SELECTED COMBINED FINANCIAL INFORMATION

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

Combined Income Statements Information

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

Combined Balance Sheet Information

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

Combined Balance Sheet Information (cont'd)

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

Note:

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

Combined Cash Flow Information

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our historical combined financial statements and the notes related thereto included in Appendix I to this prospectus. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this prospectus. Our combined financial statements are included in Appendix I to this prospectus and were prepared in accordance with IFRS. References below to the "2004 financial year", the "2005 financial year" and the "2006 financial year", unless otherwise noted, are references to our financial years ended as at June 30, 2004, 2005 and 2006, respectively. Unless otherwise stated or the context otherwise requires, all financial information of our Company presented herein comprises combined financial information of the Group, meaning our Company and its subsidiaries on a combined basis and, in respect of the period before our Company became the holding company of such subsidiaries, the entities which carried out the business of the Group. References to financial information of the "Company" and "our Company" in this section should be construed accordingly.

OVERVIEW

We are a well established, integrated forest resource and wood products company with approximately 4 million hectares of forest resources situated in different regions around the world. We also own one of the world's largest hardwood plywood manufacturing capacities. Most of our revenues come from the sale of logs, plywood and veneer. We also process and sell other value-added wood products such as door facings, doors, fiberboard, housing products and sawn timber. We divide our business into five segments:

- Sale of logs;
- Production and sale of plywood and veneer;
- Upstream support services for the log extraction operations of other companies;
- Other timber operations, including the production and sale of flooring, chipboard, door facings, doors, fiberboard, housing products and sawn timber; and
- Non-timber operations, including the production and sale of granite aggregates and rubber compounds, glue, logistical services, investment properties and other investments.

Our operations are vertically integrated in order to ensure a consistent supply of wood to our downstream operations to meet our customers' needs.

BASIS OF PRESENTATION

Our Company was incorporated on June 27, 2005. Our Group is primarily comprised of various timber-related and other businesses that were transferred to us by our Controlling Shareholders and various timber-related businesses that were acquired from various third parties as part of the Reorganization which we underwent for the purposes of the Global Offering. The first asset transferred into our Company was our Controlling Shareholders' 39.87% interest in Lingui, of which such transfer occurred on April 18, 2006. Our acquisition of our Controlling Shareholders' interest in Lingui triggered under Malaysian law an obligation for us to make a mandatory general offer for Lingui shares, as a result of which we acquired an additional 19.82% interest in Lingui from third parties on May 24, 2006, resulting in our holding a 59.69% interest in Lingui. On June 29 and 30, 2006, our Controlling Shareholders subsequently transferred to us their interests in certain of their timber businesses. On June 29, 2006, we also acquired controlling interests in various timber-related businesses in Malaysia and the PRC that were owned prior thereto by third parties. See "Our History and Corporate Structure" for further information.

As our Controlling Shareholders were for the three financial years ended June 30, 2006 (i) the controlling shareholders of Lingui on account of their 39.87% interest in Lingui and (ii) the controlling shareholder of the various privately held timber businesses they transferred to us on June 29 and 30, 2006, we have in accordance with IFRS prepared combined income statements, statements of equity and statements of cash flows for the three financial years ended June 30, 2006 and the three months ended September 30, 2005 and 2006, and combined balance sheets at June 30, 2004, 2005 and 2006 and at September 30, 2006, combining these businesses with ours for such periods and as at such dates for purposes of our combined financial statements.

As we acquired the additional 19.82% interest in Lingui on May 24, 2006, we attributed 59.69% of Lingui's profits and losses since the date of this acquisition to the equity holders of our Company. As neither we nor our Controlling Shareholders controlled any of the various Malaysian and PRC businesses that we acquired from third parties on June 29, 2006, such businesses were accounted for in our historical combined financial statements, since the respective date of each acquisition, on a purchase accounting basis under IFRS.

FACTORS AFFECTING RESULTS OF OPERATIONS

Our financial results and the period-to-period comparability of our financial results are affected by a number of factors, the most important of which are:

(1) Market demand and supply conditions for logs

Logs are one of our major products and sales of logs are a major contributor to our turnover. Revenue from sales of logs amounted to approximately 31.1%, 32.0% and 31.2% of our turnover for the financial years ended June 30, 2004, 2005 and 2006, respectively, and approximately 31.1% and 29.4% of our turnover for the three months ended September 30, 2005 and 2006, respectively. In addition, logs are the main raw material used in manufacturing our downstream products, including plywood, veneer, sawn timber and other wood products. The following table shows selected operating and financial data with respect to our sales volume, weighted average price and revenue of logs sold, including intercompany log sales.

	Financial year ended June 30,									Three months ended September 30,					
	2004			2005			2006			2005			2006		
	Sales Volume	Weighted Average Price[1]	Revenue	Sales Volume	Weighted Average Price[1]	Revenue	Sales Volume	Weighted Average Price[1]	Revenue	Sales Volume	Weighted Average Price[1]	Revenue (unaudited)	Sales Volume	Weighted Average Price[1]	Revenue
	m^3 '000	*US$/$m^3$*	*US$ m*	*m^3 '000*	*US$/$m^3$*	*US$ m*	*m^3 '000*	*US$/$m^3$*	*US$ m*	*m^3 '000*	*US$/$m^3$*	*US$ m*	*m^3 '000*	*US$/$m^3$*	*US$ m*
Hardwood logs — export sales	732.5	104.79	76.7	782.2	123.14	96.3	595.0	143.39	85.3	154.5	134.06	20.7	210.6	162.42	34.2
Hardwood logs — local sales[2]	453.0	64.25	29.1	380.4	70.38	26.8	377.8	78.37	29.6	123.0	61.00	7.5	80.4	86.79	7.0
Softwood logs — export sales	72.2	48.09	3.5	68.0	50.43	3.4	67.8	55.98	3.8	25.0	54.75	1.4	16.1	58.63	0.9
Softwood logs — local sales[2]	63.8	61.69	4.0	62.1	71.56	4.4	33.9	71.05	2.4	11.8	74.78	0.9	7.1	65.80	0.5
Total external log sales	1,321.5		113.3	1,292.7		130.9	1,074.5		121.1	314.3		30.5	314.2		42.6
Internal log sales[3]	587.1	74.07	43.5	697.1	76.57	53.4	755.4	73.77	55.7	181.1	70.55	12.8	275.9	84.45	23.3
Total log sales	1,908.6		156.8	1,989.8		184.3	1,829.9		176.9	495.4		43.2	590.1		65.9

Notes:

(1) Our historical weighted average log sales prices indicated in the table above are weighted averages of log sales prices we obtained during each relevant financial year or three month period indicated above during the Track Record Period. IAS 41 on accounting for biological assets requires us to account for our tree plantations based on the fair value of our plantation assets less estimated point-of-sale costs as of each balance sheet date. We retain independent valuers to make such calculations. In estimating the fair value of our plantations, our independent valuers make a number of key assumptions, including with regards to changes in log prices. Our independent valuers in New Zealand, CFK, utilize the market sales price prevailing as of each relevant balance sheet date for each grade of softwood logs produced by

our Company in New Zealand, rather than weighted averages of softwood log sales prices obtained throughout each financial year or three month period ending on such balance sheet date, for purposes of calculating changes in fair value of our plantation assets in New Zealand. As a result, increases or decreases from period to period in weighted average softwood log sales prices evident in the table above, which are calculated as a weighted average across each financial year or three month period, may not accord with increases or decreases in the softwood log prices utilized by our independent valuers in New Zealand for IAS 41 purposes for such periods, which are determined by reference to market sales prices for softwood logs prevailing as of each relevant balance sheet date. See "Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" and "Factors Affecting Results of Operations — Change in fair value of plantation assets less estimated point-of-sale costs" for further information.

(2) Local sales includes sales to customers located in Malaysia from our operations in Malaysia, sales to customers located in Guyana from our operations in Guyana and sales to customers located in New Zealand from our operations in New Zealand.

(3) Internal log sales reflects the sales value of our own logs consumed by us for purposes of manufacturing wood products such as sawn timber, plywood and veneer. Such sales are subject to intercompany elimination for purposes of our combined financial statements. However, internal log sales do not include logs consumed by our downstream mills where the mill and forest concession from which the logs were extracted are held by the same subsidiary.

Log prices fluctuate according to the supply and demand of logs on the open market, which is affected by the overall condition of the world economy, among other factors. Since 2002, log prices have generally increased due, in large part, to strong demand for raw materials from the PRC and a tight supply environment for logs. Rapid economic growth in the PRC and India has led to greater demand for raw materials from the construction and building sectors of those countries. We also believe that a decline of log exports from Indonesia, resulting in part from government policies in Indonesia requiring all logs to be processed locally and in part from a decline in illegal logging in Indonesia, has contributed during the Track Record Period to a shortage of logs in the Asia-Pacific region. As a result, the weighted average price per m^3 of our hardwood log exports increased to US$104.79, US$123.14 and US$143.39 for the financial years ended June 30, 2004, 2005 and 2006, respectively, and to US$134.06 and US$162.42 for the three months ended September 30, 2005 and 2006, respectively. The weighted average price of our logs is also affected by the mix of species, sizes, quality and grade of logs extracted and the demand for wood from such species, sizes, quality and grade at any given time.

(2) Weather conditions at our forest areas

The amount of logs we are able to extract in any given period is dependent on, among other things, the prevailing weather conditions at our forest areas during that period. In particular, in order to log timber from our concessions and transport them by logging trucks to our riverbank log ponds, we require roads that are generally dry. While we plan our logging operations to minimize our exposure to the usual rainy seasons affecting our forest areas, abnormally prolonged periods of rainfall beyond the usual rainy season adversely impacts on the volume of logs we are able to extract. During the financial year ended June 30, 2006, a prolonged rainy season in Sarawak, Malaysia, impacted the total production volume of logs we extracted during such financial year, which decreased to approximately 1.9 million m^3 during the financial year ended June 30, 2006 from approximately 2.0 million m^3 for the financial year ended June 30, 2005. As a result, for the first time in the past three financial years, during the 2006 financial year we did not extract volumes of timber nearing the maximum volume of timber permitted by quotas for logs permitted to be assessed for royalties from our concessions set by the Sarawak Forest Department. In the 2004 and 2005 financial years, the volume of royalty assessed logs we extracted from our forest areas in Sarawak (excluding for purposes of such calculation companies we acquired from third parties during 2006) was within approximately 3% of the quotas set by the Sarawak Forest Department. By contrast, in the 2006 financial year, the volume of royalty assessed logs we extracted from our forest areas in Sarawak (excluding for purposes of such calculation companies we acquired from third parties during 2006) was approximately 14% less than the quotas set by the Sarawak Forest Department. Our revenue from logs from Sarawak decreased by US$16.5 million, or approximately 13.9%, to US$102.2 million for the financial year ended June 30, 2006 from US$118.7 million for the financial year ended June 30, 2005, primarily as a result of such decrease in total production volume of logs extracted.

(3) Market demand and supply conditions for plywood and veneer

Plywood and veneer are also among our principal products and together are a major contributor to our turnover. Revenue from sales of plywood and veneer constituted together 46.8%, 49.7% and 53.4% of our turnover for the financial years ended June 30, 2004, 2005 and 2006, respectively. Revenue from sales of plywood and veneer together constituted 49.2% and 61.4% of our turnover for the three months ended September 30, 2005 and 2006, respectively. The following table shows selected operating and financial data with respect to our sales volume, weighted average price and revenue of plywood and veneer sold, including intercompany sales and eliminations.

	Financial year ended June 30,									Three months ended September 30,					
	2004			2005			2006			2005			2006		
	Sales Volume	Weighted Average Price	Revenue	Sales Volume	Weighted Average Price	Revenue	Sales Volume	Weighted Average Price	Revenue	Sales Volume	Weighted Average Price	Revenue (unaudited)	Sales Volume	Weighted Average Price	Revenue
	m^3 '000	*US$/$m^3$*	*US$ m*	*m^3 '000*	*US$/$m^3$*	*US$ m*	*m^3 '000*	*US$/$m^3$*	*US$ m*	*m^3 '000*	*US$/$m^3$*	*US$ m*	*m^3 '000*	*US$/$m^3$*	*US$ m*
Plywood — export sales	489.2	311.69	152.5	495.3	350.49	173.6	451.8	370.39	167.3	112.2	342.13	38.4	158.4	459.45	72.8
Plywood — local sales[1]	30.6	263.26	8.0	27.2	292.76	8.0	28.9	291.56	8.4	6.8	300.19	2.0	8.9	344.48	3.1
Veneer — export sales	38.7	125.21	4.8	71.3	174.23	12.4	78.5	259.43	20.4	19.6	251.75	4.9	24.8	308.84	7.6
Veneer — local sales[1]	32.0	164.39	5.3	40.6	228.76	9.3	51.1	223.13	11.4	14.2	196.14	2.8	19.7	276.85	5.5
Total external plywood and veneer sales	590.5		170.6	634.4		203.3	610.3		207.5	152.8		48.2	211.7		88.9
Internal plywood sales[2]	7.1	335.29	2.4	11.9	304.22	3.6	6.8	401.38	2.7	1.9	367.85	0.7	1.2	556.87	0.7
Internal veneer sales[3]	–	–	–	–	–	–	63.5	263.47	16.7	1.4	212.62	0.3	24.3	315.95	7.7
Total plywood and veneer sales	597.6		173.0	646.3		206.9	680.6		227.0	156.1		49.1	237.2		97.3

Notes:

(1) Local sales includes sales to customers located in Malaysia from our Malaysian operations sales to customers located in Guyana from our Guyana operations and sales to customers located in the PRC from our PRC operations.

(2) Internal plywood sales reflects the sales value of our own plywood consumed by us for purposes of manufacturing wood products such as flooring and housing products. Such sales are subject to intercompany elimination for purposes of our combined financial statements.

(3) Internal veneer sales reflects the sales value of our own veneer consumed by us for purposes of manufacturing plywood. Such sales are subject to intercompany elimination for purposes of our combined financial statements.

As with logs, plywood and veneer prices are dependent on market demand and supply conditions. The main drivers of demand for plywood and veneer are the construction and housing sectors globally. Since the 2004 financial year, the economic recovery in the Asia-Pacific region and economic growth in China have contributed to increased demand for plywood and veneer. For the financial years ended June 30, 2004, 2005 and 2006, our weighted average price per m^3 of plywood exported was US$311.69, US$350.49 and US$370.39, respectively. For the three months ended September 30, 2005 and 2006, our weighted average price per m^3 of plywood exported was US$342.13 and US$459.45, respectively.

(4) Enhancement of our log extraction and timber processing capacity

As at September 30, 2006, we had gross forest concession areas totaling approximately 1.4 million hectares in Malaysia and approximately 1.6 million hectares in Guyana and had harvesting rights for a further 445,000 hectares in Guyana. We also hold plantation licenses for the development of approximately 438,000 hectares in Malaysia and hold various rights (consisting primarily of freehold rights, but also including leasehold, forestry and cutting rights) over a radiata pine plantation located in New Zealand covering a gross area of approximately 35,000 hectares with a planted area of approximately 26,000 hectares.

In recent years we have made significant capital investments in expanding and enhancing our log extraction and timber processing capacities to improve efficiencies and to position ourselves to capitalize on any opportunities from upward timber price trends. These investments include:

- ***Malaysia.*** In the three financial years ended June 30, 2006, we invested US$102.5 million in replacing our logging and logging support equipment in Malaysia, including the purchase of 146 new units of Mercedes Benz logging trucks and 366 new units of Caterpillar logging equipment. We believe that our logging truck and equipment upgrades will help us improve productivity, lower our spare parts consumption and achieve better fuel efficiency.

  In our downstream operations in Malaysia, we have increased production capacity by building three new veneer mills in the last three financial years. These new mills have the technological capability to utilize smaller diameter logs from plantation salvage operations. The veneer mills are located close to our plantation areas, thereby decreasing transport costs to the mills. In August 2005, we completed the acquisition of an additional plywood manufacturing facility in Sibu, Malaysia. Our three new veneer mills and additional plywood facility have increased our veneer and plywood rated production capacities by 242,000 m^3 per annum and 84,000 m^3 per annum, respectively, since the beginning of the 2004 financial year.

- ***Guyana.*** As we continue to ramp up our logging operations in Guyana, our capital expenditures in that country in recent years have increased significantly, from approximately US$0.1 million in the 2004 financial year to US$2.0 million in the 2005 financial year and US$11.0 million in the 2006 financial year. We increased our upstream log extraction capacity by adding 80 additional units of logging trucks and other logging equipment to our fleet in Guyana. We also commissioned our second sawmill in Guyana in March 2006. This new Buckhall facility has a rated production capacity of 50,000 m^3 per annum. Our log sales in Guyana for the 2004, 2005 and 2006 financial years accounted for approximately 4.3%, 3.3% and 10.5% of our revenue from logs during such financial years. Our log sales in Guyana for the three months ended September 30, 2005 and 2006 accounted for approximately 8.5% and 12.9% of our revenue from logs during such periods.

- ***New Zealand.*** In the 2004, 2005 and 2006 financial years, we invested US$12.5 million, US$13.6 million and US$14.1 million, respectively, for plantation assets and infrastructure at our New Zealand operations. These expenditures were primarily for the maintenance of our plantation assets and the construction of roads and other infrastructure for current and future harvesting. These expenditures accounted for 17.5%, 15.8% and 12.2% of our total capital expenditures for those three financial years, respectively. Our log sales volume from New Zealand was approximately 136,000 m^3, 130,000 m^3 and 102,000 m^3 for the 2004, 2005 and 2006 financial years, respectively and approximately 36,800 m^3 and 23,200 m^3 for the three months ended September 30, 2005 and 2006, respectively. We expect that the capital infrastructure we have incurred on roads and other infrastructure should enable us to ramp up our timber extraction from New Zealand gradually over the next five years to a sustainable woodflow of 800,000 m^3 per annum.

We believe that such enhancement of our log extraction and timber processing capacity will help us increase our sales of wood products in the coming years. However, our number of logs produced in each of Malaysia, Guyana and New Zealand will depend on a variety of factors, including market demand and supply conditions, weather conditions at our harvesting locations and other factors that may be outside of our control.

(5) Costs of sales

Our total cost of sales increased by 11.8% from US$304.0 million in the 2004 financial year to US$339.8 million in the 2005 financial year and by a further 0.6% to US$341.8 million in the 2006 financial year. Our total cost of sales increased by 17.4% from US$85.2 million for the three months ended September 30, 2005 to US$100.0 million for the three months ended September 30, 2006. Changes in our cost of sales are primarily affected by changes in fuel costs, glue costs, labor costs, depreciation charges, repair and maintenance costs and costs of logs purchased from third parties.

The following table shows our total cost of sales with respect to hardwood logs, softwood logs, plywood and veneer for the periods shown:

	Financial year ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005 (unaudited)	2006
	(US$ in millions)				
Hardwood logs	136.7	142.7	140.7	33.9	48.4
Softwood logs	9.1	8.8	6.6	2.4	1.6
Plywood	144.7	159.6	169.4	38.3	59.9
Veneer	9.1	27.3	43.3	7.4	15.0

The following table shows our total cost of sales per m^3 with respect to hardwood logs, softwood logs, plywood and veneer for the periods shown:

	Financial year ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005 (unaudited)	2006
	(US$ per m^3)				
Hardwood logs	77.14	76.76	81.40	73.91	85.33
Softwood logs	66.60	67.64	65.33	64.72	68.46
Plywood	274.60	298.64	347.43	316.58	355.93
Veneer	128.94	244.42	223.94	211.16	218.48

Our cost of sales as a percentage of turnover was 83.4% for the 2004 financial year, 83.0% for the 2005 financial year and 87.9% for the 2006 financial year. Our cost of sales as a percentage of turnover was 86.9% for the three months ended September 30, 2005 and 69.0% for the three months ended September 30, 2006.

The main factors affecting our cost of sales are:

- ***Cost of labor.*** Labor is one of the major cost components of our operations. Labor cost consists of wages, salaries, incentives, bonuses and various benefits, including contributions to government mandated employee pension schemes. As of September 30, 2006, we employed 4,774 people in our upstream operations and 7,573 people in our downstream operations. In the 2004, 2005 and 2006 financial years, labor costs for our upstream operations accounted for approximately 9.5%, 9.7% and 10.5%, respectively, of cost of sales. In the 2004, 2005 and 2006 financial years, labor costs for our downstream operations were approximately 5.5%, 5.3% and 5.5%, respectively, of cost of sales. In the three months ended 2005 and 2006, labor costs for our upstream operations accounted for approximately 10.2% and 10.6%, respectively, of cost of sales. For the same three month periods, labor costs for our downstream operations were approximately 5.1% and 5.7%, respectively, of cost of sales.

