<u>5,320,000</u>	<u>4,800,000</u>	<u>4,300,000</u>

The bases of the proposed caps for the above agreements are based on the estimated work pursuant to our current plan for the tree plantations and forest area in the relevant financial years. The volume of timber to be extracted is currently estimated to be approximately 10,000 m³ for the year ending June 30, 2007, as compared to approximately 3,000 m³ for the financial year ended June 30, 2006. This increase is due to the higher density of timber in the areas of the forest concessions to be logged resulting in the expected higher volume of timber to be extracted from the relevant areas. The timber extraction works of SST in the remaining area will be completed during the financial year ending June 30, 2007.

The areas for which planting work under the agreement for establishment of tree plantations will be carried out are determined by the Sarawak Government on a yearly basis and are currently estimated to be approximately 4,800 hectares, 4,800 hectares and 4,000 hectares for each of the three financial years ending June 30, 2009, respectively, as compared to approximately 3,600 hectares for the financial year ended June 30, 2006. Such areas for carrying out planting work is estimated on the basis of the remaining areas being available for carrying out planting work. The area for planting work in the financial year ending June 30, 2009 is expected to decrease as compared to the two financial years ending June 30, 2008 because the size of the remaining areas will decrease closer to the expiry of the term of the agreement for establishment of tree plantations. The proposed caps are higher than the historical figures for the financial year ended June 30, 2006 due to the expected increase in the size of the areas in which tree plantations will be established and the revised higher contract rates under the agreement.

The area for which maintenance work under the agreement for maintenance of tree plantations will be carried out is currently estimated to be approximately 19,000 hectares, 18,000 hectares and 18,000 hectares for each of the three financial years ending June 30, 2009, respectively, as compared to approximately 9,600 hectares for the financial year ended June 30, 2006. The maintenance work carried out by SST under the

agreement for maintenance of tree plantations is determined according to the maintenance program agreed by the contracting parties annually and the scope of maintenance work will be determined based on various factors, such as the condition of the tree plantations and maintenance work required for the relevant year, and according to the schedule for the establishment of the tree plantations. The amount of maintenance work to be carried out by SST may not necessarily correspond to the total area of tree plantations resulting from newly planted trees under the agreement for establishment of tree plantations given that SST is a subcontractor of Grand Perfect Sdn. Bhd. engaged to perform maintenance work only for a certain period of time after planting, and does not perform all the maintenance work required for the relevant tree plantations on a continuing basis. The proposed caps are higher than the historical figures for the financial year ended June 30, 2006 due to the expected increase in the size of the areas in which tree plantations will be maintained and the revised higher contract rates under the agreement. In the financial year ending June 30, 2007, the size of the area for which maintenance of tree plantations will be carried out is larger than that of the area in each of the two financial years ending June 30, 2009 as part of the maintenance work expected to be performed in 2006 will be carried out through to the financial year ending June 30, 2007.

The revised higher contract rates under agreements referred to in (b) and (c) are based on the terms of the new agreement negotiated and entered into between Grand Perfect Sdn. Bhd. and the Sarawak Government, whereby higher contract rates were agreed on the basis of increases in costs. The contract rates under agreements referred to in (b) and (c) have increased by approximately 11% and approximately 30% respectively. The aggregate amount of the agreements referred to in (a), (b) and (c) above for the financial year ended June 30, 2004 was lower than the other years as the agreements referred to in (b) and (c) above were only entered into in December 2002 and the agreements referred to in (a) above were only entered into in October 2003.

(7) Rental of sawmill and equipment and sale of logs and parts to Rimalco Sdn. Bhd.

Rimalco Sdn. Bhd. is owned by Samling Wood Industries Sdn. Bhd. as to 40%, one of our wholly-owned subsidiaries, and Titimas Global Agencies Sdn. Bhd. as to 60%. Titimas Global Agencies Sdn. Bhd. is 70% owned by Mr. Pui Kian Onn, a director of our subsidiary, Riverside. Rimalco Sdn. Bhd. is therefore a connected person by virtue of being an associate of Mr. Pui Kian Onn.

Rimalco Sdn. Bhd. is engaged in sawmilling business. Rimalco Sdn. Bhd. entered into transactions with our following subsidiaries as evidenced by the following:

- (a) two rental agreements dated July 31, 2003 (as renewed by an agreement dated April 24, 2006) and June 10, 2003 (as renewed by an agreement dated April 1, 2006), respectively, with Samling Wood Industries Sdn. Bhd. and Ravenscourt Sdn. Bhd., respectively;
- (b) a log purchase agreement dated September 20, 2006 with each of our following subsidiaries, namely, KTN Timor Sdn. Bhd., Majulaba Sdn. Bhd., Merawa Sdn. Bhd., Ravenscourt Sdn. Bhd., Samling Plywood (Baramas) Sdn. Bhd., Samling Plywood (Bintulu) Sdn. Bhd., Samling Plywood (Lawas) Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., Samling Reforestation (Bintulu) Sdn. Bhd., Samling Wood Industries Sdn. Bhd., Sertama Sdn. Bhd., SIF Management Sdn. Bhd. and Syarikat Reloh Sdn. Bhd.; and

BUSINESS

(c) a part purchase agreement dated September 20, 2006 with Miri Parts Trading Sdn. Bhd.

Under the above agreements, we lease to Rimalco Sdn. Bhd. various sheds, logyards and compounds together with sawmill equipment and motor vehicles in Miri, Sarawak, Malaysia and we sell logs and parts to Rimalco Sdn. Bhd. For the agreements referred to in paragraph (a) above, Rimalco Sdn. Bhd. pays to Samling Wood Industries Sdn. Bhd. and Ravenscourt Sdn. Bhd. prescribed rent, based on prevailing market rates, as specified under the respective agreement. Rimalco Sdn. Bhd. purchases logs and parts from our subsidiaries referred to in (b) above and Miri Parts Trading Sdn. Bhd., respectively, under the agreements referred to in paragraphs (b) and (c) above at prevailing market prices.