- ***Depreciation of facilities and equipment.*** For the financial years ended June 30, 2004, 2005 and 2006, our depreciation costs associated with cost of sales amounted to 13.6%, 12.1% and 14.4% of cost of sales, respectively. For the three months ended September 30, 2005 and 2006, our depreciation costs associated with cost of sales amounted to 12.4% and 13.9%, respectively, of our cost of sales. During the three financial years ended June 30, 2006, we made substantial capital investments in upstream operations by upgrading our logging equipment and building roads and bridges at our logging sites. We have also enhanced our downstream operations with our investments in new veneer facilities. In total, for the financial years ended June 30, 2004, 2005 and 2006, and the three months ended September 30, 2005 and 2006, we incurred capital expenditures of US$71.5 million, US$86.3 million, US$115.5 million, US$20.7 million and US$23.9 million respectively. These investments were capitalized, thus impacting our depreciation costs associated with cost of sales, which had remained at the level of US$41.4 million and US$41.0 million in the 2004 and 2005 financial years, but increased by 20.2% to US$49.4 million in the 2006 financial year, principally because of the replacement of some of our logging equipment and the commissioning of our new downstream processing facilities. Our depreciation costs associated with cost of sales were US$10.6 million and US$14.0 million, respectively, for the three months ended September 30, 2005 and 2006.

- ***Repair and maintenance expenditures.*** A significant portion of our cost of sales consist of repair and maintenance expenditures, which amounted to US$37.1 million, US$43.9 million and US$43.6 million in the 2004, 2005 and 2006 financial years, respectively, comprising 12.2%, 12.9% and 12.7% of cost of sales during such financial years. Our repair and maintenance expenditures amounted to US$10.1 million and US$12.0 million for the three months ended September 30, 2005 and 2006, respectively, comprising 11.8% and 12.0% of our cost of sales during such three month periods.

- ***Cost of fuel.*** Fuel cost is a major component of our log extraction expenses. For the financial years ended June 30, 2004, 2005 and 2006 fuel costs accounted for 7.5%, 10.6% and 14.6%, respectively, of our total cost of sales. For the three months ended September 30, 2005 and 2006 fuel costs accounted for 13.7% and 15.4%, respectively, of our total cost of sales. The cost of diesel, oil and lubricants has increased significantly since the beginning of the 2004 financial year due to increased crude oil prices, which has impacted our upstream operations, which rely heavily on extraction equipment and transportation vehicles, including tractors, trucks, excavators and barges. Similarly, fuel cost also affects our downstream operations, which relies on fuel to run its industrial vehicles and some power generators. Our average cost per liter of diesel in Malaysia was US$0.25, US$0.41 and US$0.52 for the financial years ended June 30, 2004, 2005 and 2006, respectively. Our average cost per liter of diesel in Malaysia was US$0.49 and US$0.60 for the three months ended September 30, 2005 and 2006, respectively.

- ***Royalties.*** We pay royalties to the Malaysian and Guyanese governments for every m^3 of logs we harvest from our concessions in Malaysia and Guyana. In the 2004, 2005 and 2006 financial years, royalties accounted for 9.2%, 8.7% and 7.2%, respectively, of our cost of sales. In the three months ended September 30, 2005 and 2006, royalties accounted for 7.1% and 8.2%, respectively of our cost of sales. Under the terms of our forest timber licenses in Malaysia and Guyana, we paid royalties based on the volume and species harvested each year, subject to an annual minimum royalty payment. The royalties payable for each species are set out in our forest timber licenses and are subject to change from time to time. There have been no major changes to the royalty rates payable in Malaysia and Guyana since 1995.

- ***Cost of raw materials.*** Our raw materials primarily comprise logs purchased from third parties, which is a significant component of our downstream operations, particularly in the production of plywood and veneer, in addition to glue, which is a significant component of plywood production.

  Cost of external logs. Logs are a significant cost component of production of plywood and veneer. We purchase a limited amount of logs from third parties for plywood and veneer production purposes. For the financial years ended June 30, 2004, 2005 and 2006, our cost of logs purchased from third parties, or "external logs", amounted to approximately 6.9%, 7.8%, and 6.0% of our cost of sales, respectively. For the three months ended September 30, 2005 and 2006, our cost of external logs amounted to approximately 9.9% and 4.2% of our cost of sales, respectively. For a discussion of factors influencing market prices for logs, see "Factors Affecting Results of Operations — Market demand and supply conditions for logs". Our cost of external logs amounted to approximately US$21.1 million, US$26.6 million, and US$20.7 million in the 2004, 2005 and 2006 financial years, respectively. Our cost of external logs, amounted to approximately US$8.4 million and US$4.2 million in the three months ended September 30, 2005 and 2006, respectively.

  Cost of glue. Glue is a significant cost component of plywood production. For the financial years ended June 30, 2004, 2005 and 2006, glue costs accounted for approximately 5.9%, 6.0% and 5.7% of our cost of sales, respectively. For the three months ended September 30, 2005 and 2006, glue costs accounted for approximately 6.3% and 6.5% of our cost of sales, respectively. Glue prices are generally driven by the price of chemicals used for glue production, including urea and methanol, the prices of which are generally affected by the price of crude oil. Glue price per m^3 of plywood produced has increased from approximately US$9.19 for the 2004 financial year to approximately US$10.08 for the 2005 financial year and US$10.60 for the 2006 financial year. Glue price per m^3 of plywood produced was approximately US$11.46 for the three months ended September 30, 2005 and US$10.72 for the three months ended September 30, 2006.

(6) Change in fair value of plantation assets less estimated point-of-sale costs

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

We engaged independent forestry asset valuers, Pöyry and CFK, to determine the fair value of our tree plantations less estimated point-of-sale costs in Malaysia and New Zealand, respectively, during the Track Record Period. In valuing our plantations using the net present value approach, a number of key assumptions

are made by our independent valuers. These key assumptions include the discount rate, market prices for each grade of log produced, changes in production costs, natural tree growth, and the rate of harvesting and planting of trees at our plantations, among others. Our estimated point-of-sale costs are determined by our independent valuers based on point-of-sale costs incurred for similar sales. See "Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" for further information regarding the basis of determination of gains/(losses) from changes in fair value of plantation assets. Fluctuations in foreign exchange rates between our reporting currency, the U.S. dollar, and the New Zealand dollar and Malaysian Ringgit (our functional currencies in New Zealand and Malaysia, respectively) also have an impact on the fair value of our plantation assets.

In the 2004, 2005 and 2006 financial years, respectively, we recognized a US$10.4 million unrealized gain, a US$14.8 million unrealized loss and a US$15.3 million unrealized loss due to changes in fair value of plantation assets less estimated point-of-sale costs. We recognized an unrealized gain from change in fair value of plantation assets less estimated point-of-sale costs in the 2004 financial year due primarily to an increase in prevailing market sales prices for softwood logs as at June 30, 2004 as compared to as at June 30, 2003 and in part to natural tree growth, offset in part by an increase in production costs. We recognized an unrealized loss from change in fair value of plantation assets less estimated point-of-sale costs in the 2005 financial year due primarily to an increase in our production costs and a decrease in prevailing market sales prices for softwood logs as at June 30, 2005 as compared to as at June 30, 2004, offset in part by natural tree growth. We recognized an unrealized loss from change in fair value of plantation assets less estimated point-of-sale costs in the 2006 financial year due primarily to a decrease in prevailing market sales prices for softwood logs as at June 30, 2006 as compared to as at June 30, 2005 and a change in the yield tables utilized by our independent valuers (reflecting the adoption of an updated yield table compiled by our Company), offset in part by a decrease in the relevant discount rate applied by our independent valuers with regard to our New Zealand plantations (which decreased from 9.0% for the financial year ended June 30, 2005 to 8.5% for the financial year ended June 30, 2006) and natural tree growth.

For the three months ended September 30, 2005 and 2006, respectively, we recognized a US$1.8 million unrealized gain and a US$1.2 million unrealized gain due to changes in fair value of plantation assets less estimated point-of-sale costs. We recognized an unrealized gain from change in fair value of plantation assets less estimated point-of-sale costs in the three months ended September 30, 2005 due primarily to a decrease in the relevant discount rate applied by our independent valuers with regard to our New Zealand plantations (which decreased from 9.0% for the financial year ended June 30, 2005 to 8.5% for the three months ended September 30, 2005), offset in part by a decrease in prevailing market sales prices for softwood logs as at September 30, 2005 as compared to as at June 30, 2005. We recognized an unrealized gain from change in fair value of plantation assets less estimated point-of-sale costs in the three months ended September 30, 2006 due primarily to natural tree growth. See "Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" for a description of the manner of determination by our independent valuers and effect of these and other factors reflecting changes to the fair value less estimated point-of-sale costs of our tree plantations in New Zealand and Malaysia.

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

principal factors affecting Glenealy's unrealized profit or loss from such revaluation are changes in crude palm oil selling prices and changes in production costs. See "Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" for a description of the manner of determination by Glenealy's independent valuers of these factors reflecting changes to the fair value less estimated point-of-sale costs of Glenealy's palm oil plantations.

Glenealy recognized a US$14.0 million unrealized gain from change in fair value of oil palm plantation assets less estimated point-of-sale costs for the 2004 financial year due primarily to an increase in crude palm oil selling prices, offset in part by increased production costs. Glenealy recognized a US$8.7 million unrealized gain from change in fair value of oil palm plantation assets less estimated point-of-sale costs for the 2005 financial year due primarily to an increase in crude palm oil selling prices, offset in part by an increase in production costs. Glenealy recognized a US$6.7 million unrealized gain from change in fair value of oil palm plantation assets less estimated point-of-sale costs for the 2006 financial year due primarily to an increase in crude palm oil selling prices, offset in part by an increase in production costs. Glenealy recognized a US$1.8 million unrealized loss from change in fair value of oil palm plantation assets less estimated point-of-sale costs for the three months ended September 30, 2005 due primarily to a decrease in crude palm oil selling prices. Glenealy recognized a US$1.2 million unrealized gain from change in fair value of oil palm plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 due primarily to an increase in crude palm oil selling prices.

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

(7) Foreign exchanges gains and losses

During the three financial years ended June 30, 2006, foreign exchange gains and losses, which were accounted for as net financing costs, were primarily attributable to foreign exchange translations on a U.S. dollar loan booked on the accounts of our New Zealand plantation forest subsidiary. As the New Zealand subsidiary's functional currency is New Zealand dollars, exchange differences on the value of that subsidiary's U.S. dollar loan was recognized as part of our financial income and expenses. At September 30, 2006, the outstanding principal amount, including capitalized interest, of this U.S. dollar loan was US$54.8 million. Primarily as a result of the exchange differences on our New Zealand subsidiary's U.S. dollar loan, we recognized an unrealized foreign exchange gains of US$4.1 million and US$5.0 million in the financial years ended June 30, 2004 and 2005, respectively, and an unrealized foreign exchange loss of US$7.5 million for the financial year ended June 30, 2006. We recognized an unrealized foreign exchange loss of US$0.7 million in the three months ended September 30, 2005 and an unrealized foreign exchange gain of US$3.7 million for the three months ended September 30, 2006.

(8) Seasonality

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

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

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

Material differences exist between the presentation of our financial statements prepared in accordance with IFRS and Lingui's financial statements prepared in accordance with generally accepted accounting principles in Malaysia, as a result of, among other things, differences in generally accepted accounting principles and accounting policies. For example, due to classification differences between generally accepted accounting principles in Malaysia and IFRS, line items that have the same name may have a different composition. Please refer to Appendix IV to this prospectus for a discussion of material differences between Lingui's interim financial statements prepared in accordance with generally accepted accounting principles in Malaysia and IFRS. As a consequence, comparison of Lingui's accounts prepared in accordance with generally accepted accounting principles in Malaysia to our IFRS accounts presented in Appendix I hereof may not be

meaningful. In addition, due to seasonality in Lingui's results, Lingui's results of operations for the three months and six months ended December 31, 2006 may not be indicative of Lingui's results of operations for the financial year ending June 30, 2007.

(9) Tax incentives

We enjoy or have enjoyed certain tax allowances and other tax incentives in Malaysia, including reinvestment allowance on capital expenditure, pioneer status taxation treatment, investment tax allowance and double deduction of freight costs. Of these incentives, pioneer status taxation treatment and the investment tax allowance are mutually exclusive with regards to specific projects, meaning that a company may apply for one but not both of such incentives with regards to a particular qualifying project. Such tax incentives consist of:

- *Reinvestment allowance on capital expenditure*

  Under Malaysian tax law, a company which is tax resident in Malaysia and has been in operation for at least twelve months and incurs capital expenditure on a factory, plant or machinery in Malaysia for certain qualifying purposes (such as, for example, production capacity expansion, production facilities modernization, diversification into related products or automation of existing manufacturing processes) is eligible to claim a reinvestment allowance equal to 60% of the qualifying capital expenditure as a deduction against business statutory income.

- *Pioneer status taxation treatment*

  Pioneer status taxation treatment is granted to companies participating in promoted activities or producing promoted products in Malaysia, and consists of a tax holiday for a period of five years pursuant to which 70% to 100% of business statutory income is exempt from income tax.

  In 1999, a subsidiary, Sorvino Holdings Sdn. Bhd., was granted pioneer status by the Malaysian Inland Revenue Board for its reconditioning of heavy equipment business for a period of five years with effect from November 1999. As result, income earned by Sorvino Holdings Sdn. Bhd. on such business during portions of the Track Record Period qualified as pioneer income and was not subject to Malaysian income tax.

- *Investment tax allowance*

  Investment tax allowance is granted to companies participating in promoted activities or producing promoted products in Malaysia, and consists of a deduction against business statutory income. Such incentive is available, generally for a period of five years, for capital expenditure incurred on industrial buildings, plant and machinery used directly for the purpose of promoted activities or the production of promoted products (pursuant to which 60% to 100% of the qualifying capital expenditure may be deducted from statutory income).

- *Double deduction of freight costs*

  Certain expenses incurred by Samling Plywood (Baramas) Sdn. Bhd., Samling Plywood (Bintulu) Sdn. Bhd. and Samling Plywood (Miri) Sdn. Bhd., Samling Housing Products Sdn. Bhd. and Samling

DorFoHom Sdn. Bhd. qualify for double deduction for Malaysian income tax purposes. Under Malaysian tax laws, companies engaged in the manufacturing of wood-based products (excluding sawn timber and veneer) are allowed to claim a double deduction of the freight charges incurred by our company in respect of the export of wood-based products. Malaysian tax authorities allow such companies to deduct the amount of the relevant expenses incurred twice for tax computation purposes, resulting in tax savings.

We estimate that these tax allowances and tax incentives in Malaysia have resulted in tax savings of US$5.2 million, US$5.9 million and US$5.4 million during the 2004 financial year, the 2005 financial year and the 2006 financial year. We estimate that these tax allowances and tax incentives in Malaysia have resulted in tax savings of US$1.3 million and US$1.4 million during the three months ended September 30, 2005 and the three months ended September 30, 2006, respectively.

In addition, each of our subsidiaries in the PRC is entitled to a tax concession period whereby it is fully exempted from otherwise applicable PRC enterprise income tax for two years starting from its first profit-making year, followed by a 50% reduction in PRC enterprise income tax for the next three years.

CRITICAL ACCOUNTING POLICIES

The preparation of our financial information requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures of contingent assets and liabilities. Critical accounting policies are the accounting policies that are the most important to the portrayal and understanding of our financial condition and/or results of operations and require the most difficult, subjective or complex judgments of our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our financial statements and because of the possibility that future events affecting the estimates may differ significantly from management's current judgments.

The financial information set out in the Accountants' Report has been prepared in accordance with IFRS. Our principal accounting policies are set out in Note 2 of Section B of the Accountants' Report. IFRS requires that we adopt the accounting policies and make the estimates that our Directors believe are prudent and reasonable in the circumstances for the purposes of giving a true and fair view of our results and financial condition. However, different policies, estimates and assumptions in critical areas could lead to materially different results. We have identified below the accounting policies that we believe are the most critical to our combined financial statements and that involve the most significant estimates and judgments.

Depreciation of property, plant and equipment

The timber business is a capital intensive business. As such, property, plant and equipment represents a large proportion of our total asset base. Our property, plant and equipment are stated at cost, less accumulated depreciation and any identified impairment loss. Depreciation is provided to write off the cost of items of property, plant and equipment and recognized as cost of sales in our income statements. No depreciation is provided for in respect of freehold land. We determine the annual rate of property, plant and equipment

depreciation based on our estimates of the useful lives of our property, plant and equipment from the date on which they become fully operational. We apply the following annual rates of depreciation:

Buildings	10 – 50 years
Roads and bridges	8 – 20 years or over the remaining terms of the concessions
Plant and machinery, equipment, river crafts and wharfs	5 – 12 years
Furniture and fittings	4 – 10 years
Motor vehicles	4 – 10 years

Our estimates of the useful lives of our assets are based on historical experience of the actual useful lives of assets of similar nature and functions. The actual useful life of our property, plant and equipment could vary significantly from our historical experience as a result of significant technical innovations and competitor actions in response to industry cycles. We increase depreciation charges where useful lives are less than previously estimated lives, and write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment

At each balance sheet date, we review the carrying amount of our assets to determine whether there is any indication that such assets have suffered an impairment loss. Such determinations involve the application of judgment by our management in estimating the relevant recoverable amount. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized in the income statement immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the original cost or carrying amount had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Fair value of plantation assets less estimated point-of-sale costs

IAS 41 on accounting for biological assets requires us to account for our tree plantations based on the fair value of our plantation assets, less estimated point-of-sale costs as of each balance sheet date. At each balance sheet date, our plantation assets are valued at fair value less estimated point-of-sale costs. Our plantation assets comprise our tree plantations in New Zealand and Malaysia and harvested timber from such plantations. Fair value represents the amount for which such assets could be exchanged between knowledgeable, willing parties in an arm's length transaction. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. Point-of-sale costs include commissions to brokers and dealers, levies imposed by regulatory agencies and commodities exchanges, and transfer duties (while transport and other costs necessary to get the assets to market are excluded).

Where an active market exists for a product, such as harvested timber, such asset is valued using quoted market prices. As there is no active market for tree plantations, fair value is determined pursuant to a net present value approach based on the projected net cash flows derived from the asset in the future, using the projected net cash flows from our plantations discounted at a market-determined, pre-tax discount rate. We retain independent valuers to make such calculations, and utilize different independent valuers for such purposes in New Zealand (with regards to our softwood plantations) and in Malaysia (with regards to our hardwood plantations). Our independent valuers are currently CFK with regards to our plantations in New Zealand and Pöyry with regards to our plantations in Malaysia. Each independent valuer applies its own methodologies, which differ in certain respects.

In estimating the fair value of our plantations using the net present value approach, our independent valuers make a number of key assumptions. The most relevant of these assumptions include the relevant discount rate applied by our independent valuers, market prices for each grade of log produced, changes in production costs and natural tree growth, which are modeled by our independent valuers as distinct variables using quantitative values. The values of such variables are determined by our independent valuers using information supplied by us, as well as proprietary and third-party data, as follows:

- The discount rate applied by CFK as at each balance sheet date with regards to our plantation assets in New Zealand is based on the implied discount rate applicable to recent completed forest sales transactions in New Zealand of similar nature, size and location over a period of time. The discount rate applied by Pöyry as at each balance sheet date with regards to our plantation assets in Malaysia, due to the limited availability of completed plantation sales transaction pricing information for recent sales of plantations in Malaysia, is based on the weighted average cost of capital, and recognizes the weighted average cost of debt funded capital and equity capital.

- The log price variable represents the assumed market price for each grade of log produced by our Company. Our independent valuers in New Zealand utilize the market sales prices prevailing as of the relevant balance sheet date for each grade of softwood log produced by our Company in New Zealand as the log price variable for purposes of estimating the fair value of our softwood log plantations in New Zealand. Our independent valuers in Malaysia utilize a database of hardwood plantation log prices to derive the log price variable for purposes of estimating the fair value of our hardwood log plantations in Malaysia.

- The production costs variable represents the cost of log extraction, which consists of our harvesting and transport costs. The production costs variable is determined by our valuers by reference to actual costs incurred for areas that have been previously harvested and cost information for comparable areas with regards to areas that have not been harvested previously.

- The natural tree growth variable represents the value of natural growth of trees. The growth variable is determined by our valuers by reference to tree species growth tables.

Our estimated point-of-sale costs are determined by our independent valuers based on point-of-sale costs incurred for similar sales.