Please refer to Appendix V to this prospectus for details of these leasehold interests under the rental agreements (see properties numbered 2 and 5).

Each of the above agreements is on normal commercial terms and has a term not exceeding three years, commencing on May 1, 2006 and June 15, 2006, respectively and expiring on April 30, 2009 and June 14, 2009, respectively for the agreements referred to in paragraph (a) above, and commencing on the date they were entered into and expiring on June 30, 2009 for each of the agreements referred to paragraphs (b) and (c) above. Each party to the above agreements has the right to terminate the respective agreement by giving the other party one month's written notice.

The approximate historical figures and the proposed caps for each of the agreements are illustrated in the table below:

	For the financial year ended June 30, 2004	For the financial year ended June 30, 2005	For the financial year ended June 30, 2006	For the three months ended September 30, 2006	For the financial year ending June 30, 2007 Proposed Caps	For the financial year ending June 30, 2008 Proposed Caps	For the financial year ending June 30, 2009 Proposed Caps
	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)
(a) Rental agreements (we receive)	250,000	250,000	260,000	65,000	270,000	270,000	270,000
(b) Log purchase agreement (we receive)	4,000,000	4,000,000	4,300,000	1,400,000	5,900,000	5,900,000	5,900,000
(c) Part purchase agreement (we receive)	190,000	370,000	390,000	80,000	450,000	450,000	450,000

The basis of the proposed caps for the rental agreements referred to in (a) is the rental income payable by Rimalco Sdn. Bhd. to Samling Wood Industries Sdn. Bhd. and Ravenscourt Sdn. Bhd. under the rental agreements. Greater China Appraisal Limited, an independent property valuer, has reviewed the rental agreements (as amended) and confirmed that the amounts of rent payable by Rimalco Sdn. Bhd. to us thereunder are currently in line with market rates.

Under the log purchase agreement referred to in (b), the volume of logs sold by us amounted to approximately 56,000 m³, 55,000 m³ and 52,000 m³ for each of the three years ended June 30, 2006, respectively, and the volume of logs to be sold by us is expected to be approximately 60,000 m³ for each of the three years ending June 30, 2009, respectively. The basis for the proposed caps under the log purchase agreement is the projected volume of log sales by our subsidiaries which entered into the log purchase agreement and the projected average price per cubic metre of logs (in accordance with prevailing market prices). The proposed caps are higher in comparison to the historical amounts due to the anticipated increase in the demand for logs.

The bases for the proposed caps under the part purchase agreement referred to in (c) are the historical figures and the projected sales by Miri Parts Trading Sdn. Bhd. Under the part purchase agreement, the proposed caps are marginally higher in comparison to the historical amounts due to the anticipated increase in prices of parts.

(8) Sale of logs to Yong Joo Sawmill Sdn. Bhd.

Yong Joo Sawmill Sdn. Bhd. is owned by Titimas Global Agencies Sdn. Bhd. (as to 36%) and Mr. Pui Kian Onn (as to 11%). As mentioned in paragraph (7) above, Titimas Global Agencies Sdn. Bhd. is 70% owned by Mr. Pui Kian Onn. Accordingly, Yong Joo Sawmill Sdn. Bhd. is a connected person by virtue of being an associate of Mr. Pui Kian Onn, a director of our subsidiary, Riverside.

Yong Joo Sawmill Sdn. Bhd., which is engaged in manufacturing of sawn timber, is our customer and buys logs from us from time to time. Our subsidiaries referred to in (b) in paragraph (7) above entered into an agreement dated September 20, 2006 with Yong Joo Sawmill Sdn. Bhd., whereby we sell logs to Yong Joo Sawmill Sdn. Bhd. The term of the agreement will expire on June 30, 2009. Sales of logs by these subsidiaries to Yong Joo Sawmill Sdn. Bhd. are based on prevailing market rates and are on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total sales of logs by these subsidiaries to Yong Joo Sawmill Sdn. Bhd. amounted to approximately US\$1,200,000, US\$720,000, US\$980,000 and US\$250,000, respectively. The historical figures of sales by these subsidiaries to Yong Joo Sawmill Sdn. Bhd. varied as our sales depend on the demand of Yong Joo Sawmill Sdn. Bhd. for logs from us which may vary from time to time. Yong Joo Sawmill Sdn. Bhd. purchased from these subsidiaries approximately 21,200 m³, 9,300 m³ and 12,400 m³ of logs, respectively, for the three financial years ended June 30, 2006. We estimate that approximately 14,000 m³ of logs will be purchased by Yong Joo Sawmill Sdn. Bhd. from these subsidiaries for each of the three financial years ending June 30, 2009. We estimate that total sales of logs by these subsidiaries to Yong Joo Sawmill Sdn. Bhd. will not exceed US\$1,400,000 for each of the three years ending June 30, 2009. The estimates are based on the historical sales of logs by these subsidiaries to Yong Joo Sawmill Sdn. Bhd. and the expected increase in the prices of logs.

(9) Sale of veneer by Pi Zhou Yanglin Woodware Co., Ltd.

Pi Zhou Yanglin Woodware Co., Ltd. is indirectly wholly-owned by Mr. Chia Ti Lin, Colin, a director of our subsidiaries, Riverside and Foothill. Pi Zhou Yanglin Woodware Co., Ltd. is therefore a connected person by virtue of being an associate of Mr. Chia Ti Lin, Colin.

Pi Zhou Yanglin Woodware Co., Ltd. is engaged in veneer manufacturing. Our subsidiary, Riverside, entered into an agreement dated September 15, 2006 with Pi Zhou Yanglin Woodware Co., Ltd., whereby Pi Zhou Yanglin Woodware Co., Ltd. sells veneer to Riverside. Riverside purchases the veneer for its manufacturing purposes. The term of the agreement will expire on June 30, 2009. Sales of veneer by Pi Zhou Yanglin Woodware Co., Ltd. to Riverside are based on prevailing market rates and on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total sales of veneer by Pi Zhou Yanglin Woodware Co., Ltd. to Riverside amounted to approximately US\$530,000, US\$4,600,000, US\$7,300,000 and US\$1,100,000, respectively. Riverside purchased from Pi Zhou Yanglin Woodware Co., Ltd. approximately 2,900 m³, 23,000 m³ and 31,000 m³ of veneer, respectively, for the three financial years ended June 30, 2006. We estimate that approximately 34,000 m³ of veneer will be purchased by Riverside from Pi Zhou Yanglin Woodware Co., Ltd. for each of the three financial years ending June 30, 2009. Riverside commenced its commercial production in 2003. Accordingly, Riverside has been ramping up its production capacity since 2004 and is therefore able to purchase an increasing volume of veneer from Pi Zhou Yanglin Woodware Co., Ltd. due to its higher production volume. We estimate that total sales of veneer by Pi Zhou Yanglin Woodware Co., Ltd. to Riverside will not exceed US\$8,000,000 for each of the three years ending June 30, 2009. The estimates are based on the expected increase in purchases of veneer by Riverside from Pi Zhou Yanglin Woodward Co., Ltd. and the prevailing prices of veneer.

(10) Sale of plywood and purchase of veneer by Pacific Plywood Corporation

Pacific Plywood Corporation is indirectly wholly owned by Mr. Chia Ti Lin, Colin. Pacific Plywood Corporation is therefore a connected person by virtue of being an associate of Mr. Chia Ti Lin, Colin.

Pacific Plywood Corporation is engaged in plywood manufacturing. Our subsidiary, Riverside, entered into two agreements both dated September 15, 2006 with Pacific Plywood Corporation, whereby Pacific Plywood Corporation sells plywood to Riverside and Riverside sells veneer to Pacific Plywood Corporation, respectively. Pacific Plywood Corporation purchases veneer from Riverside for its manufacturing of plywood, whilst Riverside purchases plywood from Pacific Plywood Corporation to complement our plywood sales when necessary. Riverside sells veneer to Pacific Plywood Corporation to be processed into plywood by Pacific Plywood Corporation. Riverside buys from Pacific Plywood Corporation a significant portion of Pacific Plywood Corporation's plywood production. The term of both agreements will expire on June 30, 2009. Sales of plywood by Pacific Plywood Corporation to Riverside and sales of veneer by Riverside to Pacific Plywood Corporation are based on prevailing market rates and on normal commercial terms.

For the year ended June 30, 2006 and the three months ended September 30, 2006, sales of plywood by Pacific Plywood Corporation to Riverside amounted to approximately US\$2,100,000 and US\$640,000, respectively, and sales of veneer by Riverside to Pacific Plywood Corporation amounted to approximately US\$300,000 and US\$60,000, respectively. There were no transactions between the parties for each of the two years ended June 30, 2005. Pacific Plywood Corporation purchased from Riverside approximately 1,100 m³ of veneer for the year ended June 30, 2006, and sold to Riverside approximately 6,600 m³ of plywood in the same period. We estimate that approximately 1,600 m³ of veneer will be purchased by Pacific Plywood Corporation from Riverside in each of the three financial years ending June 30, 2009, and approximately 8,600 m³ of plywood will be sold by Pacific Plywood Corporation to Riverside in the same periods. We estimate that total

sales of plywood by Pacific Plywood Corporation to Riverside will not exceed US\$3,000,000 and sales of veneer by Riverside to Pacific Plywood Corporation will not exceed US\$750,000 for each of the three years ending June 30, 2009. The proposed caps are based on (i) the increase in prices of plywood and veneer; (ii) the expected higher volume of plywood to be purchased by Riverside from Pacific Plywood Corporation due to its plan to expand its business; and (iii) the fact that following (ii), Riverside will sell more veneer to Pacific Plywood Corporation.

(11) Sale of fuel and parts to Samling Plantation Sdn. Bhd.

Samling Plantation Sdn. Bhd. is held as to 30% by Arif Hemat Sdn Bhd, which is 99.99% owned by Mr. Wan Morshidi Bin Tuanku Abdul Rahman. Mr. Wan Morshidi Bin Tuanku Abdul Rahman is a director of certain of our subsidiaries. Samling Plantation Sdn. Bhd. is therefore a connected person by virtue of being an associate of Mr. Wan Morshidi Bin Tuanku Abdul Rahman.

Samling Plantation Sdn. Bhd. is engaged in oil palm plantation business. Our subsidiary, Miri Parts Trading Sdn. Bhd., sells fuel and parts to Samling Plantation Sdn. Bhd. from time to time. Miri Parts Trading Sdn. Bhd. and Samling Plantation Sdn. Bhd. entered into an agreement dated January 12, 2007, whereby Miri Parts Trading Sdn. Bhd. sells fuel and parts to Samling Plantation Sdn. Bhd. The term of the agreement will expire on June 30, 2009. Sale of fuel and parts by Miri Parts Trading Sdn. Bhd. to Samling Plantation Sdn. Bhd. is based on prevailing market rates and on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total sales of fuel and parts by Miri Parts Trading Sdn. Bhd. to Samling Plantation Sdn. Bhd. together amounted to approximately US\$164,000, US\$218,000, US\$210,000 and US\$57,000, respectively. We estimate that total sales of fuel and parts by Miri Parts Trading Sdn. Bhd. to Samling Plantation Sdn. Bhd. together will not exceed US\$280,000 for each of the three years ending June 30, 2009. The estimates are arrived at following discussions with Samling Plantation Sdn. Bhd. on its expected increase in its plantation harvesting activities for the three years ending 30 June, 2009 thereby leading to projected higher volume of purchases of fuel and parts.