For our New Zealand plantations, our independent valuers in New Zealand, CFK, applied a discount rate of 8.5% to calculate the changes in fair value of our plantation assets less estimated point-of-sale costs for the

three months ended September 30, 2005 and 2006 and for the financial year ended June 30, 2006, and a discount rate of 9.0% for the financial years ended June 30, 2004 and 2005. For our Malaysia plantations, our independent valuers in Malaysia, Pöyry, applied a 10.2% discount rate to calculate changes in fair value of our plantation assets less estimated point-of-sale costs for the financial years ended June 30, 2004, 2005 and 2006 and for the three months ended September 30, 2005 and 2006.

Changes in the discount rates applied by our independent valuers result in significant fluctuations in our gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs. The following table illustrates the sensitivity of our gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 to increases or decreases of 0.5% in the discount rates applied by our independent valuers for the three months ended September 30, 2006:

	0.5% Decrease	Discount Rate Applied	0.5% Increase
Discount rate (New Zealand plantations)	8.0%	8.5%	9.0%
Discount rate (Malaysia plantations)	9.7%	10.2%	10.7%
Gain/(Loss) from changes in fair value of plantation assets less estimated point-of-sale costs (US$ in millions)	8.9	1.2	(6.1)

For our New Zealand plantations and Malaysia plantations, respectively, our independent valuers used the log prices indicated below for each respective grade of log to calculate changes in fair value of our plantation assets less estimated point-of-sale costs in New Zealand and Malaysia, respectively, with regards to the balance sheet dates indicated below.

	As at June 30,			As at September 30,	
	2004	2005	2006	2005	2006
			(NZ$/m³)		
New Zealand softwood log prices[1]					
Pruned	165	157	149	149	149
A Composite	86	86	82	86	85
K Composite	72	70	77	70	78
K 1	58	61	75	61	66
Pulp	49	49	49	49	49
			(RM/m³)		
Malaysia hardwood log prices					
Acacia Peeler	203	203	209	203	209
Acacia Sawlog	173	173	178	173	178
Rubber Peeler	204	204	209	204	209
Rubber Sawlog	204	204	209	204	209
Khaya Peeler	204	204	209	204	209
Khaya Sawlog	244	244	252	244	252
Mahogany Peeler	383	383	425	383	425
Mahogany Sawlog	383	383	425	383	425

Note:

(1) The softwood log sales prices indicated in the table above used for IAS 41 purposes by our independent valuers in New Zealand, CFK, are prevailing market sales prices for softwood logs as of each relevant balance sheet date. Our independent valuers in New Zealand utilize the market sales price prevailing as of each relevant balance sheet date for each grade of softwood logs we produce, rather than weighted averages of log sales prices obtained throughout each relevant period ending on such balance sheet date, for purposes of calculating changes in fair value of our plantation assets in New Zealand. As a result, increases or decreases in softwood log sales prices evident in the table above may not accord with increases or decreases from period to period in the weighted average softwood log prices we have obtained in the market for our softwood logs calculated as a weighted average across each financial year or three month period ending on such balance sheet date. See "Factors Affecting Results of Operations — Market demand and supply conditions for logs" for our historical weighted average softwood log sales prices obtained in the market across each relevant financial year or three month period during the Track Record Period.

Changes in assumed log prices can also result in significant fluctuations in gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs. The following table illustrates the sensitivity of our gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 to 5.0% increases or decreases in the assumed log prices as at September 30, 2006 indicated above used to calculate gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006:

	5.0% Decrease	**Assumed Log Prices**	**5.0% Increase**
Gain/(Loss) from changes in fair value of plantation assets less estimated point-of-sale costs (US$ in millions)	(24.7)	1.2	27.0

Changes in our assumed production costs can also result in significant fluctuations in gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs. The following table illustrates the sensitivity of our gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 to 5.0% increases or decreases in our assumed production costs used to calculate gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006:

	5.0% Decrease	**Assumed Production Costs**	**5.0% Increase**
Gain/(Loss) from changes in fair value of plantation assets less estimated point-of-sale costs (US$ in millions)	16.5	1.2	(14.1)

The above sensitivity analyses are intended for illustrative purposes only, and any variation could exceed the amounts shown above.

Additional assumptions made by our independent valuers include:

- Future harvests of timber will be made on a "stand-based" approach, whereby the timber will be scheduled for harvesting from a stand of trees when the stand is at or near its optimum economic rotation age;

- Cash flows are calculated from the current rotation of trees only, without taking into account the projected revenues or costs related to the reestablishment of new plantation trees following a harvest or of land not yet planted;

- Projected cash flows do not take into account income taxation and finance costs, and are calculated on real terms without considering inflationary effects;

- As discounted cash flows are based on current log prices as determined by our independent valuers, the impact of planned future business activity that may impact the future prices of logs harvested from our plantations are not considered; and

- No allowance is made for cost improvements in future operations.

Each of Pöyry, CFK and the Reporting Accountants has confirmed to our Company that the assumptions adopted for purposes of calculating fair value of plantation assets less estimated point-of-sale costs for purposes of our combined financial statements are reasonable for purposes of the requirements of IAS 41. Our independent valuers also conduct inspections of our plantations in connection with their revaluations of our plantation assets. See "Financial Information — Certain Balance Sheet Items — Plantation Assets" for further information.

As with our Company, our associate, Glenealy, whose principal business is the operation of oil palm plantations, reassesses the fair value of its plantation assets less estimated point-of-sale costs at each balance sheet date. Changes in the fair value of Glenealy's oil palm plantation assets less estimated point-of-sale costs may affect its net profits and losses, and in turn our share of profits less losses of associates in Glenealy. The principal factors affecting Glenealy's profit or loss from such revaluation are changes in crude palm oil selling prices and changes in production costs. Glenealy's independent valuers use the prevailing crude palm oil selling price as of each relevant balance sheet date, and also the ten year average crude palm oil price published by the Malaysian Palm Oil Board, in determining the fair value of Glenealy's plantation assets less estimated point-of-sale costs. For purposes of such revaluation, Glenealy's production costs are assumed by Glenealy's independent valuers based on historical production cost information for comparable oil palm plantations in Malaysia. See "Risk Factors — Risks Relating to our Business — Our results may fluctuate due to revaluation gains or losses on our plantation assets and those of our associate, Glenealy" and "Financial Information — Factors Affecting Results of Operations — Change in fair value of plantation assets less estimated point-of-sale costs" for further information.

Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. We carefully evaluate the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of our transactions are reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, our judgement is required to assess the probability of future taxable profits. We constantly review our assessments and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

During the Track Record Period we made no provisions for income taxes in New Zealand and Guyana as there were no assessable profits subject to income taxes in those jurisdictions during that period.

We recorded a deferred tax credit for the financial year ended June 30, 2006 in the amount of US$8.1 million, attributable to origination and reversals of temporary differences of US$5.9 million with regards to property, plant and equipment, US$1.9 million with regards to loss from change in fair value of plantation assets less estimated point-of-sale costs, US$0.5 million with regards to timber concessions, US$(1.5) million with regards to unutilized tax losses, US$2.3 million with regards to dividend receivable, US$(1.0) million with regards to financial instruments and US$(0.1) million with regards to other items. The US$5.9 million relating to property, plant and equipment, being the most significant of these matters, was mainly due to: (i) acquisition of property, plant and equipment through finance leases; (ii) capital allowance brought forward not utilized in the 2006 financial year due to a decrease in profits; and (iii) reversal of over-provision of deferred tax liability of US$2.2 million due to a change in estimate used in the tax calculation as advised by tax authorities. The US$2.3 million reversal in deferred tax liability for dividend receivable, being the next most significant of these adjustments, is offset by a corresponding tax charge in income tax expense in the 2006 financial year.

DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

Turnover

The table below sets out our turnover and percentage of our turnover attributable to our major business segments for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006.

	Financial year ended June 30,						Three months ended September 30,			
	2004		2005		2006		2005 (unaudited)		2006	
	US$ in millions	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*
Logs	113.3	31.1%	131.0	32.0%	121.1	31.2%	30.5	31.1%	42.6	29.3%
Plywood and veneer	170.6	46.9%	203.3	49.7%	207.5	53.4%	48.2	49.2%	88.9	61.4%
Upstream support	29.9	8.2%	32.9	8.0%	22.1	5.7%	10.2	10.4%	4.5	3.1%
Other timber operations	42.4	11.6%	33.0	8.1%	29.3	7.5%	6.7	6.8%	6.2	4.3%
Non-timber operations	8.1	2.2%	9.0	2.2%	8.7	2.2%	2.5	2.5%	2.8	1.9%
Total	364.3	100.0%	409.1	100.0%	388.7	100.0%	98.0	100.0%	144.9	100.0%

We generate turnover primarily from the sale of logs, plywood, veneer and other wood products. Turnover is recognized when it is probable that the economic benefits associated with a transaction will flow to our Company and the turnover can be measured reliably. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized as and when the services are performed or rendered, on an accrual basis.

In the financial years ended June 30, 2004, 2005 and 2006, and the three months ended September 30, 2005 and 2006, approximately 8.2%, 8.0%, 5.7%, 10.4% and 3.1%, respectively, of our total turnover was derived from log extraction and related services and sales by our upstream support services segment to third parties. A significant portion of such revenues has historically been derived from sales to Merawa Sdn. Bhd., a Malaysian timber concession company that we acquired on June 29, 2006. Due to such acquisition, our revenue from the provision of upstream support services to such company is subject to intercompany elimination for the three months ended September 30, 2006, thereby decreasing our revenue from upstream support in the three months ended September 30, 2006 as a result of the required accounting treatment of post acquisition sales to such company.

Below is a table showing the percentage of turnover derived from sales to customers in each of the following countries and regions for the three financial years ended June 30, 2006 and the three months ended September 30, 2005 and 2006.

	Financial year ended June 30,						Three months ended September 30,			
	2004		2005		2006		2005 (unaudited)		2006	
	US$ in millions	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*	*US$ in millions*	*Percentage of Turnover*
Japan	88.9	24.4%	104.6	25.6%	101.7	26.2%	25.0	25.6%	45.7	31.5%
Greater China (including Hong Kong and Taiwan)	62.9	17.3%	76.6	18.7%	60.4	15.5%	15.0	15.3%	30.3	20.9%
Malaysia	78.1	21.4%	81.4	19.9%	78.9	20.3%	23.9	24.4%	20.1	13.9%
North America	43.4	11.9%	51.8	12.7%	46.9	12.1%	9.5	9.7%	17.1	11.8%
South Asia (India and Pakistan)	13.9	3.8%	15.6	3.8%	21.9	5.6%	5.1	5.2%	7.2	5.0%
South Korea	23.2	6.4%	28.2	6.9%	19.4	5.0%	4.8	4.9%	6.4	4.4%
Guyana	2.4	0.7%	3.2	0.8%	4.6	1.2%	1.1	1.1%	1.4	1.0%
New Zealand	3.9	1.1%	4.4	1.1%	2.4	0.6%	0.9	0.9%	0.5	0.3%
Other regions	47.6	13.0%	43.3	10.5%	52.5	13.5%	12.7	12.9%	16.3	11.2%
Total	364.3	100.0%	409.1	100.0%	388.7	100.0%	98.0	100.0%	144.9	100.0%

During the three financial years ended June 30, 2004, 2005 and 2006, and the three months ended September 30, 2005 and 2006, the vast majority of our turnover was derived from sales within the Asia-Pacific region. Japan has been our most important market during this period, with sales to Japan comprising 26.2% of our turnover in the 2006 financial year and 31.5% of our turnover for the three months ended September 30, 2006. Sales to Greater China (including Hong Kong and Taiwan) accounted for 15.5% of our turnover in the 2006 financial year and 20.9% of our turnover for the three months ended September 30, 2006. Another important market during that period was Malaysia, which accounted for 20.3% of our turnover in the financial year ended June 30, 2006 and 13.9% of our turnover for the three months ended September 30, 2006. A fourth important market for us is North America, which accounted for 12.1% of our turnover in the financial year ended June 30, 2006 and 11.8% of our turnover for the three months ended September 30, 2006. We sell our products to over other 30 countries and territories, including South Korea, India and the United Kingdom and the various countries within the European Union.

Cost of sales

Our cost of sales consists primarily of fuel costs, repair and maintenance costs, labor costs, royalties, depreciation charges, glue costs and cost of logs purchased for downstream operations, as described above. Cost of sales also includes amortization of our timber concessions and lease prepayments on leasehold land.

Other operating income

Other operating income includes sale of waste wood and income from wharf and sawmill equipment rentals.

Operating expenses

Our operating expenses consist primarily of:

- *Distribution costs.* Includes inland transportation cost of bringing wood products to port for delivery to customers, port charges, export duties and excises, marketing expenses such as advertisement and promotion costs, sales returns and sales commissions, as well as trading agreements, staff costs and insurance.

- *Administrative expenses.* Includes the cost of administrative staff, allowances for doubtful debts, bank charges, legal and professional fees, administrative staff traveling and entertainment costs, and depreciation and rental of office facilities.

- *Other operating expenses.* Includes losses on the disposal of operating businesses, general insurance, repair and maintenance of premises, license fees and other miscellaneous expenses.

- *Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs* consists of unrealized gains or losses that are attributable to the revaluation of our plantation assets and harvested timber less estimated point of sale costs. IAS 41 on accounting for biological assets requires us to account for our tree plantations based on the fair value of our plantation assets less estimated point-of-sale costs. At each balance sheet date, our plantation assets are valued at fair value less estimated point-of-sale costs. The aggregate gain or loss arising from the initial recognition of our tree plantations and from the change in the fair value of our tree plantations, less estimated point-of-sale costs, is recognized in our profit and loss statement as profit or loss, as the case may be. Any such profit or loss reflects only unrealized gain or loss on our plantation assets as at the relevant balance sheet date and does not generate actual cash inflow or outflow unless such plantation assets are disposed of at such revalued amounts.

  Our plantation assets comprise our tree plantations in New Zealand and Malaysia and harvested timber from such plantations. Fair value represents the amount for which such assets could be exchanged between knowledgeable, willing parties in an arm's length transaction. Point-of-sale costs include commissions to brokers and dealers, levies imposed by regulatory agencies and commodities exchanges, and transfer duties (while transport and other costs necessary to get the assets to market are excluded). See "— Factors Affecting Results of Operations — Change in fair value of plantation assets less estimated point-of-sale costs" and "— Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" for further information regarding the basis of determination of gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs.

  Our associate, Glenealy, also reassesses the fair value of its plantation assets less estimated point-of-sale costs at each balance sheet date, which may affect its net profits and losses, and in turn our share of profits less losses in Glenealy as an associate.

Net financing costs

Our net financing costs consist of:

- financial income, derived mainly from interest on cash and cash equivalents, foreign exchange translation gains on monetary items and gains on financial instruments; and

- financial expenses, attributable to interest on loans from banks and other financial institutions, loans from shareholders and finance leases, less capitalized borrowing costs relating to plantation assets, foreign exchange translation losses on monetary items and losses on financial instruments.

Share of profits less losses of associates

Share of profits less losses of associates consists mainly of net profits and losses attributable to our associates, Glenealy, Sepangar Chemical Industry Sdn. Bhd. and Daiken Miri Sdn. Bhd. Our share of profits less losses of associates are affected by various factors affecting the results of such associates, including but not limited to changes in fair value of plantation assets less estimated point-of-sale costs of Glenealy.

Share of profits less losses of jointly controlled entities

Share of profits less losses of jointly controlled entities consist of the net profits of Magna-Foremost Sdn. Bhd., a door facing joint venture, and Foremost Crest Sdn. Bhd., a door manufacturing joint venture. We control both entities jointly with Masonite.

Income tax

Consist of current and deferred income taxes. Pursuant to the income tax rules and regulations in Malaysia, our subsidiaries in Malaysia are liable to Malaysian income tax at a rate of 28% for the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005. In September 2006, the Malaysian government announced a reduction in the income tax rate from 28% to 27% for the year of assessment 2007 and from 27% to 26% for the year of assessment 2008. Our subsidiary in Guyana is liable to Guyana income tax at a rate of 45%. Our subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 33%. The standard income tax rate in the PRC is 33%.

Certain tax allowances and other tax incentives are applicable to our operations in Malaysia, including reinvestment allowance on capital expenditure, pioneer status taxation treatment, investment tax allowance and double deductions for freight costs. Our subsidiaries in the PRC also are entitled to certain tax concessions in the PRC. See "Factors Affecting Results of Operations — Tax incentives" for further information regarding such tax allowances, incentives and concessions.

Profit for the year attributable to equity holders of our Company

Profit for the year attributable to equity holders of our Company represents our total equity less minority interests. Profit for the year attributable to equity holders of our Company represents the portion of our profit or loss attributable to equity interests that are owned, directly or indirectly through subsidiaries, by our Company. Our most significant subsidiary in terms of profits and losses is Lingui. As our parent held a 39.87% equity interest in Lingui from before July 1, 2003 until May 23, 2006, the profit and loss of Lingui attributable to equity holders of our Company during that period was 39.87% of Lingui's profit and loss. On May 24, 2006, we acquired an additional 19.82% interest in Lingui pursuant to the mandatory general offer for shares in Lingui described in "Our History and Corporate Structure". As such, for the month of June 2006, we attributed 59.69% of Lingui's profits and losses to the equity holders of our Company.

Minority interests

As of September 30, 2006, we combine in our financial statements the active subsidiaries indicated below, in which third parties hold minority interests as indicated below. See "Our History and Corporate Structure" for further information.

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Minority interest	Principal activities
Samling Housing Products Sdn. Bhd.	Malaysia, August 21, 1993	10,000,000 ordinary shares of RM1 each	46.0% [(1)]	Manufacture of housing products
Samling Chipboard Sdn. Bhd.	Malaysia, April 5, 1994	100,000 ordinary shares of RM1 each	46.0%	Manufacture of particle board
Lingui Developments Berhad	Malaysia, December 27, 1967	659,630,441 ordinary shares of RM0.50 each	40.3% [(2)]	Investment holding company
Dayalaba Sdn. Bhd.	Malaysia, April 29, 1985	25,000 ordinary shares of RM1 each	30.0% [(3)]	Extraction and sale of logs
Majulaba Sdn. Bhd.	Malaysia, April 29, 1985	25,000 ordinary shares of RM1 each	30.0% [(4)]	Extraction and sale of logs

Notes:

(1) On June 29, 2006, we acquired from our Controlling Shareholders a 42.0% interest in Samling Housing Products Sdn. Bhd. and from Tapah, a shareholder of our Company and an Independent Third Party, a further 12.0% interest in Samling Housing Products Sdn. Bhd. As our Controlling Shareholders were for the three financial years ended June 30, 2006 the controlling shareholder of Samling Housing Products Sdn. Bhd. on account of such Independent Third Party being a passive partner of our Controlling Shareholders in Samling Housing Products Sdn. Bhd., we have in accordance with IFRS accounted for our interest in Samling Housing Products Sdn. Bhd. (i) at 42.0% in our combined income statements, statements of equity and statements of cash flows for the three financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and combined balance sheets as at June 30, 2004, 2005 and 2006 and as at September 30, 2005 (ii) at 54.0% in our combined income statement, statement of equity and statement of cash flows for the three months ended September 30, 2006 and combined balance sheet as at September 30, 2006.

(2) On April 18, 2006 we acquired a 39.87% interest in Lingui from our Controlling Shareholders. From the commencement of the Track Record Period to May 24, 2006, the minority interest in Lingui was 60.13%. On May 24, 2006, we acquired an additional 19.82% interest in Lingui, reducing the minority interest in Lingui to 40.31% and increasing our interest in Lingui to 59.69% from such date. As our Controlling Shareholders were for the three financial years ended June 30, 2006 (i) the controlling shareholder of Lingui on account of its 39.87% interest in Lingui and (ii) the controlling shareholder of the various privately held timber businesses it transferred to us on June 29 and 30, 2006, we have in accordance with IFRS accounted for our interest in Lingui in our combined income statements, statements of equity and statements of cash flows for the three financial years ended June 30, 2006 and the three months ended September 30, 2005 and 2006, and combined balance sheets as at June 30, 2004, 2005 and 2006 and as at September 30, 2005 and 2006 by combining Lingui's business with ours for such periods and as at such dates for purposes of our combined financial statements.

(3) On June 29, 2006, we acquired from Yong Nyan Siong, a shareholder of our Company, our 70.0% interest in Dayalaba Sdn Bhd. As a result, we have in accordance with IFRS accounted for our interest in Dayalaba Sdn. Bhd. at 70.0% in our combined income statements, statements of equity and statements of cash flows and combined balance sheets from the date of such acquisition.

(4) On June 29, 2006, we acquired from our Controlling Shareholders a 30.0% interest in Majulaba Sdn. Bhd. and from Yong Nyan Siong, a shareholder of our Company and a director of certain of our subsidiaries, a further 40.0% interest in Majulaba Sdn. Bhd. As our Controlling Shareholders were for the three financial years ended June 30, 2006 the controlling shareholder of Majulaba Sdn. Bhd. on account of Yong Nyan Siong being a passive partner of our Controlling Shareholders in Mujalaba Sdn Bhd, we have in accordance with IFRS accounted for our interest in Majulaba Sdn Bhd (i) at 30.0% in our combined income statements, statements of equity and statements of cash flows for the three financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and combined balance sheets as at June 30, 2004, 2005 and 2006 and as at September 30, 2005 and (ii) at 70.0% in our combined income statement, statement of equity and statement of cash flows for the three months ended September 30, 2006 and combined balance sheet as at September 30, 2006.

COMPARISON OF RESULTS OF OPERATIONS

Comparison of the Three Months ended September 30, 2005 and 2006

Turnover

Our turnover increased by US$46.9 million or 47.8%, from US$98.0 million for the three months ended September 30, 2005 to US$144.9 million for the three months ended September 30, 2006, an increase attributable primarily to an increase in revenue from log sales and plywood and veneer sales, primarily from increased exports of such products.

Logs. Revenue from logs increased by US$12.1 million, or approximately 39.8%, to US$42.6 million for the three months ended September 30, 2006 from US$30.5 million for the three months ended September 30, 2005. This increase in revenue from log sales was primarily the result of a 21.2% increase in the weighted average sales price of exported hardwood logs to US$162.42 per m^3 for the three months ended September 30, 2006 from US$134.06 per m^3 for the three months ended September 30, 2005, together with an increase in hardwood log sales export volumes. We exported 210,600 m^3 of hardwood logs in the three months ended September 30, 2006, a 36.3% increase from the 154,500 m^3 of hardwood logs exported in the three months ended September 30, 2005. The increase in weighted average sales price of exported hardwood logs was mainly due to global supply and demand factors influencing the market price of exported hardwood logs. The increase in volume of our hardwood logs exported was mainly attributable to our being able to extract greater volumes of hardwood logs due to more favorable weather conditions at our forest areas in Sarawak, Malaysia during the three months ended September 30, 2006 relative to three months ended September 30, 2005.

Plywood and veneer. Revenue from plywood and veneer sales increased by US$40.8 million, or approximately 84.7%, from US$48.2 million for the three months ended September 30, 2005 to US$88.9 million for the three months ended September 30, 2006. The increase in revenue from plywood and veneer sales was primarily a result of an increase in the weighted average sales price of exported plywood for the three months ended September 30, 2006 and an increase in plywood sales export volumes for the three months ended September 30, 2006.

Revenue from plywood sold in the three months ended September 30, 2006 increased by US$35.5 million, or approximately 87.9%, to US$75.9 million from US$40.4 million in the three months ended September 30, 2005. Weighted average prices for exported plywood for three months ended September 30, 2006 were US$459.45 per m^3, which was approximately 34.3% greater than the weighted average sales prices of US$342.13 per m^3 for the three months ended September 30, 2005. Our volume of plywood export sales increased by 41.2% to 158,400 m^3 in the three months ended September 30, 2006 from 112,200 m^3 in the three months ended September 30, 2005. The increase in the weighted average sales price of exported plywood was mainly due to global supply and demand factors influencing the market price of exported plywood, principally an increase in new housing starts in Japan. The increase in volume of plywood exported was mainly attributable to our increasing our production of plywood in response to increased sales prices for exported plywood and due to our acquisition of a plywood mill located in Sibu, Sarawak which commenced operation in January 2006.

Revenue from veneer sold in the three months ended September 30, 2006 increased by US$5.4 million, or approximately 70.1%, to US$13.1 million from US$7.7 million in the three months ended September 30, 2005. The increase in revenue from veneer was a result of an increase in the weighted average sales price of veneer (both for export sales and local sales) and an increase in sales volume of veneer (both for export sales and local sales). The weighted average sales price for exported veneer for the three months ended September 30, 2006 was US$308.84 per m^3, which was approximately 22.7% greater than the weighted average sales price of US$251.75 per m^3 for the three months ended September 30, 2005. Weighted average local veneer prices for the three months ended September 30, 2006 were US$276.85 per m^3, which were approximately 41.1% higher than the weighted average sales prices of US$196.14 per m^3 for the three months ended September 30, 2005. We exported 24,800 m^3 of veneer in the three months ended September 30, 2006, a 26.5% increase from the 19,600 m^3 exported in the three months ended September 30, 2005. We sold locally 19,700 m^3 of veneer in the three months ended September 30, 2006, a 38.7% increase from the 14,200 m^3 sold locally in the three months ended September 30, 2005. The increase in veneer weighted average sales prices was primarily due to increased weighted average sales prices of plywood, for which veneer is an input. The increase in our sales volume for veneer was primarily due to our construction of a new veneer mill located in Layun, Sarawak, which commenced operation in December, 2005.

Upstream support. Revenue from upstream support decreased by US$5.8 million, or approximately 56.3%, to US$4.5 million for the three months ended September 30, 2006 from US$10.2 million for the three months ended September 30, 2005. This decrease reflects our acquisition on June 29, 2006 of Merawa Sdn. Bhd., to which company we provide upstream support services. Due to such acquisition, our revenue from the provision of upstream support services to such company is subject to intercompany elimination for the three months ended September 30, 2006, thereby decreasing our revenue from upstream support in the three months ended September 30, 2006 as a result of the required accounting treatment of post-acquisition sales to such company.

Other timber operations. Revenue from other timber operations decreased US$0.6 million or approximately 8.4%, to US$6.2 million in the three months ended September 30, 2006 from US$6.7 million in the three months ended September 30, 2005. This decrease was primarily due to a decrease in revenue from our flooring products.

Non-timber operations. Revenue from non-timber operations increased US$0.3 million or approximately 13.5%, from US$2.5 million in the three months ended September 30, 2005 to US$2.8 million in the three months ended September 30, 2006. This increase was primarily attributable to an increase in revenue from our production and local sales of glue in the PRC.

Cost of sales

Cost of sales increased by US$14.8 million or 17.4%, to US$100.0 million for the three months ended September 30, 2006 from US$85.2 million for the three months ended September 30, 2005. Cost of sales increased due to increased turnover in the three months ended September 30, 2006. For the three months ended September 30, 2006, as compared to the three months ended September 30, 2005, the principal components of our cost of sales experiencing increase were fuel and personnel costs.

Our cost of sales for the three months ended September 30, 2006 comprised principally personnel costs (representing approximately US$16.3 million), fuel, oil and lubricants (representing approximately US$15.4 million), and depreciation and amortization (representing approximately US$15.3 million). Our cost of sales for the three months ended September 30, 2005 comprised principally raw materials (representing approximately US$16.0 million), personnel costs (representing approximately US$13.0 million), and fuel, oil and lubricants (representing approximately US$11.7 million).

Our cost of sales as a percentage of turnover was 69.0% for the three months ended September 30, 2006, as compared with 86.9% for the three months ended September 30, 2005. This decrease in cost of sales as a percentage of turnover was primarily due to an increase in turnover as a result of an increase in weighted average selling price for logs and plywood for the three months ended September 30, 2006.

Hardwood logs

Our cost of sales for hardwood logs increased by US$14.5 million, or 42.7%, to US$48.4 million for the three months ended September 30, 2006 from US$33.9 million for the three months ended September 30, 2005 as a result of greater volumes of hardwood logs sold. Our cost of sales per m^3 of hardwood logs increased by 15.5% to US$85.33 per m^3 for the three months ended September 30, 2006 from US$73.91 per m^3 for the three months ended September 30, 2005 as a result of an increase in contract fees charged by timber support services and an increase in royalties paid due to the mix of logs sold.

Softwood logs

Our cost of sales for softwood logs decreased by US$0.8 million, or 33.3%, to US$1.6 million for the three months ended September 30, 2006 from US$2.4 million for the three months ended September 30, 2005 as a result of lower volumes of softwood logs sold. Our cost of sales per m^3 of softwood logs increased by 5.8% to US$68.46 per m^3 for the three months ended September 30, 2006 from US$64.72 per m^3 for the three months ended September 30, 2005 as a result of higher transportation costs per m^3 of softwood logs sold.

Plywood

Our cost of sales for plywood increased by US$21.6 million, or 56.4%, to US$59.9 million for the three months ended September 30, 2006 from US$38.3 million for the three months ended September 30, 2005 as a result of greater volumes of plywood sold. Our cost of sales per m^3 of plywood increased by 12.4% to US$355.93 per m^3 for the three months ended September 30, 2006 from US$316.58 per m^3 for the three months ended September 30, 2005 as a result of higher log costs and higher glue costs as a result of an increase in market price for such inputs.

Veneer

Our cost of sales for veneer increased by US$7.6 million, or 102.7%, to US$15.0 million for the three months ended September 30, 2006 from US$7.4 million for the three months ended September 30, 2005 as a result of greater volumes of veneer sold. Our cost of sales per m^3 of veneer increased by 3.5% to US$218.48 per m^3 for the three months ended September 30, 2006 from US$211.16 per m^3 for the three months ended September 30, 2005 as a result of higher log costs as a result of an increase in market price for logs.

Gross profit and gross profit margin

Gross profit increased by US$32.1 million, or approximately 250.5%, to US$44.9 million for the three months ended September 30, 2006 from US$12.8 million for the three months ended September 30, 2005. This increase was primarily attributable to the increase in average sales prices of logs, plywood and veneer sold and increases in volume of exported logs, and of plywood and veneer, sold.

Gross profit margin for the three months ended September 30, 2006 increased to 31.0%, as compared to a gross profit margin of 13.1% for the three months ended September 30, 2005, primarily as a result of increased margins from log and plywood sales.

Hardwood logs

Gross profit from hardwood logs increased by US$9.0 million, or approximately 126.9%, to US$16.1 million for the three months ended September 30, 2006 from US$7.1 million for the three months ended September 30, 2005. This increase was primarily attributable to an increase in volume sold and an increase in gross profit margin realized for hardwood logs for the three months ended September 30, 2006.

Gross profit margin from hardwood logs for the three months ended September 30, 2006 increased to 25.0%, as compared to a gross profit margin from hardwood logs of 17.3% for the three months ended September 30, 2005, primarily as a result of an increase in weighted average selling prices per m^3, offset in part by an increase in costs per m^3, of hardwood logs.

Softwood logs

Gross loss from softwood logs increased by US$0.1 million, or approximately 36.3%, to US$0.2 million for the three months ended September 30, 2006 from US$0.1 million for the three months ended September 30, 2005. This increase was primarily attributable to a decrease in volume sold and an increase in gross loss margin realized for softwood logs for the three months ended September 30, 2006.

Gross loss margin from softwood logs for the three months ended September 30, 2006 increased to 12.6%, as compared to a gross loss margin from softwood logs of 5.8% for the three months ended September 30, 2005, primarily as a result of a decrease in weighted average selling price and an increase in transportation costs for softwood logs for the three months ended September 30, 2006.

Plywood

Gross profit from plywood increased by US$13.6 million, or approximately 479.9%, to US$16.5 million for the three months ended September 30, 2006 from US$2.9 million for the three months ended September 30, 2005. This increase was primarily attributable to an increase in volume sold and an increase in gross profit margin realized for plywood for the three months ended September 30, 2006.

Gross profit margin from plywood for the three months ended September 30, 2006 increased to 21.6%, as compared to a gross profit margin from plywood of 6.9% for the three months ended September 30, 2005, primarily as a result of an increase in weighted average selling prices of plywood, partially offset by an increase in the cost of logs, for the three months ended September 30, 2006.

Veneer

Gross profit from veneer increased by US$5.2 million, or approximately 888.0%, to US$5.8 million for the three months ended September 30, 2006 from US$0.6 million for the three months ended September 30, 2005. This increase was primarily attributable to an increase in volume sold and an increase in gross profit margin realized for veneer for the three months ended September 30, 2006.

Gross profit margin from veneer for the three months ended September 30, 2006 increased to 27.7%, as compared to a gross profit margin from veneer of 7.3% for the three months ended September 30, 2005, primarily as a result of an increase in the weighted average selling price of veneer for the three months ended September 30, 2006.

Other operating income

Other operating income increased by US$1.2 million, or approximately 222.2%, from US$0.5 million for the three months ended September 30, 2005 to US$1.7 million for the three months ended September 30, 2006, primarily due to disposals of property, plant and equipment during the three months ended September 30, 2006 primarily consisting of used logging equipment sold to third parties.

Distribution costs

Distribution costs increased by US$0.9 million, or approximately 76.3%, from US$1.1 million for the three months ended September 30, 2005 to US$2.0 million for the three months ended September 30, 2006 due to increased volumes of plywood and veneer sold in the three months ended September 30, 2006, primarily reflecting an increase in inland transportation costs for bringing our downstream wood products to port as a result of higher sales volume.

Our distribution costs as a percentage of turnover was 1.4% for the three months ended September 30, 2006, as compared to 1.2% for the three months ended September 30, 2005. This increase in our distribution costs as a percentage of turnover primarily resulted from an increase in transportation costs incurred to transport our downstream products from our manufacturing facilities to local ports for export.

Administrative expenses

Administrative expenses increased by US$1.2 million or 27.8% to US$5.4 million for the three months ended September 30, 2006 from US$4.2 million for the three months ended September 30, 2005, primarily as a result of our making a provision for increased incentives to employees during the three months ended September 30, 2006 in the amount of approximately US$1.0 million.

Other operating expenses

Other operating expenses remained relatively stable at US$0.1 million and US$0.0 million for the three months ended September 30, 2005 and 2006, respectively.

Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs

Gain from changes in fair value of plantation assets less estimated point-of-sale costs decreased by US$0.6 million, or approximately 34.1%, to an unrealized gain of US$1.2 million for the three months ended September 30, 2006 from an unrealized gain of US$1.8 million for the three months ended September 30, 2005. Our US$1.2 million unrealized gain in changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 was primarily due to natural tree growth. By comparison, our US$1.8 million unrealized gain in changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2005 was primarily due to a decrease in the relevant discount rate applied by our independent valuers with regard to our New Zealand plantations (which decreased from 9.0% for the financial year ended June 30, 2005 to 8.5% for the three months ended September 30, 2005), offset in part by a decrease in prevailing market sales prices for softwood logs as at September 30, 2005 as compared to as at June 30, 2005.

Profit from operations and operating margin

Primarily as a result of the increase in average sales price of logs, plywood and veneer sold and increases in volume of exported logs, and of plywood and veneer, sold, our profits from operations (our results after changes in fair value of plantation assets) increased by US$30.6 million, or approximately 313.5%, to US$40.4 million for the three months ended September 30, 2006, as compared to a profit from operations of US$9.8 million for the three months ended September 30, 2005.

Our operating margin (our results before changes in fair value of plantation assets as a percentage of turnover) was 27.0% for the three months ended September 30, 2006 as compared to 8.1% for the three months ended September 30, 2005. This increase in our operating margin was primarily due to an increase in our gross margin as weighted average selling prices increased for logs, plywood and veneer for the three months ended September 30, 2006.

Hardwood logs

Our profit from operations from hardwood logs (our results from hardwood log sales after changes in fair value of plantation assets) increased by US$8.6 million, or approximately 147.5%, to US$14.4 million for the three months ended September 30, 2006, as compared to a profit from operations from hardwood logs of US$5.8 million for the three months ended September 30, 2005.

Our operating margin for hardwood logs (our results from hardwood log sales before changes in fair value of plantation assets as a percentage of our revenue from hardwood logs) was 23.1% for the three months ended September 30, 2006 as compared to 14.4% for the three months ended September 30, 2005. This increase in our operating margin for hardwood logs was primarily due to an increase in our gross margin from hardwood logs as weighted average selling prices for hardwood logs increased for the three months ended September 30, 2006.

Softwood logs

Our profit from operations from softwood logs (our results from softwood log sales after changes in fair value of plantation assets) decreased by US$0.3 million, or approximately 16.5%, to US$1.4 million for the three months ended September 30, 2006, as compared to a profit from operations from softwood logs of US$1.7 million for the three months ended September 30, 2005.

Our operating loss margin for softwood logs (our results from softwood log sales before changes in fair value of plantation assets as a percentage of our revenue from softwood logs) was 16.9% for the three months ended September 30, 2006 as compared to 8.4% for the three months ended September 30, 2005. This increase in our operating loss margin for softwood logs was primarily due to an increase in our gross loss margin for softwood logs for the three months ended September 30, 2006.

Plywood

Our profit from operations from plywood increased by US$11.9 million, or approximately 681.7%, to US$13.7 million for the three months ended September 30, 2006, as compared to a profit from operations from plywood of US$1.8 million for the three months ended September 30, 2005.

Our operating margin for plywood was 17.9% for the three months ended September 30, 2006 as compared to 4.3% for the three months ended September 30, 2005. This increase in our operating margin for plywood was primarily due to an increase in gross margin from plywood, offset in part by an increase in provisions for incentive payments to employees, for the three months ended September 30, 2006.

Veneer

Our profit from operations from veneer increased by US$5.2 million, or approximately 888.0%, to US$5.8 million for the three months ended September 30, 2006, as compared to a profit from operations from veneer of US$0.6 million for the three months ended September 30, 2005.

Our operating margin for veneer was 27.7% for the three months ended September 30, 2006 as compared to 7.3% for the three months ended September 30, 2005. This increase in our operating margin for veneer was primarily due to an increase in our gross margin from veneer for the three months ended September 30, 2006.

Net financing costs

Financial income increased by US$2.2 million, or approximately 122.5%, to US$3.9 million for the three months ended September 30, 2006 from US$1.7 million for the three months ended September 30, 2005. However, financial expenses increased by US$2.0 million, or approximately 53.6% to US$5.8 million in the three months ended September 30, 2006 from US$3.8 million in the three months ended September 30, 2005.

The increase in financial income in the three months ended September 30, 2006 was primarily due to the recognition of unrealized foreign exchange gains of US$3.7 million in the three months ended September 30, 2006, as compared to unrealized foreign exchange losses of US$0.7 million in the three months ended September 30, 2005.

The increase in financial expense in the three months ended September 30, 2006, was primarily due to increased borrowings in the three months ended September 30, 2006 and due to a net loss on change in value of financial instruments of US$1.1 million in the three months ended September 30, 2006, as compared to a net gain on change in value of financial instruments of US$0.7 million in the three months ended September 30, 2005. Our borrowings increased in the three months ended September 30, 2006, as compared to the three months ended September 30, 2005, primarily in order to finance the acquisition of an additional 19.82% interest in Lingui pursuant to the mandatory general offer for shares in Lingui described in "Our History and Corporate Structure" and partly due to an increase in purchases of fixed assets financed by borrowings. We experienced a net loss on change in value of financial instruments during the three months ended September 30, 2006, as

compared to a net gain on change in value of financial instruments during the three months ended September 30, 2005, due primarily to movements in mark to market interest rates, whereby mark to market interest rates were lower than the applicable swap rate as at September 30, 2006, whereas as at September 30, 2005, mark to market interest rates were higher than the applicable swap rate.

Primarily as a result of the foregoing, net financing costs decreased by US$0.1 million, or approximately 4.8%, to US$1.9 million for the three months ended September 30, 2006 from US$2.0 million for the three months ended September 30, 2005.

Share of profits less losses of associates

For the three months ended September 30, 2006, we recognized a profit of US$1.0 million as our net share of profits less losses of associates, a change of US$1.8 million, or approximately 214.6%, from the loss of US$0.9 million recognized as our net share of profits less losses of associates for the three months ended September 30, 2005. This change was primarily attributable to an increase in net profits from our associated company Glenealy in the three months ended September 30, 2006.

Our share of profits from Glenealy increased by US$1.3 million, or approximately 169.8%, to US$0.5 million for the three months ended September 30, 2006 from a loss of US$0.8 million for the three months ended September 30, 2005 primarily due to Glenealy experiencing unrealized gains from changes in the fair value of its oil palm plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006, as compared to unrealized losses from changes in the fair value of its oil palm plantation assets for the three months ended September 30, 2005, as discussed further in the paragraph below and "Financial Information — Factors Affecting Results of Operation — Change in fair value of plantation assets less estimated point-of-sale costs". Our share of profits from Sepangar Chemical Industry Sdn. Bhd. increased by US$0.3 million, or approximately 282.6%, to US$0.4 million for the three months ended September 30, 2006 from US$0.1 million for the three months ended September 30, 2005, primarily due to an increase in the selling prices obtained for formalin and various types of formaldehyde adhesive resins sold. Our share of profits from Daiken Miri Sdn. Bhd. increased by US$0.3 million, or approximately 150.6%, to US$0.1 million for the three months ended September 30, 2006 from a share of loss of US$0.2 million for the three months ended September 30, 2005 primarily due to foreign exchange gains experienced by Daiken Miri Sdn. Bhd. for the three months ended September 30, 2006.