(12) Provision of products marketing and agency services, grant of license to use technical information and supply of consumables by Dainippon Ink & Chemicals, Inc.

Dainippon Ink & Chemicals, Inc., a company listed on the Tokyo Stock Exchange, Inc., the Osaka Securities Exchange Co., Ltd. and the Nagoya Stock Exchange, Inc., holds a 29% interest and is a substantial shareholder of Samling Housing Products Sdn. Bhd., our subsidiary, and therefore is a connected person.

Dainippon Ink & Chemicals, Inc. is a diversified group in Japan engaged in the sale of graphic arts materials, packaging materials, electronics and information materials, industrial materials and performance chemicals.

Samling Housing Products Sdn. Bhd. enters into transactions with Dainippon Ink & Chemicals, Inc. as evidenced by the following:

- (a) agreement for housing products marketing services dated November 7, 1996 (as renewed by a memorandum dated October 30, 2003);
- (b) technical license agreement dated February 5, 1996 (as renewed by two agreements dated October 12, 2005 and September 12, 2006, respectively);
- (c) agreement for purchase of laminated paper and consumables dated January 16, 2007; and
- (d) agency agreement dated December 6, 2005.

Under the above agreements, Dainippon Ink & Chemicals, Inc. provides products marketing services, grants a license to use technical information relating to manufacturing of laminated decorative boards in Sarawak, Malaysia, sells laminated paper and other consumables to Samling Housing Products Sdn. Bhd. and acts as agent of Samling Housing Products Sdn. Bhd. for the marketing and sales of its housing products to certain buyers in Japan. For each of the above agreements, Samling Housing Products Sdn. Bhd. pays to Dainippon Ink & Chemicals, Inc. prescribed fee or commission, negotiated and agreed upon between Samling Housing Products Sdn. Bhd. and Dainippon Ink & Chemicals, Inc., as specified under the respective agreements.

Each of the above agreements is on normal commercial terms and has a term not exceeding three years. The agreements referred to in paragraphs (b), (c) and (d) will expire on December 31, 2007, June 30, 2009 and June 30, 2008, respectively. The agreement for housing products marketing services referred to in paragraph (a) above is automatically renewed for additional terms of one year each until either party gives prior termination notice, and our Company will comply with the applicable requirements under Chapter 14A of the Listing Rules following the expiry of the three years ending June 30, 2009.

BUSINESS

The approximate historical figures and the proposed caps for each of the agreements are illustrated in the table below:

	For the financial year ended June 30, 2004	For the financial year ended June 30, 2005	For the financial year ended June 30, 2006	For the three months ended September 30, 2006	For the financial year ending June 30, 2007 Proposed Caps	For the financial year ending June 30, 2008 Proposed Caps	For the financial year ending June 30, 2009 Proposed Caps
	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)
(a) Agreement for housing products marketing services (we pay) ...	140,000	145,000	140,000	35,000	155,000	155,000	155,000
(b) Technical license agreement (we pay)	150,000	150,000	150,000	40,000	155,000	155,000	155,000
(c) Agreement for purchase of laminated paper and consumables (we pay)	1,700,000	2,150,000	2,440,000	350,000	2,800,000	3,000,000	3,300,000
(d) Agency agreement (we pay)	8,500	8,000	4,000	2,000	10,000	10,000	10,000
Total	<u>1,998,500</u>	<u>2,453,000</u>	<u>2,734,000</u>	<u>427,000</u>	<u>3,120,000</u>	<u>3,320,000</u>	<u>3,620,000</u>

The proposed caps for the above agreements in respect of (a) and (b) above, are based on the fixed amount payable under the relevant agreements.

The changes in the historical values of purchases of laminated paper and other consumables are due to (i) the increase in prices of these products, and (ii) the increase in volumes of products sold by Samling Housing Products Sdn. Bhd. in the relevant years. The proposed caps for the purchase orders in respect of (c) are based on the increase in demand for laminated paper and other consumables required by Samling Housing Products Sdn. Bhd. according to our current business development plans in the relevant years which are in line with an improving housing market in Japan, and the expected increases in prices for laminated paper and other consumables which have already been increasing over the year ended June 30, 2006.

The changes in the agency fees paid during the Track Record Period are the result of varying volumes sold to customers in Japan for housing products. The proposed caps for the agency fees in relation to the agency agreement in (d) are based on the significant increase in demand for housing products from our buyers in Japan as a result of a recently improving housing starts market in Japan.

(13) Leases of properties in Sarawak by Doyon Development Sdn. Bhd.

Doyon Development Sdn. Bhd. is an indirect wholly-owned subsidiary of Yaw Holding Sdn. Bhd., which is the holding company of Samling Strategic, one of our Controlling Shareholders. Doyon Development Sdn. Bhd. is therefore a connected person by virtue of it being an associate of our Controlling Shareholders.

Doyon Development Sdn. Bhd. is engaged in property development, property holding and provision of construction and related services.

Various of our subsidiaries have entered into various tenancy agreements with Doyon Development Sdn. Bhd. as landlord in relation to two properties containing various lease terms with the latest expiry date being June 30, 2009. These properties are:

- (1) a building known as Wisma Samling situated at Lot 296, Block 11, Miri Concession Land District, Miri, Sarawak, Malaysia; and
- (2) the Brighton Condominium situated at Lot 901, Block 11, Miri Concession Land District, Jalan Temenggong Datuk Oyong Lawai Jau, 98000 Miri, Sarawak, Malaysia.

Please refer to Appendix V to this prospectus for details of these leasehold interests (see properties numbered 32 and 40).

The aggregate rent paid by our subsidiaries to Doyon Development Sdn. Bhd. under these tenancy agreements amounted to approximately US\$760,000, US\$760,000, US\$740,000 and US\$200,000 for each of the three years ended June 30, 2006 and the three months ended September 30, 2006, respectively. The maximum aggregate amount of rent payable by us to Doyon Development Sdn. Bhd. under these agreements is estimated to be US\$800,000 for each of the three years ending June 30, 2009.

Each of these tenancy agreements (as amended) is on normal commercial terms and has a term not exceeding three years. Greater China Appraisal Limited, an independent property valuer, has reviewed these tenancy agreements (as amended) and confirmed that the amounts of rent payable by us to Doyon Development Sdn. Bhd. thereunder are currently in line with market rates.

(14) Provision of ticket sales agency services by Hornbill Travel Agency Sdn. Bhd.

Hornbill Travel Agency Sdn. Bhd. is a connected person by virtue of it being an indirect wholly-owned subsidiary of Yaw Holding Sdn. Bhd., which is the holding company of Samling Strategic, one of our Controlling Shareholders.

Hornbill Travel Agency Sdn. Bhd. provides ticket sales agency services to our subsidiaries in Miri. Our subsidiaries, SST and Lingui, entered into an agreement dated September 20, 2006 with Hornbill Travel Agency Sdn. Bhd. for the purchase of air tickets on behalf of their respective subsidiaries through Hornbill Travel Agency Sdn. Bhd. as agent. Prices for air tickets sold by Hornbill Travel Agency Sdn. Bhd. are based on prevailing market prices of air tickets, plus a fixed commission rate of 7% and 10% of the air fare for domestic and international air tickets, respectively, and a charge of RM25 for domestic flights and RM50 for international flights for air tickets of other airlines. The commission paid by our subsidiaries has been determined on an arm's length basis and is on normal commercial terms. The agreement for purchase of air tickets will expire on June 30, 2009.

The aggregate amount (inclusive of commission) paid by our subsidiaries to Hornbill Travel Agency Sdn. Bhd. for ticket sales agency services amounted to approximately US\$400,000, US\$350,000, US\$470,000 and US\$56,000 respectively for each of the three years ended June 30, 2006 and the three months ended September 30, 2006. We estimate that total amount (inclusive of commission) to be paid by our subsidiaries to Hornbill Travel Agency Sdn. Bhd. for ticket sales agency services will not exceed US\$560,000 for each of the three years ending June 30, 2009. The proposed caps are primarily based on the increase in airfares and the increasing demand for airtravel by our staff as the business operations of our Group in New Zealand and Guyana ramp up, and as a result of our Company becoming a listed company which is expected to increase international air travel costs.

(15) Sale of fertilizers and agro-chemicals by Hap Seng Sasco Fertilizers Sdn. Bhd.

Hap Seng Sasco Fertilizers Sdn. Bhd. is a subsidiary of Hap Seng Consolidated Berhad. Datuk Lau Cho Kun, who is the father in law of Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 30% of Hap Seng Sasco Fertilizers Sdn. Bhd. Therefore, Hap Seng Sasco Fertilizers Sdn. Bhd. is an associate of Mr. Yaw Chee Ming and thus a connected person.

Hap Seng Sasco Fertilizers Sdn. Bhd. is engaged in the fertilizers and agro-chemicals business. Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd., subsidiaries of Glenealy, purchase fertilizers and agro-chemicals from Hap Seng Sasco Fertilizers Sdn. Bhd. from time to time for application in the oil palm plantations. Amalania Koko Berhad, Timor Enterprises Sdn. Bhd., Samling Plantation Sdn. Bhd. and Hap Seng Sasco Fertilizers Sdn. Bhd. entered into an agreement dated January 29, 2007, whereby Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd. purchase fertilizers and agro-chemicals from Hap Seng Sasco Fertilizers Sdn. Bhd. The term of the agreement will expire on June 30, 2009. Purchases of fertilizers and agro-chemicals by Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd. from Hap Seng Sasco Fertilizers Sdn. Bhd. are based on prevailing market prices and are on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total purchases of fertilizers and agro-chemicals by Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd. from Hap Seng Sasco Fertilizers Sdn. Bhd. amounted to approximately US\$150,000, US\$2,400,000, US\$2,600,000 and US\$780,000, respectively. We estimate that total purchases of fertilizers and agro-chemicals by Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd. from Hap Seng Fertilizers Sdn. Bhd. will not exceed US\$3,600,000 for each of the three years ending June 30, 2009. The estimates are based on: (i) an expected increase in usage of fertilizers and agro-chemicals as more areas in the oil palm plantations operated by Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd. continue to mature; and (ii) the current business development plans of Timor Enterprises Sdn. Bhd. in the relevant years whereby it is able to plant oil palm of up to approximately 5,300 hectares of plantable area. Timor Enterprises Sdn. Bhd. planted a total area of approximately 3,000 hectares of oil palm in 2006.

Continuing Connected Transactions Exempt from Reporting, Announcement and Independent Shareholders' Approval Requirements

(16) Purchase and transportation of logs from Hormat Saga Sdn. Bhd.

Hormat Saga Sdn. Bhd. is an associate of Samling Strategic, one of our Controlling Shareholders, by virtue of being 50% owned by it, and is therefore a connected person.

Hormat Saga Sdn. Bhd. has the right to extract and sell timber from certain forest concession areas licensed to the STIDC in Sarawak, Malaysia. Our subsidiary, Samling Plywood (Bintulu) Sdn. Bhd., purchases logs from Hormat Saga Sdn. Bhd. Hormat Saga Sdn. Bhd. also engages Tinjar Transport Sdn. Bhd., our subsidiary, as its contractor for transportation of logs. Please also refer to the section headed "Relationship with our Controlling Shareholders — Remaining Businesses".