For the three months ended September 30, 2006, we recognized a US$0.4 million unrealized gain as our share of changes in fair value of oil palm plantation assets less estimated point-of-sale costs in Glenealy, as compared to a US$0.7 million unrealized loss as our share of Glenealy's changes in fair value of oil palm plantation assets less estimated point-of-sale costs for the three months ended September 30, 2005. Glenealy recognized a US$1.2 million unrealized gain from changes in fair value of oil palm plantation assets less estimated point-of-sale costs for the three months ended September 30, 2006 primarily due to an increase in crude palm oil selling prices. By comparison, Glenealy recognized a US$1.8 million unrealized loss from changes in fair value of plantation assets less estimated point-of-sale costs for the three months ended September 30, 2005 primarily due to a decrease in crude palm oil selling prices.

Share of profits less losses of jointly controlled entities

In the three months ended September 30, 2006, we recognized US$0.7 million as our net share of profits of a jointly controlled entity, an increase of US$0.1 million, or approximately 25.6%, from the US$0.5 million recognized in the three months ended September 30, 2005. This increase was primarily attributable to an increase in the net profits of our door facing manufacturing joint venture, Magna-Foremost Sdn. Bhd. due to improved margins, as its cost per door facing decreased.

Profit/(loss) before taxation

Primarily as a result of the increase in average sales price of logs, plywood and veneer sold and increases in volume of exported logs, and of plywood and veneer, sold, and the other factors described above, our profits before taxation amounted to US$40.1 million for the three months ended September 30, 2006, an increase of US$32.7 million, or 442.4%, as compared to a profit before taxation of US$7.4 million for the three months ended September 30, 2005.

Income tax

An income tax expense of US$7.7 million was accounted for in the three months ended September 30, 2006, as compared to an income tax expense of US$3.2 million for the three months ended September 30, 2005, an increase of US$4.6 million, or 142.9%. The difference is mainly due to higher income taxes payable on increased profits in the three months ended September 30, 2006.

Profit for the period

After accounting for income tax, we recognized a profit of US$32.4 million for the three months ended September 30, 2006, as compared to a profit of US$4.2 million for the three months ended September 30, 2005, an increase of US$28.2 million, or approximately 668.9%.

Net profit margin was 22.3% for the three months ended September 30, 2006 as compared to a net profit margin of 4.3% for the three months ended September 30, 2005. This increase in net profit margin from the three months ended September 30, 2005 to the three months ended September 30, 2006 was primarily due to the effects of increased weighted average selling prices for logs, plywood and veneer, offset in part by an increase in income taxes, for the three months ended September 30, 2006.

Minority interest

Minority interest was US$10.1 million for the three months ended September 30, 2006, as compared to US$2.8 million for the three months ended September 30, 2005. This increase in minority interest by US$7.3 million, or approximately 261.6%, was primarily due to an increase in Lingui's profits for the three months ended September 30, 2006, as compared to the three months ended September 30, 2005, offset in part by a reduction in the interest held by minority shareholders in Lingui as a result of our acquisition on May 24, 2006 of an additional 19.82% interest in Lingui pursuant to the mandatory general offer for shares in Lingui described in "Our History and Corporate Structure".

Profit for the period attributable to equity holders of our Company

Profit for the period attributable to equity holders of our Company amounted to US$22.3 million for the three months ended September 30, 2006, an increase of US$20.9 million, or approximately 1,465.8%, from US$1.4 million for the three months ended September 30, 2005. The increase in profits attributable to equity holders of our Company in the three months ended September 30, 2006 was primarily attributable to the increase in average sales price of logs, plywood and veneer sold and increases in volume of exported logs, and of plywood and veneer sold.

Comparison of the Financial Years ended June 30, 2005 and 2006

Turnover

Our turnover decreased by US$20.4 million or 5.0%, from US$409.1 million for the financial year ended June 30, 2005 to US$388.7 million for the financial year ended June 30, 2006, a decrease attributable primarily to a decrease in the volume of logs extracted from our concessions in Sarawak, Malaysia, due to adverse weather conditions impacting our logging and our upstream support operations.

Logs. Revenue from logs decreased by US$9.9 million, or approximately 7.5%, to US$121.1 million for the 2006 financial year from US$131.0 million for the 2005 financial year. This decrease in revenue from log sales was primarily the result of a decrease in revenue from exported hardwood logs, which was primarily the result of a decrease in sales volume of hardwood logs exported, offset in part by an increase in the weighted average sales price of exported hardwood logs. We exported 595,000 m^3 of hardwood logs in the 2006 financial year, a 23.9% decrease from the 782,200 m^3 exported in the 2005 financial year. The decrease in volume of hardwood logs exported was mainly attributable to adverse weather conditions in Sarawak, Malaysia during the 2006 financial year, adversely impacting our log extraction operations in Sarawak for such financial year. The decrease in volume of hardwood logs exported was partially offset by a 16.4% increase in the weighted average sales price of hardwood logs exported to US$143.39 per m^3 for the 2006 financial year from US$123.14 per m^3 for the 2005 financial year. See "— Factors Affecting Results of Operations — Market demand and supply conditions for logs".

Plywood and veneer. Revenue from plywood and veneer sales increased by US$4.3 million, or approximately 2.1%, from US$203.3 million for the financial year ended June 30, 2005 to US$207.5 million for the financial year ended June 30, 2006. The slight increase in revenue from plywood and veneer was primarily a result of an increase in revenue from exported veneer in the 2006 financial year, which was offset in part by a decrease in revenue from exported plywood in the 2006 financial year.

Revenue from plywood sold in the 2006 financial year decreased by US$5.9 million, or approximately 3.2%, to US$175.7 million from US$181.6 million in the 2005 financial year. Our volume of plywood export sales decreased to 451,800 m^3 in the 2006 financial year from 495,300 m^3 in the 2005 financial year, primarily as a result of a decrease in log supply to our plywood mills from our upstream operations due to adverse weather conditions in Sarawak during the 2006 financial year. The weighted average sales price for exported plywood for the 2006 financial year was US$370.39 per m^3, which was approximately 5.7% greater than the weighted average sales price of US$350.49 per m^3 for the 2005 financial year.

Revenue from veneer sold increased by US$10.1 million, or approximately 46.5%, to US$31.8 million in the 2006 financial year from US$21.7 million in the 2005 financial year. The increase in revenue from veneer was a result of an increase in volume of veneer sold (both for export sales and local sales) and an increase in the weighted average sales price of exported veneer. The weighted average sales price for exported veneer for the 2006 financial year was US$259.43 per m^3, which was approximately 48.9% greater than the weighted average sales price of US$174.23 per m^3 for the 2005 financial year. Our total veneer sales volume (export

sales and local sales) increased by approximately 15.8% to 129,600 m^3 for the 2006 financial year from 111,900 m^3 for the 2005 financial year. We exported 78,500 m^3 of veneer in the 2006 financial year, a 10.1% increase from the 71,300 m^3 exported in the 2005 financial year. We sold locally 51,100 m^3 of veneer in the 2006 financial year, a 25.9% increase from the 40,600 m^3 sold locally in the 2005 financial year. The increase in weighted average export sales price for veneer, and also the increase in volume of veneer sold, was primarily due to the increasing volume and quality of our veneer produced as we ramped up production at our new veneer mills during the 2006 financial year.

Upstream support. Revenue from upstream support decreased by US$10.8 million, or approximately 32.9%, to US$22.1 million for the financial year ended June 30, 2006 from US$32.9 million for the financial year ended June 30, 2005. This decrease was primarily a result of adverse weather conditions in Sarawak, Malaysia, that led to a decrease in logging activity at the third party timber concessions that our upstream support segment services.

Other timber operations. Revenue from other timber operations decreased by US$3.7 million or approximately 11.3%, to US$29.3 million in the financial year ended June 30, 2006 from US$33.0 million in the financial year ended June 30, 2005. This decrease was primarily due to a decrease in revenue from our housing products operations and the effect of the 2005 financial year sale of the door manufacturing assets of a subsidiary to Foremost Crest Sdn. Bhd., our jointly-controlled entity with Masonite, as a result of which the revenue attributable to that former subsidiary ceased to be fully consolidated. The results of Foremost Crest Sdn. Bhd. in our income statement were accounted for in our historical combined income statement on an equity accounting basis under IFRS.

Non-timber operations. Revenue from non-timber operations decreased approximately 3.3%, from US$9.0 million in the financial year ended June 30, 2005 to US$8.7 million in the financial year ended June 30, 2006. This decrease was primarily attributable to a decrease in revenue from our granite quarry operations.

Cost of sales

Despite a decrease in turnover in the 2006 financial year due to decreased sales volume, cost of sales increased by US$2.0 million or 0.6%, to US$341.8 million for the financial year ended June 30, 2006 from US$339.8 million for the financial year ended June 30, 2005. Cost of sales remained at approximately the same level despite decreased turnover because unit cost of sales per cubic meter increased in the 2006 financial year. Unit cost per cubic meter increased primarily due to rising fixed costs, as depreciation increased due to a rise in our capital expenditures, and due to higher fuel, glue and spare parts prices. See "— Factors Affecting Results of Operations — Cost of sales".

Our cost of sales for the 2006 financial year comprised principally personnel costs (representing approximately US$54.4 million), depreciation and amortization (representing approximately US$51.9 million), and fuel, oil and lubricants (representing approximately US$49.9 million). Our cost of sales for the 2005 financial year comprised principally raw material (representing approximately US$53.3 million), personnel costs (representing approximately US$51.0 million), and repair and maintenance costs (representing approximately US$43.9 million).

Our cost of sales as a percentage of turnover was 87.9% for the 2006 financial year, as compared with 83.0% for the 2005 financial year. This increase in cost of sales as a percentage of turnover was primarily due to an increase in our cost of sales per m^3 and a decrease in turnover during the 2006 financial year as compared with the 2005 financial year.

Hardwood logs

Our cost of sales for hardwood logs decreased by US$2.0 million, or 1.4%, to US$140.7 million for the 2006 financial year from US$142.7 million for the 2005 financial year as a result of a reduction in sales volume of hardwood logs, offset in part by an increase in average cost of sales per m^3 of hardwood logs. Our cost of sales per m^3 of hardwood logs increased by 6.0% to US$81.40 per m^3 for the 2006 financial year from US$76.76 per m^3 for the 2005 financial year as a result of an increase in contract fees charged by timber support services and an increase in royalties paid due to the mix of logs sold.

Softwood logs

Our cost of sales for softwood logs decreased by US$2.2 million, or 25.0%, to US$6.6 million for the 2006 financial year from US$8.8 million for the 2005 financial year as a result of lower volumes of softwood logs sold. Our cost of sales per m^3 of softwood logs decreased by 3.4% to US$65.33 per m^3 for the 2006 financial year from US$67.64 per m^3 for the 2005 financial year as a result of lower transportation costs per m^3 of softwood logs sold.

Plywood

Our cost of sales for plywood increased by US$9.8 million, or 6.1%, to US$169.4 million for the 2006 financial year from US$159.6 million for the 2005 financial year as a result of higher log costs, offset in part by a decrease in volumes of plywood sold. Our cost of sales per m^3 of plywood increased by 16.3% to US$347.43 per m^3 for the 2006 financial year from US$298.64 per m^3 for the 2005 financial year as a result of higher log costs and higher glue costs as a result of an increase in market price for such inputs, and as a result of our fixed costs being allocated over a lower sales volume in the 2006 financial year as compared to the 2005 financial year.

Veneer

Our cost of sales for veneer increased by US$16.0 million, or 59.0%, to US$43.3 million for the 2006 financial year from US$27.3 million for the 2005 financial year as a result of larger volumes of veneer sold. Our cost of sales per m^3 of veneer decreased by 8.4% to US$223.94 per m^3 for the 2006 financial year from US$244.42 per m^3 for the 2005 financial year as a result of the larger volumes of veneer sold, which spread our fixed costs across a greater volume of product sold, offset in part by an increase in log costs.

Gross profit and gross profit margin

Gross profit decreased by US$22.4 million, or approximately 32.4%, to US$46.9 million for the financial year ended June 30, 2006 from US$69.3 million for the financial year ended June 30, 2005. This decrease was primarily attributable to the lower margins at our log and plywood operations due to increased costs.

Gross profit margin for the 2006 financial year decreased to 12.1%, as compared to a gross profit margin of 17.0% for the 2005 financial year, primarily as a result of decreased margins from hardwood logs and plywood.

Hardwood logs

Gross profit from hardwood logs decreased by US$3.7 million, or approximately 11.1%, to US$29.9 million for the 2006 financial year from US$33.7 million for the 2005 financial year. This decrease was primarily attributable to an decrease in volume and an increase in costs per m^3 of hardwood logs for the 2006 financial year.

Gross profit margin from hardwood logs for the 2006 financial year decreased to 17.6%, as compared to a gross profit margin from hardwood logs of 19.1% for the 2005 financial year, primarily as a result of our fixed costs associated with hardwood logs being allocated over a lower sales volume of hardwood logs in the 2006 financial year as compared to the 2005 financial year, which resulted in an increase in costs per m^3 of hardwood logs.

Softwood logs

Gross loss from softwood logs decreased by US$0.5 million, or approximately 52.6%, to US$0.4 million for the 2006 financial year from US$0.9 million for the 2005 financial year. This decrease was primarily attributable to an increase in gross margin realized, offset in part by a decrease in volume, of softwood logs for the 2006 financial year.

Gross loss margin from softwood logs for the 2006 financial year decreased to 7.1%, as compared to a gross loss margin from softwood logs of 11.8% for the 2005 financial year, primarily as a result of an increase in weighted average selling prices and a decrease in transportation costs of softwood logs for the 2006 financial year as compared to the 2005 financial year.

Plywood

Gross profit from plywood decreased by US$16.5 million, or approximately 64.3%, to US$9.1 million for the 2006 financial year from US$25.6 million for the 2005 financial year. This decrease was primarily attributable to a decrease in volume sold and a decrease in gross profit margins realized for plywood for the 2006 financial year.

Gross profit margin from plywood for the 2006 financial year decreased to 5.1%, as compared to a gross profit margin from plywood of 13.8% for the 2005 financial year, primarily as a result of an increase in our cost of sales per m^3, offset in part by an increase in weighted average selling prices, of plywood for the 2006 financial year as compared to the 2005 financial year.

Veneer

Gross profit from veneer increased by US$10.9 million, or approximately 193.2%, to US$5.3 million for the 2006 financial year from a loss of US$5.6 million for the 2005 financial year. This increase was primarily attributable to an increase in volume sold and an increase in gross profit margins realized for the 2006 financial year.

Gross profit margin from veneer for the 2006 financial year increased to 10.8%, as compared to a gross loss margin from veneer of 25.9% for the 2005 financial year, primarily as a result of an increase in weighted average selling prices and a decrease in cost of sales per m^3 of veneer for the 2006 financial year as compared to the 2005 financial year.

Other operating income

Other operating income decreased by US$11.9 million, or approximately 81.1%, from US$14.7 million for the financial year ended June 30, 2005 to US$2.8 million for the financial year ended June 30, 2006. Other operating income in the 2005 financial year was primarily derived from the sale of the fixed assets of a door-facing manufacturing subsidiary, Samling DorFoHom Sdn. Bhd., to Magna-Foremost Sdn. Bhd., a new jointly controlled entity formed with Masonite. Only 50% of the gain from the sale of the fixed assets of Samling DorFoHom Sdn. Bhd. was recognized in our historical combined income statement as we hold a 50% interest in Magna-Foremost Sdn. Bhd. Other operating income was also derived from rental income, gains from the sale of a 15% interest in a fiberboard associate, Daiken Miri Sdn. Bhd., and other miscellaneous and sundry income.

Distribution costs

Distribution costs remained relatively stable at US$4.5 million and US$4.5 million for the 2005 and 2006 financial years despite decreased volumes of timber sold in the 2006 financial year, primarily as a result of higher inland transportation costs.

Our distribution costs as a percentage of turnover was 1.2% for the 2006 financial year, as compared to 1.1% for the 2005 financial year. This increase in our distribution costs as a percentage of turnover primarily resulted from an increase in transportation costs incurred to transport our downstream products from our manufacturing facilities to local ports for export.

Administrative expenses

Administrative expenses remained relatively stable, increasing 1.4% to US$17.2 million for the 2006 financial year from US$16.9 million for the 2005 financial year.

Other operating expenses

Other operating expenses increased to US$1.5 million for the 2006 financial year from US$0.5 million for the 2005 financial year . The increase in operating expenses was mainly due to costs relating to an inventory loss net of insurance compensation arising from a fire at one of our veneer warehouses in Malaysia during the 2006 financial year.

Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs

Losses from changes in fair value of plantation assets less estimated point-of-sale costs increased to US$15.3 million for the 2006 financial year from losses of US$14.8 million for the 2005 financial year. Our US$15.3 million loss in changes in fair value of plantation assets less estimated point-of-sale costs for the 2006 financial year was primarily due to a decrease in prevailing market sales prices for softwood logs as at

June 30, 2006 as compared to as at June 30, 2005 and a change in the yield tables utilized by our independent valuers (reflecting the adoption of an updated yield table compiled by our Company), offset in part by a decrease in the relevant discount rate applied by our independent valuers with regard to our New Zealand plantations (which decreased from 9.0% for the financial year ended June 30, 2005 to 8.5% for the financial year ended June 30, 2006) and natural tree growth. By comparison, our US$14.8 million unrealized loss in changes in fair value of plantation assets less estimated point-of-sale costs for the 2005 financial year was primarily due to an increase in our production costs and a decrease in market prices for softwood logs as at June 30, 2005 as compared to as at June 30, 2004, offset in part by natural tree growth.

Profit from operations and operating margin

Primarily as a result of decreased sales volume and increased costs, our profits from operations (our results after changes in fair value of plantation assets) decreased by US$36.2 million, or approximately 76.4%, to US$11.2 million for the 2006 financial year, as compared to a profit from operations of US$47.4 million for the 2005 financial year. Our profit from operations for the 2005 financial year also included non-recurring gains on disposal of fixed assets of US$12.2 million, the non-recurrence of which in the 2006 financial year also contributed to the decrease in our profits from operations for the 2006 financial year.

Our operating margin (our results before changes in fair value of plantation assets as a percentage of turnover) was 6.8% for the 2006 financial year as compared to 15.2% for the 2005 financial year. This decrease in our operating margin was primarily due to a decrease in the operating margin of our log and plywood operations for the 2006 financial year as compared to the 2005 financial year.

Hardwood logs

Our profit from operations from hardwood logs (our results from hardwood log sales after changes in fair value of plantation assets) decreased by US$3.8 million, or approximately 11.3%, to US$30.0 million for the 2006 financial year, as compared to a profit from operations from hardwood logs of US$33.8 million for the 2005 financial year.

Our operating margin for hardwood logs (our results from hardwood log sales before changes in fair value of plantation assets as a percentage of our revenue from hardwood logs) was 16.8% for the 2006 financial year as compared to 18.5% for the 2005 financial year. This decrease in our operating margin for hardwood logs was primarily due to a decrease in our gross margin from hardwood logs and our administrative costs being allocated over a lower sales volume in the 2006 financial year as compared to the 2005 financial year.

Softwood logs

Our loss from operations from softwood logs (our results from softwood log sales after changes in fair value of plantation assets) increased by US$0.5 million, or approximately 3.2%, to a loss of US$17.5 million for the 2006 financial year, as compared to a loss from operations from softwood logs of US$17.0 million for the 2005 financial year.

Our operating loss margin for softwood logs (our results from softwood log sales before changes in fair value of plantation assets as a percentage of our revenue from softwood logs) was 15.5% for the 2006 financial year as compared to 13.6% for the 2005 financial year. This increase in our operating loss margin for softwood logs was primarily due to an increase in administrative costs, offset in part by a decrease in gross loss margin, for softwood logs for the 2006 financial year as compared to the 2005 financial year.

Plywood

Our profit from operations from plywood decreased by US$17.7 million, or approximately 92.7%, to US$1.4 million for the 2006 financial year, as compared to a profit from operations from plywood of US$19.1 million for the 2005 financial year.