Prices for logs sold to Samling Plywood (Bintulu) Sdn. Bhd., and transportation fees payable to Tinjar Transport Sdn. Bhd., by Hormat Saga Sdn. Bhd. are based on prevailing market prices and are on normal commercial terms.

For each of the two years ended June 30, 2005, total sales of logs by Hormat Saga Sdn. Bhd. to Samling Plywood (Bintulu) Sdn. Bhd. amounted to approximately US\$460,000 and US\$300,000, respectively, and total transportation fees paid to Tinjar Transport Sdn. Bhd. by Hormat Saga Sdn. Bhd. amounted to approximately US\$16,000 and US\$10,000, respectively. There were no transactions between Hormat Saga Sdn. Bhd. and our subsidiaries, Samling Plywood (Bintulu) Sdn. Bhd. and Tinjar Transport Sdn. Bhd., for the year ended June 30, 2006 and the three months ended September 30, 2006.

(17) Purchase and transportation of logs from Adat Mayang Sdn. Bhd.

Adat Mayang Sdn. Bhd. is a connected person by virtue of being an associate of Samling Strategic, one of our Controlling Shareholders. Adat Mayang Sdn. Bhd. is 70% owned by Grand Perfect Sdn. Bhd., which is a connected person as referred to in paragraph (6) above in this section.

Adat Mayang Sdn. Bhd. purchases timber from certain third party forest concession owners in Sarawak, Malaysia for sale. Our subsidiary, Samling Plywood (Bintulu) Sdn. Bhd., purchases logs from Adat Mayang Sdn. Bhd. Adat Mayang Sdn. Bhd. also engages, Tinjar Transport Sdn. Bhd., as its contractor for transportation of logs. Please also refer to the section headed "Relationship with our Controlling Shareholders — Remaining Businesses".

Prices for logs sold to Samling Plywood (Bintulu) Sdn. Bhd., and transportation fees payable to Tinjar Transport Sdn. Bhd., by Adat Mayang Sdn. Bhd. are based on prevailing market prices and are on normal commercial terms.

For each of the three years ended June 30, 2006, total sales of logs by Adat Mayang Sdn. Bhd. to Samling Plywood (Bintulu) Sdn. Bhd. amounted to approximately US\$29,000, US\$164,000 and US\$130,000, respectively. There were no transactions between Adat Mayang Sdn. Bhd. and Samling Plywood (Bintulu) Sdn. Bhd. for the three months ended September 30, 2006. For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total transportation fees paid to Tinjar Transport Sdn. Bhd. by Adat Mayang Sdn. Bhd. amounted to approximately US\$4,000, US\$33,000, US\$7,000 and US\$5,000, respectively.

(18) Provision of marketing services by Sojitz Corporation

As described in paragraph (1) above, Sojitz Corporation is a connected person by virtue of being a substantial shareholder of Samling Housing Products Sdn. Bhd., our subsidiary.

By an agreement dated April 1, 1995, our subsidiary, Samling Plywood (Miri) Sdn. Bhd., engaged Sojitz Corporation as an independent contractor to advise and assist it on marketing of its plywood business for a fee of US\$5,000 per month. The fee payable by Samling Plywood (Miri) Sdn. Bhd. to Sojitz Corporation has been determined on an arm's length basis and is on normal commercial terms.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total amount of fees paid by Samling Plywood (Miri) Sdn. Bhd. to Sojitz Corporation under the above agreement amounted to approximately US\$60,000, US\$57,000, US\$57,000 and US\$30,000, respectively.

(19) Charter of helicopters from Adtec Sdn. Bhd.

Adtec Sdn. Bhd. is a connected person by virtue of being 70% owned by Mr. Yong Nyan Siong, a director of our various subsidiaries, being Bedianeka Sdn. Bhd., Dayalaba Sdn. Bhd., Majulaba Sdn. Bhd. and Sorvino Holdings Sdn. Bhd., and 30% owned by Mr. Wan Morshidi Bin Tuanku Abdul Rahman, a director of certain of our subsidiaries.

Adtec Sdn. Bhd. provides helicopter charter services to our subsidiaries. Charter services are charged on a fixed hourly rate based on prevailing market rates of such services.

For each of the three years ended June 30, 2006 and the three months ended September 30, 2006, total charges paid by our subsidiaries for helicopter charter services provided by Adtec Sdn. Bhd. amounted to approximately US\$134,000, US\$176,000, US\$168,000 and US\$44,000, respectively.

(20) Provision of hotel accommodation by Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd.

Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. are our connected persons, both by virtue of being indirectly held as to 51% by Samling Strategic, one of our Controlling Shareholders, and as to 49% by Arif Hemat Sdn. Bhd., which is held as to 99.99% by Mr. Wan Morshidi Bin Tuanku Abdul Rahman, a director of certain of our subsidiaries.

Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. own Parkcity Everly Hotel, Miri, and Parkcity Everly Hotel, Bintulu, respectively. Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. provide short term accommodation for our staff in Parkcity Everly Hotel, Miri, and Parkcity Everly Hotel, Bintulu, respectively. Hotel charges payable by our subsidiaries to Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. are arrived at following arm's length negotiation and are on normal commercial terms.

The aggregate amount of hotel charges paid by our subsidiaries to Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. amounted to approximately US\$61,000, US\$37,000, US\$92,000 and US\$11,000, respectively, for each of the three years ended June 30, 2006 and the three months ended September 30, 2006.

(21) Provision of insurance agency services to subsidiaries and associated companies of Samling Strategic

Samling Strategic, which will own approximately 55.99% of our share capital immediately following completion of the Global Offering, will be one of our Controlling Shareholders and therefore is a connected person.

Our subsidiary, Miri Parts Trading Sdn. Bhd., is an insurance agent which sells insurance policies as agent to external parties as part of its trading business and Samling Strategic is one of its customers. Samling Strategic engages Miri Parts Trading Sdn. Bhd. to arrange insurance policies for its subsidiaries and associated companies. Prices for insurance policies purchased by Samling Strategic through Miri Parts Trading Sdn. Bhd. are arrived at following arm's length negotiation and such purchases are on normal commercial terms.

We were informed by Samling Strategic that it intends to continue to purchase insurance policies through Miri Parts Trading Sdn. Bhd. after the Global Offering. Value of commission fees paid to Miri Parts Trading Sdn. Bhd. amounted to approximately US\$91,000, US\$129,000, US\$125,000 and US\$64,000, respectively, for each of the three years ended June 30, 2006 and the three months ended September 30, 2006.

(22) Lease arrangements relating to properties in Sarawak, Malaysia with Sarawak Land (Kemena Park) Sdn. Bhd.

Sarawak Land (Kemena Park) Sdn. Bhd. is 51% owned by Perdana Park City Sdn. Bhd., which in turn is approximately 45% owned by Samling Strategic, and approximately 25% owned by Yaw Holding Sdn. Bhd., both being our Controlling Shareholders. Sarawak Land (Kemena Park) Sdn. Bhd. is therefore a connected person by virtue of being an associate of Samling Strategic.

By a tenancy agreement dated June 30, 2000 (as amended by two agreements dated April 1, 2005 and September 1, 2006, respectively) between our subsidiary, SST, and Sarawak Land (Kemena Park) Sdn. Bhd., SST leased to Sarawak Land (Kemena Park) Sdn. Bhd. commercial premises situated in Lot 2302 Bintulu Town District, Bintulu, Sarawak, Malaysia. The term of the tenancy agreement is effective from September 1, 2006 to June 30, 2009.

By a tenancy agreement dated March 15, 2006 between our subsidiary, Tamex Timber Sdn. Bhd. and Sarawak Land (Kemena Park) Sdn. Bhd., Sarawak Land (Kemena Park) Sdn. Bhd. leased to Tamex Timber Sdn. Bhd. residential premises situated in Lot 4756, Block 31 Kemena Land District, Bintulu, Sarawak, Malaysia. The term of the tenancy agreement is effective from March 15, 2006 until March 14, 2008.

By a tenancy agreement dated January 17, 2000 (as extended by a deed of extension dated March 17, 2005), between Samling Plantation Sdn. Bhd., a subsidiary of Glenealy, and Sarawak Land (Kemena Park) Sdn. Bhd., Sarawak Land (Kemena Park) Sdn. Bhd. leased to Samling Plantation Sdn. Bhd. a three-storey shop office situated in Lot 3455 Bintulu Town District, Bintulu, Sarawak, Malaysia. The term of the tenancy agreement is effective from November 1, 1999 to October 31, 2009.

The amount of monthly rental of each of the above tenancy agreements was arrived at following arm's length negotiation and each of the agreements is on normal commercial terms. Please refer to Appendix V to this prospectus for details of the first two properties (see properties numbered 8 and 41).

The aggregate rent paid by Sarawak Land (Kemena Park) Sdn. Bhd. to SST amounted to approximately US\$16,000, respectively, for each of the three years ended June 30, 2006, and US\$4,000 for the three months ended September 30, 2006. The aggregate rent paid by Tamex Timber Sdn. Bhd. to Sarawak Land (Kemena Park) Sdn. Bhd. amounted to approximately US\$5,000 and US\$3,000 for the year ended June 30, 2006 and the three months ended September 30, 2006, respectively. As the tenancy agreement between Tamex Timber Sdn. Bhd. and Sarawak Land (Kemena Park) Sdn. Bhd. was entered into in 2006, there were no rent paid by Tamex Timber Sdn. Bhd. to Sarawak Land (Kemena Park) Sdn. Bhd. for each of the two years ended June 30, 2005. The aggregate rent paid by Samling Plantation Sdn. Bhd. to Sarawak Land (Kemena Park) Sdn. Bhd. amounted to approximately US\$15,000 and US\$4,000 for each of the three years ended June 30, 2006 and the three months ended September 30, 2006, respectively.

(23) Lease of property in Kuala Lumpur to 3D Networks Sdn. Bhd.

Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 30% of 3D Networks Sdn. Bhd. Therefore, 3D Networks Sdn. Bhd. is a connected person by virtue of being an associate of Mr. Yaw Chee Ming.

3D Networks Sdn. Bhd. is engaged in the computer business. By a tenancy agreement and two letter agreements dated March 28, 2000, January 5, 2004 and September 16, 2006, respectively, entered into between Lingui and 3D Networks Sdn. Bhd., Lingui leases to 3D Networks Sdn. Bhd. a commercial premises situated in Unit No. C-10-3A & Unit No. C-10-5, 10th Floor, Block C, Megan Phileo Avenue, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia. The term of the tenancy agreement is effective from April 1, 2005 until March 31, 2007. The monthly rental was agreed between 3D Networks Sdn. Bhd. and Lingui following arm's length negotiation and is on normal commercial terms. Please refer to Appendix V to this prospectus for details of such property (see property numbered 31).

The aggregate value of rental paid by 3D Networks Sdn. Bhd. to Lingui amounted to approximately US\$33,000 for each of the three years ended June 30, 2006 and US\$12,000 for the three months ended September 30, 2006.

(24) Licenses of Samling diamond logos to Samling Strategic group of companies

Samling Strategic is one of our Controlling Shareholders and therefore a connected person.