Our operating margin for plywood was 0.8% for the 2006 financial year as compared to 10.3% for the 2005 financial year. This decrease in our operating margin for plywood was primarily due to a decrease in our gross margin from plywood for the 2006 financial year as compared to the 2005 financial year and the inventory losses arising from a fire at one of our warehouses in Bintulu, Malaysia in the 2006 financial year.

Veneer

Our profit from operations from veneer increased by US$10.9 million, or approximately 193.2%, to US$5.3 million for the 2006 financial year, as compared to a loss from operations from veneer of US$5.6 million for the 2005 financial year.

Our operating margin for veneer was 10.8% for the 2006 financial year as compared to a loss margin of 25.9% for the 2005 financial year. This increase in our operating margin for veneer was primarily due to an increase in our gross margin for veneer for the 2006 financial year as compared to the 2005 financial year.

Net financing costs

Financial income decreased by approximately 24.2%, to US$6.9 million for the financial year ended June 30, 2006 from US$9.1 million for the financial year ended June 30, 2005. However, financial expenses increased by approximately 34.5% to US$22.4 million in the financial year ended June 30, 2006 from US$16.6 million in the financial year ended June 30, 2005.

The increase in financial expenses and decrease in financial income in the 2006 financial year was primarily due to the recognition of unrealized foreign exchange losses of US$7.5 million in the 2006 financial year, as compared to unrealized foreign exchange gains of US$5.0 million in the 2005 financial year. These unrealized foreign exchange losses resulted primarily from exchange losses between U.S. dollars and New Zealand dollars due to adverse movements in relevant rates of exchange from June 30, 2005 to June 30, 2006.

Primarily as a result of this unrealized foreign exchange movement, net financing costs increased to US$15.5 million for the 2006 financial year from US$7.6 million for the 2005 financial year. See "— Factors Affecting Results of Operations — Foreign exchange gains and losses".

Share of profits less losses of associates

In the financial year ended June 30, 2006, we recognized US$1.3 million as our net share of profits of associates, a decrease of approximately 42.3% from the share of profits less losses of associates of US$2.3 million recognized in the financial year ended June 30, 2005. This decrease was primarily attributable to a decrease in our share of profits from Glenealy, our oil palm associate, and Daiken Miri Sdn. Bhd., our fiberboard associate.

Our share of profits from Glenealy decreased by US$1.2 million, or approximately 54.3%, to US$1.0 million for the 2006 financial year from US$2.2 million for the 2005 financial year primarily due to a decrease in crude palm oil sales prices realized by Glenealy, and Glenealy recording decreased unrealized gains from changes in fair value of its oil palm plantation assets less estimated point-of-sale costs for the 2006 financial year as compared to the 2005 financial year, as discussed further in the paragraph below and "Financial Information — Factors Affecting Results of Operation — Change in fair value of plantation assets less estimated point-of-sale costs". Our share of profits from Sepangar Chemical Industry Sdn. Bhd. increased by US$0.9 million, or approximately 232.9%, to US$0.5 million for the 2006 financial year from a loss of US$0.4 million for the 2005 financial year, primarily due to an increase in the selling prices obtained for formalin and various types of formaldehyde adhesive resins sold and improved results of its subsidiary in the PRC. Our share of profits from Daiken Miri Sdn. Bhd. decreased by US$0.7 million, or approximately 157.0%, to a loss of US$0.3 million for the 2006 financial year from a profit of US$0.4 million for the 2005 financial year primarily due to a decrease in sales volumes for the 2006 financial year as compared to the 2005 financial year.

For the 2006 financial year, we recognized a US$2.4 million unrealized gain as our share of changes in fair value of oil palm plantation assets less estimated point-of-sale costs in Glenealy, as compared to a US$3.1 million unrealized gain as our share of Glenealy's changes in fair value of oil palm plantation assets less estimated point-of-sale costs for the 2005 financial year. Glenealy recognized a US$6.7 million unrealized gain from changes in value of oil palm plantation assets less estimated point-of-sale costs for the 2006 financial year principally due to an increase in crude palm oil selling prices, offset in part by an increase in production costs. By comparison, Glenealy recognized a US$8.7 million unrealized gain from changes in fair value of plantation assets less estimated point-of-sale costs for the 2005 financial year primarily due to an increase in crude palm oil selling prices, offset in part by an increase in production costs.

Share of profits less losses of jointly controlled entities

In the financial year ended June 30, 2006, we recognized US$2.8 million as our net share of profits of a jointly controlled entity, an increase of approximately 15.4% from the US$2.4 million recognized in the financial year ended June 30, 2005. This increase was primarily attributable to an increase in the net profits of our door facing manufacturing joint venture, Magna-Foremost Sdn. Bhd. due to an increase in the volume of door facings sold in the 2006 financial year as compared to the 2005 financial year.

Profit/(loss) before taxation

Primarily as a result of decreased sales volume and increased costs and the other factors described above, loss before taxation amounted to US$0.2 million for the financial year ended June 30, 2006, as compared to a profit before taxation of US$44.6 million for the financial year ended June 30, 2005.

Income tax

An income tax credit of US$1.7 million was accounted for in the financial year ended June 30, 2006, as compared to an income tax expense of US$1.3 million for the financial year ended June 30, 2005. We experienced an income tax credit in the 2006 financial year, as compared to an income tax expense during the 2005 financial year, as a result of the loss made in the 2006 financial year.

Profit for the year

After accounting for income tax, we recognized a profit for the year of US$1.5 million for the 2006 financial year, as compared to a profit for the year of US$43.3 million for the 2005 financial year.

Net profit margin was 0.4% for the 2006 financial year as compared to a net profit margin of 10.6% for the 2005 financial year. This decrease in net profit margin from the 2005 financial year to the 2006 financial year was primarily due to a decrease in sales volumes and increased costs and other factors described above.

Minority interest

Minority interest was a credit of US$3.6 million for the 2006 financial year, as compared to a debit of US$20.1 million for the 2005 financial year. This change in minority interest by US$23.7 million, or approximately 117.8%, was primarily due to changes in the results of Lingui, which recorded a loss of US$7.1 million for the 2006 financial year as compared to a profit of US$23.8 million for the 2005 financial year.

Profit for the year attributable to equity holders of our Company

Profit for the year attributable to equity holders of our Company amounted to US$5.1 million for the 2006 financial year, a decrease of US$18.0 million or approximately 77.8% from US$23.1 million for the 2005 financial year.

Comparison of the Financial Years Ended June 30, 2004 and 2005

Turnover

Our turnover increased by US$44.8 million, or approximately 12.3%, from US$364.3 million for the financial year ended June 30, 2004 to US$409.1 million for the financial year ended June 30, 2005, an increase primarily attributable to increased revenue from sales of logs, plywood and veneer.

Logs. Revenue from logs increased by US$17.7 million, or approximately 15.6%, to US$131.0 million for the 2005 financial year from US$113.3 million for the 2004 financial year. This increase in revenue from log sales was primarily the result of an increase in exported hardwood log sales volumes and the weighted average export sales price of exported hardwood logs sold. We exported 782,200 m^3 of hardwood logs in the 2005 financial year, a 6.8% increase from the 732,500 m^3 of hardwood logs exported in the 2004 financial year. The weighted average sales prices of exported hardwood logs increased by 17.5% to US$123.14 per m^3 for the 2005 financial year from US$104.79 per m^3 for the 2004 financial year. The increase in the weighted average sales price and sales volume for exported hardwood logs was principally the result of global supply and demand factors influencing the market price of exported hardwood logs.

Plywood and veneer. Revenue from plywood and veneer sales increased by US$32.6 million, or approximately 19.1%, from US$170.6 million for the 2004 financial year to US$203.3 million for the 2005 financial year, primarily due to higher weighted average sales prices of plywood and veneer and increased plywood and veneer export sales volumes.

Revenue from plywood sold in the 2005 financial year increased by US$21.1 million, or approximately 13.1%, to US$181.6 million from US$160.5 million in the 2004 financial year. Weighted average prices for exported plywood were US$350.49 per m^3 in the 2005 financial year, a 12.4% increase from the weighted average price of US$311.69 per m^3 in the 2004 financial year. Our volume of plywood export sales increased by 1.2% to 495,300 m^3 in the 2005 financial year from 489,200 m^3 in the 2004 financial year. The increase in the weighted average sales price of exported plywood was mainly due to global supply and demand factors influencing the market price of exported plywood.

Revenue from veneer sold in the 2005 financial year increased by US$11.6 million, or approximately 114.9% to US$21.7 million from US$10.1 million in the 2004 financial year. The weighted average sales price for exported veneer for the 2005 financial year was US$174.23 per m^3, which was approximately 39.2% greater than the weighted average sales price of US$125.21 per m^3 for the 2004 financial year. We exported 71,300 m^3 of veneer in the 2005 financial year, a 84.2% increase from the 38,700 m^3 exported in the 2004 financial year, as a consequence of the commissioning of our second veneer mill at the end of the 2004 financial year. Our total veneer sales volume increased 58.3% to 111,900 m^3 in the 2005 financial year from 70,700 m^3 in the 2004 financial year.

Upstream support. Revenue from upstream support increased by US$3.0 million, or approximately 10.0%, to US$32.9 million for the 2005 financial year from US$29.9 million for the 2004 financial year. Revenue from upstream support in both years consisted primarily of timber extractions services and fuel and machine parts sales in Malaysia.

Other timber operations. Revenue from other timber operations decreased US$9.3 million, or approximately 22.0%, to US$33.0 million in the 2005 financial year from US$42.4 million in the 2004 financial year. This decrease was primarily due to the sale of the door-facing plant assets of our subsidiary, Samling DorFoHom Sdn. Bhd., to Magna-Foremost Sdn. Bhd., a jointly controlled entity we formed with Masonite. Magna-Foremost's operations were accounted for in the 2005 financial year as profits from a jointly controlled entity. Revenue attributable to housing products operations increased over the course of this period, which offset lower revenues attributable to flooring products.

Non-timber operations. Revenue from non-timber operations increased approximately 10.2%, from US$8.1 million in the financial year ended June 30, 2004 to US$9.0 million in the financial year ended June 30, 2005. This increase was primarily attributable to increased revenue from our rubber compound operations.

Cost of sales

Cost of sales increased by US$35.8 million, or approximately 11.8%, to US$339.8 million for the 2005 financial year from US$304.0 million for the 2004 financial year, primarily as a result of higher sales volume as business activity increased. Cost of log extraction also increased in the 2005 financial year due to increases in the cost of fuel, repair and maintenance. Following the sale of our door facing manufacturing assets from a subsidiary to a jointly controlled entity we formed with Masonite, our overall cost of sales was reduced as the results of the door facing business was henceforth accounted for as our share of profits less losses of jointly controlled entities. See "— Factors Affecting Results of Operations — Cost of sales".

Our cost of sales for the 2005 financial year comprised principally raw material (representing approximately US$53.3 million), personnel costs (representing approximately US$51.0 million), and fuel, oil and lubricants (representing approximately US$35.9 million). Our cost of sales for the 2004 financial year comprised principally personnel costs (representing approximately US$45.5 million), raw material (representing approximately US$44.9 million), and depreciation and amortization (representing approximately US$43.6 million).

Our cost of sales as a percentage of turnover was 83.0% for the 2005 financial year, as compared with 83.4% for the 2004 financial year. This decrease in cost of sales as a percentage of turnover was primarily due to an increase in weighted average selling prices of logs, plywood and veneer, offset in part by higher costs per m^3 for these products.

Hardwood logs

Our cost of sales for hardwood logs increased by US$6.0 million, or 4.4%, to US$142.7 million for the 2005 financial year from US$136.7 million for the 2004 financial year as a result of greater volumes of hardwood logs sold. Our cost of sales per m^3 of hardwood logs decreased by 0.5% to US$76.76 per m^3 for the 2005 financial year from US$77.14 per m^3 for the 2004 financial year as a result of the larger volumes of hardwood logs sold, which spread our fixed costs across a greater volume of product sold.

Softwood logs

Our cost of sales for softwood logs decreased by US$0.3 million, or 3.3%, to US$8.8 million for the 2005 financial year from US$9.1 million for the 2004 financial year as a result of a decrease in volumes of softwood logs sold. Our cost of sales per m^3 of softwood logs increased slightly by 1.6% to US$67.64 per m^3 for the 2005 financial year from US$66.60 per m^3 for the 2004 financial year.

Plywood

Our cost of sales for plywood increased by US$14.9 million, or 10.3%, to US$159.6 million for the 2005 financial year from US$144.7 million for the 2004 financial year as a result of greater volumes of plywood sold. Our cost of sales per m^3 of plywood increased by 8.8% to US$298.64 per m^3 for the 2005 financial year from US$274.60 per m^3 for the 2004 financial year as a result of higher log costs and glue costs as a result of an increase in market price for such inputs.

Veneer

Our cost of sales for veneer increased by US$18.2 million, or 200.2%, to US$27.3 million for the 2005 financial year from US$9.1 million for the 2004 financial year as a result of our ramping up of testing and initial production runs of our new veneer mills located in Lana and Tebanyi during portions of the 2004 and 2005 financial years, during which periods lower cost logs were generally used for such testing and initial production runs. Our cost of sales per m^3 of veneer increased by 89.6% to US$244.42 per m^3 for the 2005 financial year from US$128.94 per m^3 for the 2004 financial year for the same reason.

Gross profit and gross profit margin

Gross profit increased by US$9.0 million, or approximately 15.0%, to US$69.3 million for the 2005 financial year from US$60.3 million for the 2004 financial year. This increase was primarily attributable to the increase in average price of logs and downstream wood products sold.

Gross profit margin for the 2005 financial year increased slightly to 17.0%, as compared to 16.6% for the 2004 financial year, primarily as a result of increased margins from log and plywood sales.

Hardwood logs

Gross profit from hardwood logs increased by US$21.1 million, or approximately 167.3%, to US$33.7 million for the 2005 financial year from US$12.6 million for the 2004 financial year. This increase was primarily attributable to an increase in volume sold and an increase in weighted average selling prices per m^3 of hardwood logs for the 2005 financial year.

Gross profit margin from hardwood logs for the 2005 financial year increased to 19.1%, as compared to a gross profit margin from hardwood logs of 8.5% for the 2004 financial year, primarily as a result of an increase in weighted average selling prices and a decrease in cost of sales per m^3 of hardwood logs for the 2005 financial year as compared to the 2004 financial year.

Softwood logs

Gross loss from softwood logs decreased by US$0.7 million, or approximately 43.8%, to US$0.9 million for the 2005 financial year from US$1.7 million for the 2004 financial year. This decrease was primarily attributable to a decrease in gross loss margin for softwood logs for the 2005 financial year.

Gross loss margin from softwood logs for the 2005 financial year decreased to 11.8%, as compared to a gross loss margin from softwood logs of 22.3% for the 2004 financial year, primarily as a result of an increase in weighted average selling prices of softwood logs for the 2005 financial year as compared to the 2004 financial year.

Plywood

Gross profit from plywood increased by US$7.4 million, or approximately 40.4%, to US$25.6 million for the 2005 financial year from US$18.2 million for the 2004 financial year. This increase was primarily attributable to an increase in volume sold and an increase in gross profit margins for plywood for the 2005 financial year.

Gross profit margin from plywood for the 2005 financial year increased to 13.8%, as compared to a gross profit margin from plywood of 11.2% for the 2004 financial year, primarily as a result of an increase in weighted average selling prices, offset in part by an increase in costs per m^3 of plywood for the 2005 financial year as compared to the 2004 financial year.

Veneer

Gross profit from veneer decreased by US$6.5 million, or approximately 670.2%, to a gross loss of US$5.6 million for the 2005 financial year from a gross profit of US$0.9 million for the 2004 financial year. This decrease was primarily attributable to an increase in costs per m^3 and an increase in gross loss margin for veneer for the 2005 financial year.

Gross loss margin from veneer for the 2005 financial year increased to 26.0%, as compared to a gross profit margin from veneer of 9.8% for the 2004 financial year, primarily as a result of an increase in costs per m^3 of veneer for the 2005 financial year as compared to the 2004 financial year.

Other operating income

Other operating income increased by US$8.1 million, or approximately 122.2%, from US$6.6 million for the 2004 financial year to US$14.7 million for the 2005 financial year. Other operating income in the 2005 financial year was primarily derived from the sale of the fixed assets of a door-facing manufacturing subsidiary to a jointly controlled entity, Magna-Foremost.

Distribution costs

Distribution costs increased by US$0.6 million or 14.5%, from US$3.9 million for the 2004 financial year to US$4.5 million for the 2005 financial year. This increase was due primarily to an increase in inland transportation costs for bringing our downstream wood products to port as a result of higher sales volume.

Our distribution costs as a percentage of turnover was approximately 1.1% for each of the 2004 and 2005 financial years.

Administrative expenses

Administrative expenses increased by 10.0%, to US$16.9 million for the 2005 financial year from US$15.4 million for the 2004 financial year, primarily as a result of moderate increases in staff costs, depreciation of office facilities and write-offs of office fixed assets.

Other operating expenses

Other operating expenses increased from US$0.2 million for the 2004 financial year to US$0.5 million for the financial year 2005. This increase was mainly related to a net loss on the deemed disposal of a subsidiary.

Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs

Losses from changes in fair value of plantation assets less estimated point-of-sale costs were US$14.8 million for the 2005 financial year, as compared to a gain from changes in fair value of plantation assets less estimated point-of-sale costs of US$10.4 million for the 2004 financial year. Our US$14.8 million unrealized loss in changes in fair value of plantation assets less estimated point-of-sale costs in the financial year ended June 30, 2005 was primarily due to increases in our production costs and a decrease in prevailing market sales prices for softwood logs as at June 30, 2005 as compared to as at June 30, 2004, offset in part by natural tree growth. By comparison, our US$10.4 million unrealized gain in changes in fair value of plantation assets less estimated point-of-sale costs for the 2004 financial year was primarily due to an increase in prevailing market sales prices for softwood logs as at June 30, 2004 as compared to as at June 30, 2003 and in part due to natural tree growth, offset in part by an increase in production costs.

Profit from operations and operating margin

Profit from operations (our results after changes in fair value of plantation assets) decreased by US$10.5 million, or approximately 18.1%, from US$57.9 million for the 2004 financial year to US$47.4 million for the 2005 financial year.

Our operating margin (our results before changes in fair value of plantation assets as a percentage of turnover) was 15.2% for the 2005 financial year as compared to 13.0% for the 2004 financial year. This increase in our operating margin was primarily due to an increase in our gross profit margins for logs and plywood for the 2005 financial year as compared to the 2004 financial year, and gains on the sale of fixed assets of US$12.2 million in the 2005 financial year.

Hardwood logs

Our profit from operations from hardwood logs (our results from hardwood log sales after changes in fair value of plantation assets) increased by US$17.9 million, or approximately 112.5%, to US$33.8 million for the 2005 financial year, as compared to a profit from operations from hardwood logs of US$15.9 million for the 2004 financial year.

Our operating margin for hardwood logs (our results from hardwood log sales before changes in fair value of plantation assets as a percentage of our revenue from hardwood logs) was 18.5% for the 2005 financial year as compared to 10.6% for the 2004 financial year. This increase in our operating margin for hardwood logs was primarily due to an increase in our gross profit margin for hardwood logs for the 2005 financial year as compared to the 2004 financial year.

Softwood logs

Our profit from operations from softwood logs (our results from softwood log sales after changes in fair value of plantation assets) decreased by US$25.4 million, or approximately 303.1%, to a loss of US$16.9 million for 2005 financial year, as compared to a profit from operations from softwood logs of US$8.4 million for the 2004 financial year.

Our operating margin for softwood logs (our results from softwood log sales before changes in fair value of plantation assets as a percentage of our revenue from softwood logs) was 13.6% for the 2005 financial year as compared to a loss of 26.3% for the 2004 financial year. This change in our operating margin for softwood logs was primarily due to an increase in our gross profit margin for softwood logs for the 2005 financial year as compared to the 2004 financial year.

Plywood

Our profit from operations from plywood increased by US$6.2 million, or approximately 46.9%, to US$19.1 million for the 2005 financial year, as compared to a profit from operations from plywood of US$12.9 million for 2004 financial year.

Our operating margin for plywood was 10.3% for the 2005 financial year as compared to 7.9% for the 2004 financial year. This increase in our operating margin for plywood was primarily due to an increase in our gross profit margin for plywood for the 2005 financial year as compared to the 2004 financial year.

Veneer

Our profit from operations from veneer decreased by US$6.5 million, or approximately 670.2%, to a loss of US$5.6 million for the 2005 financial year, as compared to a profit from operations from veneer of US$0.9 million for the 2004 financial year.