By a license agreement dated July 7, 2006 entered into between Samling Strategic and our subsidiary, Samling Trademark Inc, non-exclusive, non-transferable and royalty-free licenses to use the Samling diamond logos were granted by Samling Trademark Inc to the Samling Strategic Licensed Group for a term of five years. Prior to the Reorganization, these Samling diamond logos were owned by Samling Strategic and used by the Samling Strategic Licensed Group.

As part of the Reorganization, these Samling diamond logos were assigned to Samling Trademark Inc pursuant to a deed of assignment dated July 7, 2006 entered into between Samling Strategic and Samling Trademark Inc. The Samling Strategic Licensed Group will still need to use the Samling diamond logos to carry on their businesses immediately after the assignment, but pending steps to discontinue use of the said

logos eventually. This license is only granted for a term of five years and for use in the business of the Samling Strategic Licensed Group which is, at present, substantially non-timber related. Please refer to “Business — Intellectual Property” for more details.

Connected Transaction Exempt from Reporting, Announcement and Independent Shareholders’ Approval Requirements

(25) Non-competition agreement between our Company and our Controlling Shareholders

Our Company has entered into a non-competition agreement with our Controlling Shareholders pursuant to which our Controlling Shareholders have undertaken not to compete with the business of our Company. See the section entitled “Business — Non-Competition Agreement” for details.

No consideration is payable in respect of the non-competition agreement and it will remain in effect with respect to our Controlling Shareholders until they cease to be our controlling shareholder as defined under the Listing Rules. Our Company will comply with the applicable requirements under Chapter 14A of the Listing Rules when there is a material change to the terms of the non-competition agreement.

Directors’ View on the Connected Transactions

Our Directors (including the independent non-executive Directors) are of the view that all the connected transactions described in this section have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of our Group, are fair and reasonable and in the interests of our Company and our shareholders as a whole.

Continuing Connected Transactions

We will continue to enter into or carry out the transactions under paragraphs (1) to (24) above and these transactions will constitute continuing connected transactions for us under the Listing Rules once our Shares are listed on the Stock Exchange. Under the Listing Rules, such transactions may, depending on the nature and value of the transactions, require disclosure and prior approval by our independent shareholders.

Non-exempt Continuing Connected Transactions under the Listing Rules — Application for Waiver

Under the Listing Rules, the continuing connected transactions under paragraphs (1) to (4) above are considered to be non-exempt continuing connected transactions under Rule 14A.16(5) of the Listing Rules and would require compliance with the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the independent shareholders’ approval requirements set out in Rules 14A.48 to 14A.54 of the Listing Rules.

For the continuing connected transactions under paragraphs (5) to (15) above, each applicable percentage ratio set out in Rule 14.07 of the Listing Rules under these agreements is, on an annual basis, expected to be less than 2.5% under Rule 14A.34 of the Listing Rules. Such transactions are exempt from the independent shareholders’ approval requirements but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

As the above continuing connected transactions are expected to continue on a recurring basis, our Directors consider that compliance with the announcement and/or the independent shareholders' approval requirements would be unduly burdensome, impractical and would add additional administrative costs to our Company. Accordingly, our Directors have requested the Stock Exchange to grant a waiver from compliance with such requirements under Rule 14A.42(3) of the Listing Rules. We have requested the Stock Exchange, and the Stock Exchange has agreed, to grant a waiver to our Company from compliance with the announcement and/or independent shareholders' approval requirements relating to continuing connected transactions under the Listing Rules. In addition, we will comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

De Minimis Exemption under the Listing Rules

For the continuing connected transactions under paragraphs (16) to (24) above, each applicable percentage ratio calculated by reference to Rule 14.07 of the Listing Rules is, on an annual basis, less than 0.1% and accordingly will qualify as continuing connected transactions under Rule 14A.33(3) of the Listing Rules which will be exempt from reporting, announcement and independent shareholders' approval requirements.

In the event of any future amendment to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the connected transactions set out in this section, including, but not limited to, a requirement that these transactions be made conditional on approval by our independent shareholders, we will take immediate steps to ensure compliance with such requirements within a reasonable period.

No waivers applied for certain categories of connected transactions

We have notified the Stock Exchange in relation to paragraphs (16) to (24) above that no waivers are applied for.

Confirmation from the Joint Sponsors

As stated in paragraph (6) above, each of the four agreements entered into by our subsidiary, SST, with Grand Perfect Sdn. Bhd. will expire on December 31, 2010, exceeding the three year term set out under Rule 14A.35(1) of the Listing Rules. Our Directors and the Joint Sponsors have confirmed that they consider that the terms of the agreement for establishment of tree plantations, the agreement for maintenance of tree plantations and the timber extraction agreements are appropriate because (i) the nature of the planting of trees and the subsequent tree plantations establishment and maintenance work normally involves a longer time frame; (ii) it is in the commercial interest of SST to enter into a long term contract as the establishment and maintenance of tree plantations requires substantial initial capital investment; (iii) the agreement for establishment of tree plantations and the agreement for maintenance of tree plantations, were entered into specifically for the relevant project and it is therefore in the commercial interest of SST to match the terms for these agreements with the terms of engagement between Grand Perfect Sdn. Bhd. and the Sarawak government; and (iv) the timber extraction agreements are related to the extraction of existing standing timber in the reforestation area, and it is therefore in the commercial interest of SST to match the terms for the timber extraction agreements with the terms of the forest timber licenses covering the reforestation area, or alternatively when all timber in the reforestation area has been extracted, whichever is the earlier.

The Joint Sponsors consider that it is normal business practice for tree plantations agreements of this type to be of such duration.

The Joint Sponsors are of the view that the continuing connected transactions under paragraphs (1) to (15) above for which waivers are sought have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable and in the interests of the shareholders as a whole, and that the proposed annual caps set out above are fair and reasonable so far as our shareholders, taken as a whole, are concerned.