Our operating loss margin for veneer was 26.0% for the 2005 financial year as compared to an operating profit margin of 9.8% for the 2004 financial year. This decrease in our operating margin for veneer was primarily due to our experiencing a gross loss margin for veneer for the 2005 financial year as compared to a gross profit margin for veneer for the 2004 financial year.

Net financing costs

Financial income increased to US$9.1 million for the 2005 financial year from US$7.3 million for the 2004 financial year, primarily due to an increase in cash and bank deposits and higher foreign exchange gains in the 2005 financial year. Financial expenses remained stable at US$16.6 million in the 2004 as well as the 2005 financial years.

Our cash and bank deposits increased in the 2005 financial year due primarily to our receipt of proceeds from certain disposals of fixed assets, mainly to jointly controlled entities. We recognized unrealized foreign exchange gains of US$5.0 million in the 2005 financial year, as compared to unrealized foreign exchange gains of US$4.1 million in the 2004. This increase in unrealized foreign exchange gains resulted primarily from the appreciation of the New Zealand dollar against the US dollar during the 2005 financial year as compared to the 2004 financial year. See "— Factors Affecting Results of Operations — Foreign exchange gains and losses".

As a result, net financing costs decreased to US$7.6 million for the 2005 financial year from US$9.3 million for 2004 financial year.

Share of profits less losses of associates

In the 2005 financial year, we recognized US$2.3 million as our net share of profits of associates, a decrease of approximately 58.6% from our net share of profits less losses of associates of US$5.5 million received in the 2004 financial year. This US$3.2 million decrease was primarily attributable to a decrease in net profits from our associated company Glenealy, which accounted for an unrealized gain from changes in the fair value of its oil palm plantation assets in the 2004 financial year.

Our share of profits from Glenealy decreased by US$3.3 million, or approximately 60.0%, to US$2.2 million for the 2005 financial year from US$5.6 million for the 2004 financial year primarily due to a decrease in crude palm oil sales prices realized by Glenealy and a decrease in Glenealy's unrealized gain from changes in fair value of its oil palm plantation assets less estimated point-of-sale costs for the 2005 financial year as compared to the 2004 financial year, as discussed further in the paragraph below and "Financial Information — Factors Affecting Results of Operation — Change in fair value of plantation assets less estimated point-of-sale costs". Our share of loss from Sepangar Chemical Industry Sdn. Bhd. increased by US$0.2 million, or approximately 109.8%, to a loss of US$0.4 million for 2005 financial year from a loss of US$0.2 million for the 2004 financial year, primarily due to an increase in costs per m^3, offset in part by an increase in the selling prices obtained for formalin and various types of formaldehyde adhesive resins sold. Our share of profits from Daiken Miri Sdn. Bhd. increased by US$0.4 million, or approximately 456.9%, to US$0.5 million for the 2005 financial year from US$0.1 million for the 2004 financial year primarily due to a decrease in provisions for doubtful debts, offset in part by an increase in production costs, for the 2005 financial year as compared to the 2004 financial year.

For the 2005 financial year, we recognized a US$3.1 million unrealized gain as our share of Glenealy's changes in fair value of oil palm plantation assets less estimated point-of-sale costs, as compared to a US$5.0 million unrealized gain as our share of changes in fair value of its oil palm plantation assets less estimated point-of-sale costs in Glenealy for the 2004 financial year. Glenealy recognized a US$8.7 million unrealized gain from changes in value of oil palm plantation assets less estimated point-of-sale costs for the 2005 financial year principally due to an increase in crude palm oil selling prices, offset in part by an increase in production costs. By comparison, Glenealy recognized a US$14.0 million unrealized gain from changes in fair value of plantation assets less estimated point-of-sale costs for the 2004 financial year primarily due to an increase in crude palm oil selling prices, offset in part by increased production costs.

Share of profits less losses of jointly controlled entities

In the 2005 financial year, we recognized US$2.4 million as our share of profits from our new door-facing joint venture, Magna-Foremost Sdn. Bhd., and our new door manufacturing joint venture, Foremost Crest Sdn. Bhd. Both joint ventures were formed in the 2005 financial year.

Profit before taxation

Primarily as a result of unrealized losses on the fair value of our New Zealand plantation assets which more than offset increases in gross profit, net profit before tax and minority interest decreased by US$9.5 million, or approximately 17.6%, to US$44.6 million for the 2005 financial year from US$54.1 million for the 2004 financial year.

Income tax

Income tax expense was US$1.3 million for the 2005 financial year, as compared to an income tax expense of US$8.8 million for the 2004 financial year, primarily as a result of lower profits before taxation during the 2005 financial year and the reversal of income tax expenses provided for in prior years. The reversal of provisions for income tax expenses followed the deemed disposal of our former subsidiary, TreeOne B.V.

Profit for the year

After accounting for income tax, our profit for the year decreased by US$2.0 million, or approximately 4.4%, to US$43.3 million for the 2005 financial year from US$45.2 million for the 2004 financial year.

Net profit margin decreased to 10.6% for the 2005 financial year from 12.4% for the 2004 financial year. This decrease in net profit margin was primarily due to changes in the fair value of our plantation assets, offset in part by gains from disposal of certain fixed assets and a decrease in income taxes.

Minority interest

Minority interest was US$20.1 million for the 2005 financial year, as compared to US$21.7 million for the 2004 financial year. This decrease in minority interest by US$1.6 million, or approximately 7.2%, was primarily due to changes in fair value of Lingui's plantation assets, offset in part by an increase in Lingui's profits before changes in fair value of plantation assets.

Profit for the year attributable to equity holders of our Company

Profit for the year attributable to equity holders of our Company amounted to US$23.1 million for the 2005 financial year, a decrease of US$0.4 million, or approximately 1.7%, from US$23.5 million for the 2004 financial year.

LIQUIDITY AND CAPITAL RESOURCES

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

At June 30, 2004, 2005 and 2006, cash and cash equivalents were US$(14.4) million, US$(4.4) million and US$(17.1) million, respectively. At September 30, 2005 and 2006, we had cash and cash equivalents of US$(17.0) million and US$(2.5) million, respectively. We use bank overdrafts to help fund our working capital requirements.

Cash flow

The following table sets out selected cash flow data from our combined cash flow statements for the periods indicated.

	Financial year ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	(US$ in millions)				
Net cash generated from operating activities	93.7	100.3	91.7	15.5	31.7
Net cash used in investing activities	(48.1)	(35.6)	(71.5)	(17.5)	(1.7)
Net cash used in financing activities	(39.9)	(46.1)	(25.9)	(8.3)	(12.9)
Net increase/(decrease) in cash and cash equivalents	7.6	9.9	(13.6)	(12.5)	15.1

Cash generated from operating activities

Net cash generated from operations for the three months ended September 30, 2006 amounted to US$31.7 million, while our operating profit before changes in working capital for the same period was US$53.2 million. The difference between these two amounts was due to a decrease in trade and other payables of US$4.7 million and an increase in trade and other receivables of US$8.6 million and an increase in inventories of US$8.1 million. The decrease in our trade and other payables (excluding non-trade amounts due to related companies) was primarily due to our improved liquidity position in the three months ended September 30, 2006. Trade and other receivables (excluding non-trade amounts due from related companies) increased primarily because of greater sales turnover. Inventory increased primarily due to an increase in our inventory of logs.

Net cash generated from operations for the three months ended September 30, 2005 amounted to US$15.5 million, while our operating profit before changes in working capital for the same period was US$19.3 million. The difference between these two amounts was due to an increase in trade and other payables of US$3.4 million and an increase in trade and other receivables of US$3.2 million and an increase in inventories

of US$4.1 million. The increase in our trade and other payables (excluding non-trade amounts due to related companies) was primarily due to timing of payments made in the three months ended September 30, 2005. Trade and other receivables (excluding non-trade amounts due from related companies) increased primarily due to timing of payments received. Inventory increased primarily due to an increase in our inventory of logs.

Net cash generated from operations for the financial year ended June 30, 2006 amounted to US$91.7 million, while our operating profit before changes in working capital for the same period was US$78.9 million. The difference between these two amounts was due to an increase in trade and other payables of US$11.3 million and a decrease in trade and other receivables of US$7.7 million, which were partially offset by an increase in inventories of US$6.1 million. The increase in trade and other payables (excluding non-trade amounts due to related companies) was primarily due to increased purchases of spare parts inventory. Trade and other receivables (excluding non-trade amounts due from related companies) decreased primarily because of lower sales turnover and improved collection efforts. Inventory increased primarily because of the new veneer plant in Layun, the acquired plywood plant in Sibu, Sarawak, and higher parts inventory at our Guyana operations in anticipation of a planned increase in logging activities in Guyana.

Net cash generated from operations for the financial year ended June 30, 2005 amounted to US$100.3 million, while our operating profit before changes in working capital for the same period was US$94.3 million. The difference between these two amounts was primarily due to a decrease in trade and other receivables of US$8.2 million and a decrease in inventories of US$6.8 million, which were offset by a decrease in trade and other payables of US$9.0 million. The decrease in trade and other payables (excluding non-trade amounts due to related companies) was partly due to the repayment of certain trade and other payables during the financial year from proceeds from the sale of our door-facing and door-making subsidiaries to two jointly controlled entities we formed with Masonite during that year. Trade and other receivables (excluding non-trade amounts due from related companies) decreased primarily because of better collection efforts. Inventory decreased primarily because of the sale of the assets of our door-facing subsidiary to a jointly controlled entity.

Net cash generated from operation for the financial year ended June 30, 2004 amounted to US$93.7 million, while operating profit before changes in working capital for the same period was US$88.7 million. The difference between these two amounts was primarily due to a decrease in inventory of US$4.7 million, and an increase in trade and other payables of US$3.0 million, which was offset by an increase in trade and other receivables of US$2.8 million. The increase in trade and other payables (excluding non-trade amounts due to related companies) was mainly due to increased business activity and the higher cost of sales resulting from such increased activities. Trade and other receivables (excluding non-trade amounts due from related companies) increased primarily due to increased turnover. The decrease in inventory was primarily due to sales in the 2004 financial year of manufactured stock brought forward from the 2003 financial year as sales and market conditions improved.

Cash used in investing activities

Net cash used in investing activities for the three months ended September 30, 2005 and 2006 amounted to US$17.5 million and US$1.7 million, respectively.

Net cash used in investing activities for the financial years ended June 30, 2004, 2005 and 2006 amounted to US$48.1 million, US$35.6 million and US$71.5 million, respectively.

Material cash outflows

Our material cash outflows for investing activities during the three months ended September 30, 2006 consisted of net repayments of balances due to related parties of US$6.5 million.

Our material cash outflows for investing activities during the three months ended September 30, 2005 consisted of expenditures on property, plant and equipment, capital expenditures for construction in progress, lease prepayments and expenditures on plantation assets of US$13.3 million and net repayments of balances due to related parties of US$8.0 million.

Our material cash outflows for investing activities during the three financial years ended June 30, 2006 included:

- As a consequence of our acquisition of an initial 39.87% interest in Lingui from our Controlling Shareholders in April 2006, we were required under Malaysian law to undertake a mandatory general offer for shares in Lingui, pursuant to which we acquired an additional 19.82% interest in Lingui in May 2006, which additional acquisition resulted in a cash outflow for investing activities of US$35.9 million.

- Acquisition of property, plant and equipment and capital expenditures for construction in progress, lease prepayments and plantation assets, with an aggregate cost of US$63.3 million, US$77.9 million and US$107.5 million in the 2004, 2005 and 2006 financial years, respectively. In these financial years, we funded US$35.2 million, US$45.0 million and US$65.7 million, respectively, of these acquisition amounts with cash. We funded the remaining balance of these acquisitions, in the amounts of US$28.1 million, US$32.8 million and US$41.8 million in the 2004, 2005 and 2006 financial years, respectively, with financial leases (as discussed below) and trade credits.

  Payments for purchase of property, plant and equipment in all three financial years includes investments in logging equipment and machinery for our upstream log extraction operations. Our major property, plant and equipment acquisitions for use in the upstream operations during the 2004, 2005 and 2006 financial years included:

	For the financial year ended June 30,		
	2004	**2005**	**2006**
		(number of units)	
New Mercedes Benz logging trucks	50	35	61
New Caterpillar logging equipment	63	159	144

  Our capital expenditures also related to:

  – the construction of three new veneer mills during the three financial years ended June 30, 2006; and

  – additional capital expenditures for our Tebanyi veneer mill, which went into commercial operation in the 2003 financial year.

Total capital expenditures for the three veneer mills and the additional capital expenditure for the Tebanyi mill for the three financial years ended June 30, 2006 were US$11.8 million, US$17.2 million and US$13.2 million, respectively.

- In the three financial years ended June 30, 2006, we also incurred capital expenditures relating to a new sawmill in Guyana, a power plant in Sarawak, Malaysia and our plantation assets in New Zealand, as follows:

	For the financial year ended June 30,		
	2004	**2005**	**2006**
		(US$ in millions)	
Guyana sawmill (Buckhall)	–	–	4.9
Sarawak electricity co-generation facility	–	–	6.5
New Zealand plantation assets	3.4	4.2	5.0
	3.4	4.2	16.4

- Net advances to related companies which amounted to US$21.0 million and US$22.6 million for the financial years ended June 30, 2004 and 2005, respectively. Our advances to related companies consisted primarily of advances to non-forestry businesses owned by our Controlling Shareholders and their business partners. See "— Net current liabilities position and related parties balances".

- A US$12.9 million investment in two jointly-controlled entities we formed with Masonite in the 2005 financial year, and a US$15.0 million advance to one of these jointly-controlled entities in the same financial year.

Material cash inflows

Our material cash inflows for investing activities during the three months ended September 30, 2006 consisted of proceeds from the disposal of property, plant and equipment of US$5.7 million, primarily consisting of used logging equipment sold to third parties.

Our material cash inflows for investing activities during the three months ended September 30, 2005 consisted of US$2.5 million in repayments from jointly controlled entities.

Our material cash inflows for investing activities during the three financial years ended June 30, 2006 included:

- US$8.5 million in proceeds from the disposal of our 15% equity interest in Daiken Miri Sdn. Bhd. in the 2005 financial year.

- US$50.8 million proceeds from the sale of property, plant and equipment in the 2005 financial year, of which US$46.8 million were attributable to the sale of the assets of Samling DorFoHom Sdn. Bhd. to a jointly controlled entity, Magna-Foremost Sdn. Bhd., in the 2005 financial year.

- Net repayments from related parties in the amount of US$10.0 million in the 2006 financial year.

Cash used in financing activities

Net cash used in financing activities for the three month periods ended September 30, 2005 and 2006 amounted to an outflow of US$8.3 million and an outflow of US$12.9 million, respectively, and for the financial years ended June 30, 2004, 2005 and 2006 amounted to an outflow of US$39.9 million, an outflow of US$46.1 million and an outflow of US$25.9 million, respectively.

In the three months ended September 30, 2006, the primary cash outflows for our financing activities were (1) payment on the capital element of financial lease rentals in the amount of US$6.9 million, (2) payment of interest on bank loans and finance lease rentals amounting to US$5.1 million, and (3) net repayment of bank loans and other borrowings amounting to US$0.9 million.

In the three months ended September 30, 2005, the primary cash outflows for our financing activities were (1) payment on the capital element of finance lease rentals in the amount of US$4.0 million, (2) payment of interest on bank loans and finance lease rentals amounting to US$2.4 million, and (3) dividends paid in the amount of US$2.4 million.

In the financial year ended June 30, 2006, we received proceeds from the issuance of shares in the amount of US$72.3 million to fund our acquisition of an initial 39.87% equity interest in Lingui from our Controlling Shareholders in April 2006, prior to our acquisition of a further 19.82% interest in Lingui in May 2006. We also received net proceeds of bank loans and other borrowings (net of repayment of banks loans and other borrowings) in the amount of US$20.2 million. Such inflows were offset by cash outflows for our financing activities that included (1) payment of US$72.3 million to our Controlling Shareholders for the acquisition of such initial 39.87% equity interest in Lingui, (2) payment of interest on bank loans and finance lease rentals in the amount of US$20.7 million, (3) payment on the capital element of finance lease rentals in the amount of US$20.3 million and (4) dividends in the amount of US$5.0 million. The finance lease rentals mainly relate to the acquisition of capital assets under finance lease arrangements.

In the financial year ended June 30, 2005, the primary cash outflows for our financing activities were (1) net repayment of bank loans and other borrowings (net of proceeds of new banks loans and other borrowings) in the amount of US$19.6 million, (2) payment of interest on bank loans and finance lease rentals amounting to US$16.5 million, (3) payment on the capital element of finance lease rentals amounting to US$13.5 million and (4) dividends in the amount of US$1.3 million. In that financial year, we received US$4.8 million as proceeds of loans from shareholders to fund our Guyana operations.

In the financial year ended June 30, 2004, the primary cash outflows for our financing activities were (1) net repayment of bank loans and other borrowings (net of proceeds of new banks loans and other borrowings) in the amount of US$12.4 million, (2) payment of interest on bank loans and finance lease rentals in the amount of US$17.6 million, (3) payment on the capital element of finance lease rentals amounting to US$10.2 million and (4) dividends in the amount of US$2.5 million. In that financial year, we received US$2.8 million in proceeds from the issue of shares, net of issue expenses.

Working capital

Our working capital position is affected by the following factors, among others.

Net current liabilities position. As at June 30, 2004, 2005 and 2006, and September 30, 2006, respectively, we had a net current liabilities position of US$20.8 million, a net current assets position of US$36.2 million, a net current liabilities position of US$121.4 million and a net current liabilities position of US$90.9 million, respectively. At December 31, 2006, we had an unaudited net current liabilities position of US$71.1 million.

Cash flow from operations. Net cash generated from operations amounted to US$93.7 million, US$100.3 million and US$91.7 million, respectively, for the years ended June 30, 2004, 2005 and 2006. Net cash generated from our operations amounted to US$15.5 million and US$31.7 million, respectively for the three months ended September 30, 2005 and 2006.

Bank overdrafts, loans and other borrowings. As at June 30, 2004, 2005 and 2006 and at September 30, 2006, respectively, we had bank overdrafts, loans and other borrowings of US$191.5 million, US$175.0 million, US$251.0 million and US$246.9 million, respectively.

Indebtedness maturity analysis. Our Directors have been informed that the following table sets forth the maturity profile of our bank overdrafts, loans and other borrowings as of the dates indicated.

	As at June 30,			As at September 30,
	2004	2005	2006	2006
	(US$ in thousands)			
Payable within 1 year or on demand	110,813	91,949	121,792	117,179
Payable after 1 year but within 2 years	4,747	3,012	10,932	10,728
Payable after 2 year but within 5 years	9,199	11,155	34,156	34,557
Payable after 5 years	66,734	68,891	84,153	84,398
	80,680	83,058	129,241	129,683
	191,493	175,007	251,033	246,862

Unutilized banking facilities. As at September 30, 2006, we had banking facilities of US$280.2 million, of which as at September 30, 2006, US$246.9 million had been drawn down and US$33.3 million of our banking facilities remained unutilized and available for use. Our banking facilities as at September 30, 2006 comprised term loans, revolving credits, bankers acceptances, trust receipts and overdrafts provided by 16 financial institutions. Other than our term loans, which have a fixed repayment term, our other banking facilities do not have fixed repayment terms and are available to the Group for use on a revolving basis. The following table sets forth additional information with regards to our unutilized banking facilities as at September 30, 2006.

	As at September 30, 2006		
	Facility Amount	Utilized Amount	Unutilized Amount
		(US$ in millions)	
Overdrafts	37.8	23.5	14.3
Bank loans and other borrowings	242.4	223.4	19.0
	280.2	246.9	33.3

Bank balances and cash. As at June 30, 2004, 2005 and 2006 and as at September 30, 2006, respectively, we had deposits and cash at bank and in hand of US$19.7 million, US$26.5 million, US$21.1 million and US$30.8 million, respectively.

Restricted cash. A portion of our cash has been deposited in certain banks as pledges for bank loans. Such cash is restricted from being used or transferred before the repayment of the respective bank borrowings. As of June 30, 2004, 2005 and 2006 and as of September 30, 2006, the outstanding amount of cash so deposited was approximately US$10.0 million, US$10.0 million, US$9.7 million and US$9.9 million, respectively.

Trade receivables. As at June 30, 2004, 2005 and 2006, and September 30, 2006, respectively, our trade receivables were US$58.6 million, US$46.3 million, US$47.5 million, and US$50.0 million, respectively. Out of our US$50.0 million in trade receivables outstanding as at September 30, 2006, US$36.8 million, or approximately 73.6%, were subsequently settled as at December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose. As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had trade receivables of US$58.1 million. The average turnover days of our trade receivables for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006 was 55 days, 47 days, 44 days and 30 days, respectively.

Trade payables. As at June 30, 2004, 2005 and 2006, and September 30, 2006, respectively, our trade payables were US$64.4 million, US$58.2 million, US$67.8 million, and US$65.6 million, respectively. Out of our US$65.6 million in trade payables outstanding as at September 30, 2006, US$35.3 million, or approximately 53.9%, were subsequently settled as at December 31, 2006, being the most recent practicable balance sheet date for such purpose. As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had trade payables of US$54.0 million. The average turnover days of our trade payables for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006 was 79 days, 66 days, 67 days and 60 days, respectively.

Inventories. As at June 30, 2004, 2005 and 2006, and September 30, 2006, respectively, our inventories were US$73.4 million, US$69.0 million, US$83.5 million and US$92.1 million, respectively. Out of our US$92.1 million in inventory as at September 30, 2006, US$72.9 million, or approximately 79.2%, was subsequently sold or used as at December 31, 2006, being the most recent practicable balance sheet date for such purposes. As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had inventories of US$99.9 million. The average turnover days of our inventories for the financial years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006 was 90 days, 76 days, 81 days and 79 days, respectively.

Capital expenditures and investments. In the financial years ended June 30, 2004, 2005 and 2006, we incurred capital expenditures in the amounts of US$71.5 million, US$86.3 million and US$115.5 million, respectively. In the three months ended September 30, 2005 and 2006, we incurred capital expenditures in the amounts of US$20.7 million and US$23.9 million, respectively. Our total capital expenditures and investments for the year ending June 30, 2007 are estimated to be US$63.0 million. As at September 30, 2006, US$7.5 million of such amount had been authorized and contracted for and an additional US$31.6 million of such amount had been authorized but had not yet been contracted for. We also estimate planned capital expenditures and investments of US$63.0 million in 2008 and US$175.0 million in 2009. We expect to finance these capital expenditures and investments partly using the net proceeds of the Global Offering. See "Future Plans and Use of Proceeds". See also "Capital Expenditures" for more detailed information regarding our planned capital expenditures and investments.

Foreign exchange and repatriation controls. We have not encountered any material foreign exchange control or repatriation control difficulties to date in managing our working capital but cannot assure investors that we will not encounter any such difficulties in the future.

Management initiatives. In order to improve our working capital position, operating cash flow position and liquidity, we are reviewing our Company's current working capital lines, with the objective of transitioning to longer-term loans which our Directors believe will improve our working capital position by reducing our amount of bank overdrafts, loans and other borrowings payable on demand, and focusing management initiatives on reducing average inventory and trade receivables turnover days, which our Directors believe will improve our cash flow.

Of our US$117.2 million in bank overdrafts, loans and other borrowings outstanding as at September 30, 2006 payable within one year or on demand, US$27.3 million was payable within one year and US$89.9 million was payable on demand. We intend to re-finance approximately US$20.0 million of such US$89.9 million in bank overdrafts, loans and other borrowings payable on demand with long term borrowings prior to June 30, 2007. Although we have not yet entered into negotiations with our bankers for such long term facilities, we do not believe that there will be any material impediment to obtaining such long-term facilities as we have obtained such facilities in the regular course of our business in the past, and have not experienced any major difficulties in obtaining such facilities in the past.

Additional specific management measures being implemented by our Company include: (1) closer review and monitoring of ageing of debtors, (2) tightening of controls over credit terms and collections, and (3) installation of enterprise resource planning or "ERP" systems to enhance operational reporting and assist managers in making more timely decisions. In particular, we believe the implementation of ERP systems will provide us more complete and up-to-date operational information on more frequent intervals, thereby allowing us to more closely review and monitor our inventory and trade receivables and to initiate appropriate follow-up actions. We also expect ERP systems to improve our production planning process, optimizing the use of our inventories and thereby reducing inventory levels.

Directors' confirmation regarding sufficiency of working capital

Taking into account the estimated net proceeds available to us from the Global Offering (see the section headed "Future Plans and Use of Proceeds" for further information), the above factors affecting working capital and the considerations below, our Directors are satisfied that, and are of the opinion that, upon completion of the Global Offering we will have sufficient working capital for our present requirements, that is, for at least the next 12 months from the date of this prospectus.

Our Directors have reached such conclusion on the basis that our recent net current liabilities positions and increases in bank overdrafts, loans and other borrowings have resulted from non-recurring matters, such as the Reorganization and significant capital expenditures and investments in expansions of tree plantations undertaken during the Track Record Period, each as discussed in greater detail in "Financial Information —

Certain balance sheet items — Net current liabilities position" immediately below. As stated in "Financial Information — Factors Affecting Results of Operations — Increases in timber extraction and processing capacity" and "Financial Information — Investing activities", in the past three financial years, we have used funds generated from operations (1) to invest in new capital expenditures and (2) to invest in the expansion of our tree plantations, which are not reflected as inventory ready for sale until the end of the 10 to 15 year growth period. As a result, our working capital requirements have been partially funded with bank overdrafts and other short term banking facilities while such longer-term assets have been financed by means of internally generated funds.

In addition, our Directors have reached the conclusion that our working capital will, upon completion of the Global Offering, be sufficient for our present requirements on the basis that: (1) our cash flow from operations has improved in the three months ended September 30, 2006 as compared to the three months ended September 30, 2005, (2) our trade receivables average turnover days improved from 55 days as of June 30, 2004 to 30 days as of September 30, 2006, (3) our trade payables average turnover days improved from 79 days as of June 30, 2004 to 60 days as of September 30, 2006, (4) our inventory average turnover days improved from 90 days as of June 30, 2004 to 79 days as of September 30, 2006, (5) our management believes that our unutilized banking facilities and working capital lines will continue to be available during the next 12 months from the date of this prospectus, (6) we intend to finance our longer-term assets predominantly by means of longer-term loans and internally generated funds, and (7) our historical working capital levels have proved to be sufficient for the operations of our Company over the Track Record Period.

CERTAIN BALANCE SHEET ITEMS

Net current liabilities position

At December 31, 2006

At December 31, 2006, we had an unaudited net current liabilities position of US$71.1 million. The following table sets forth our unaudited net current liabilities position, as well as our unaudited current assets and unaudited current liabilities, as at December 31, 2006:

	As at December 31, 2006
	(US$ in millions) ***(unaudited)***
Current Assets	
Inventories	99.9
Trade and other receivables	104.0
Cash and cash equivalents	27.8
Total current assets	231.7
Current liabilities	
Bank overdrafts, loans and Borrowings	121.0
Finance lease liabilities	27.7
Trade and other payables	146.2
Tax payable	7.9
Total current liabilities	302.8
Net current liabilities	(71.1)

At June 30, 2006 and September 30, 2006

At June 30, 2006 and September 30, 2006, we had net current liabilities positions of US$121.4 million and US$90.9 million, respectively. Our net current liabilities position as at such dates was primarily attributable to the recent restructuring of our Company. In connection with such restructuring, on June 29 and 30, 2006, our Controlling Shareholders transferred their equity interest in various timber companies in Malaysia and Guyana that they controlled to us, consideration for which was satisfied by the assignment of non-trade amounts due from related parties of SST to our Controlling Shareholders in the amount of US$150.2 million, as well as shares in our Company. This US$150.2 million amount was determined based on the balance of non-trade debt owed by our Controlling Shareholders to SST as at the date of such transfers, which non-trade debt amount arose over time in connection with the funding of property development businesses of our Controlling Shareholders not forming part of the Group. Following the completion of the Reorganization, our net current assets were reduced by such amount, which contributed to the decrease of our total current assets from US$322.8 million as at June 30, 2005 to US$211.2 million at June 30, 2006.

Our net current liabilities position as at June 30, 2006 was also partly attributable to bank overdrafts, loans and borrowings of US$121.8 million and finance lease liabilities of US$22.8 million and our net current liabilities position as at September 30, 2006 was also partly attributable to bank overdrafts, loans and borrowings of US$117.2 million and finance lease liabilities of US$25.5 million. As stated in "— Factors Affecting Results of Operations — Expansion and enhancement of our log extraction and processing capacity" and "— Investing Activities", in the past three financial years, we have used funds generated from operations to invest in new capital expenditures to better position ourselves for any opportunities from upwards timber price trends. Part of these capital investments relate to the maintenance of our Malaysian and New Zealand plantation assets and the construction of roads and other infrastructure in our plantations and concessions for current and future harvesting. Due to the growth period of about 10 years for the Malaysian plantation and about 25 years to 30 years for the New Zealand plantations from harvesting, costs incurred on plantation assets are taken up as long term assets and not current assets in the Balance Sheet. The timber inventory from the plantation assets will only be reflected as current assets upon the actual harvesting of the plantation. The forward roading and other infrastructure costs which are incurred in the plantations and concessions to facilitate future harvesting of timber are also taken up as fixed assets and not current assets in the Balance Sheet. Due to these capital investments, we have used bank overdrafts and other short term borrowings to fund our working capital requirements.

At June 30, 2004 and June 30, 2005

At June 30, 2004 and 2005, respectively, we had a net current liabilities position of US$20.8 million and a net current assets position of US$36.2 million. Our net current liabilities position as at June 30, 2004 was mainly due to advances to related parties and interest accruals of Carribean Esskay Limited and its subsidiaries (our operation in Guyana) of US$49.0 million, which were repayable on demand. All these payables were settled in June 2005 during the reorganization of our operations in Guyana and through issuance of shares in Carribean Esskay Limited. Due to the settlement of these payables, our current liabilities at June 30, 2005 were significantly lower than at June 30, 2004, which resulted in a net current assets position as at June 30, 2005.

At September 30, 2006, we had US$17.7 million in net amounts due to related parties. Prior to Listing, we will assign such amounts due from and due to related parties to our immediate parent, Samling Strategic, and capitalize the net balance payable, if any, into our share capital. After Listing, there will no longer be any advances to any related parties.

Timber Concessions

Timber concessions consist of timber concessions licenses granted by governmental authorities in Malaysia and Guyana to harvest a certain amount of timber annually according to cutting cycles of generally 25 years in Malaysia and 40 years in Guyana. Concession licenses granted by the Sarawak state government and the Government of Guyana are granted at no initial cost to the initial licensee thereof, but thereafter may be bought and sold at market prices. We acquired five timber concession licenses through acquisitions of subsidiaries prior to 2004 for a total consideration of US$23,684,000 and through acquisition of Merawa Sdn. Bhd. in 2006 for US$16,423,000. We have also been granted certain timber concession licenses directly by governmental authorities in Malaysia and Guyana at no initial cost. Each license covers a specific area called a forest management unit or concession. Each concession is divided into annual harvest areas called "coupes" which are sequentially harvested over a number of years. Our licenses expire between 2007 and 2041.

Under the terms of our timber concession licenses, we are required to pay royalties to the applicable government based on the volume of tree species harvested each year, subject to an annual minimum royalty payment. Specifically, we pay royalties to the Sarawak state government and the Government of Guyana based on the volume by species of log harvested. We also pay premium taxes to the Sarawak Forest Department for logs extracted from our Malaysian concessions. In Malaysia, we are also subject to an annual quota determined by the Sarawak Forest Department which limit the maximum volume of logs permitted to be assessed for royalties each year.

At June 30, 2004, 2005 and 2006, and at September 30, 2006, the carrying amount of our timber concessions was US$18.4 million, US$16.6 million, US$31.8 million and US$30.7 million, respectively. The US$15.2 million increase in the carrying amount of our timber concessions during the 2006 financial year was attributable to (i) the acquisition of one additional concession in Sarawak, Malaysia, which we acquired in June 2006 by purchasing Merawa Sdn. Bhd. (ii) less amortization charges for such year. As that concession was acquired from a third party, it was booked into our accounts under the purchase accounting method under IFRS. The Merawa concession grants us harvesting in an area of approximately 100,209 hectares.

The US$1.1 million decrease in the carrying amount of our timber concessions during the three months ended September 30, 2006 was the result of amortization charges during such period. The carrying amount of our timber concessions at September 30, 2006 also relates to five concessions which our subsidiary Lingui had acquired before July 1, 2003. These five concessions are accounted in our books under the purchase accounting method under IFRS. The hectares of these five concessions, all of which are located in Sarawak, Malaysia, is approximately 685,000 hectares. In addition, we have ten concessions in Malaysia and Guyana which were transferred to us by our controlling parent that were accounted for under the merger accounting method under IFRS. Under this merger accounting method, there was no carrying amount for these concessions on our books at June 30, 2006 and September 30, 2006. The hectarage of these concessions is approximately 2,249,000 hectares, of which approximately 638,000 hectares are located in Malaysia and approximately 1,611,000 hectares are located in Guyana.

The following table sets forth certain information regarding our timber concessions as of the dates indicated below.

	As at June 30,			As at September 30,
	2004	**2005**	**2006**	**2006**
	(number of licenses)			
Timber concession licenses				
Malaysia	14	14	15	15
Guyana	1	1	1	1
Total	15	15	16	16

Concessions	As at September 30, 2006	
	Malaysia	**Guyana**
	(Hectares in thousands)	
Gross area	1,424	1,611
Net operable area[1]	908	1,327

Note:

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

Plantation Assets

Our plantation assets comprise our plantations in Malaysia and New Zealand, ranging from newly established plantations to plantations that are 27 years old. A significant portion of our plantation trees in New Zealand are planted on freehold land owned by us and a small portion on leasehold land with a 79 year term, expiring in 2060. We hold six plantation licenses for a gross area of approximately 438,000 hectares of planted forest in Malaysia, which licenses are for a term of 60 years, the earliest of which expires in 2058.

Plantation assets are stated at fair value less estimated point-of-sale costs. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. The fair value of plantation assets is determined independently by professional valuers. See "Factors Affecting Results of Operations — Change in fair value of plantation assets less estimated point-of-sale costs" and "Critical Accounting Policies — Fair value of plantation assets less estimated point-of-sale costs" for further information.

At June 30, 2004, 2005 and 2006, and at September 30, 2006, our plantation assets represented standing timber comprising approximately 30,377 hectares, 33,248 hectares, 35,714 hectares and 37,180 hectares of tree plantations, respectively. The area of standing timber on our tree plantations has increased during the Track Record Period principally due to the planting of additional plantation area in Malaysia. We maintain records of the area of our tree plantations by means of mapping, aerial photography and global positioning system data. We perform tree counts on our plantations by performing inventory counts of trees on sample plots, and using global positioning system ("GPS") data to extrapolate tree counts over larger areas. We do not perform

full ground-based tree counts or inspections of our tree plantations on a regular, periodic basis and instead perform tree counts on sample plots within our tree plantations on a periodic basis which varies depending on the age of the trees. Natural tree growth and yield is extrapolated based on available growth models for each relevant species grown under similar climatic and site conditions.

Our plantations in New Zealand are currently producing woodflows and are managed and valued as a composite of 897 individual plantation stands. Measurements of our New Zealand plantations are completed based on individual stand assessments carried out from planting through to final pre-harvesting inventory using random systematic sampling designs. We have established 66 permanent growth and yield plots throughout our New Zealand plantations, which have been repeatedly measured for stand growth and individual tree growth. We have established stand boundaries for our plantation stands in New Zealand using GPS technology and update our plantation stand records for our New Zealand plantations monthly using estimates and quarterly using GPS technology. We also overfly and photograph our New Zealand plantations semi-annually in order to confirm the accuracy of our plantation information by reconciling our GPS data against aerial photography. Our independent valuers, at each full valuation date, conduct a random ground-based field inspection of our New Zealand plantations. The most recent such ground-based field inspection occurred in June 2006.

Our plantations in Malaysia have not yet matured. We have established 64 permanent sample plots and have conducted one measurement on each such permanent sample plot. We have established stand boundaries for our plantation stands in Malaysia using GPS technology and update our plantation stand records for our Malaysia plantations monthly using estimates. Our independent valuers conducted an aerial inspection across all our Malaysian plantations in April 2005 and performed a non-systematic ground-based field inspection of certain specific of our Malaysian plantations areas in April 2006 and November 2006.

At June 30, 2004, 2005 and 2006, and at September 30, 2006, we had plantation assets of US$178.1 million, US$193.8 million, US$165.3 million, and US$182.0 million, respectively.

Our plantation assets increased by US$15.7 million, or approximately 8.8%, from US$178.1 million at June 30, 2004 to US$193.8 million at June 30, 2005 due to a gain from exchange rate differences of US$20.0 million, a loss in fair value of plantation assets less estimated point-of-sale costs of US$14.8 million, additions to plantation assets of US$12.9 million and a credit for harvested timber transferred to inventories of US$2.5 million. Our plantation assets decreased by US$28.5 million, or approximately 14.7%, from US$193.8 million at June 30, 2005 to US$165.3 million at June 30, 2006 due to a loss from exchange rate differences of US$25.4 million, a loss in fair value of plantation assets less estimated point-of-sale costs of US$15.3 million, additions to plantation assets of US$13.3 million and a credit for harvested timber transferred to inventories of US$1.1 million. Our plantation assets increased by US$16.7 million, or approximately 10.1%, from US$165.3 million at June 30, 2006 to US$182.0 million at September 30, 2006 due to a gain from exchange rate differences of US$12.5 million, additions to plantation assets of US$3.5 million, a gain in fair value of plantation assets less estimated point-of-sale costs of US$1.2 million, and a credit for harvested timber transferred to inventories of US$0.5 million.

Trade and Other Receivables

At June 30, 2004, 2005 and 2006, and at September 30, 2006, we had trade and other receivables of US$206.7 million, US$218.8 million, US$97.3 million, and US$79.9 million, respectively.

Our trade and other receivables include trade receivables, prepayments, deposits and other receivables, and amounts due from related parties. Our trade receivables represent trade receivables from the sales of our products. Prepayments, deposits and other receivables comprise prepayments of insurance in respect of the following financial year or period, deposits for utilities and acquisition of equipment, amounts receivable from sales of property, plant and equipment and professional fees incurred in respect of the Global Offering. Amounts due from related parties comprise advances, which are unsecured, interest free and recoverable upon demand.

Our trade and other receivables increased by US$12.1 million, or approximately 5.8%, from US$206.7 million at June 30, 2004 to US$218.8 million at June 30, 2005. Our trade and other receivables decreased by US$121.5 million, or approximately 55.5%, from US$218.8 million at June 30, 2005 to US$97.3 million at June 30, 2006. Our trade and other receivables decreased by US$17.3 million, or approximately 17.8%, from US$97.3 million at June 30, 2006 to US$79.9 million at September 30, 2006.

The table below sets forth information regarding our trade and other receivables as of the dates indicated.

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	58,582	46,323	47,478	50,009
Prepayments, deposits and other receivables	9,173	12,534	24,600	29,924
Amounts due from related parties	138,920	159,893	25,183	–
	206,675	218,750	97,261	79,933

Trade receivables

Our trade receivables were US$58.6 million as at June 30, 2004, US$46.3 million as at June 30, 2005, US$47.5 million as at June 30, 2006, and US$50.0 million as at September 30, 2006.

Our trade receivables decreased by US$12.3 million, or approximately 20.9%, from US$58.6 million at June 30, 2004 to US$46.3 million at June 30, 2005 due to an increase in sales to export customers, who pay by letter of credit, and improved collection of debts by Samling DorFoHom Sdn. Bhd. Our trade receivables increased by US$1.2 million, or approximately 2.5%, from US$46.3 million at June 30, 2005 to US$47.5 million at June 30, 2006 due to the acquisition of various subsidiaries in Malaysia and the PRC on June 29, 2006. Our trade receivables increased by US$2.5 million, or approximately 5.3%, from US$47.5 million at June 30, 2006 to US$50.0 million at September 30, 2006 due to an increase in our turnover.

The following table sets forth the turnover of our average trade receivables for the periods indicated.

	Financial year ended June 30,			Three months ended September 30,
	2004	2005	2006	2006
		(days)		
Turnover of average trade receivables	55	47	44	30

The average age of our trade receivables (i) decreased from June 30, 2004 to June 30, 2005 due to greater sales to export customers, which customers generally pay by means of letters of credit, (ii) decreased from June 30, 2005 to June 30, 2006 due to a decrease in average debtor balances from June 30, 2005 to June 30, 2006, and (iii) decreased from June 30, 2006 to September 30, 2006 due to greater sales to export customers, which customers generally pay by means of letters of credit. We control and monitor our trade receivables by maintaining credit policies with regards to the standard terms of letters of credit used by our customers and by tracking the ageing of balances due from our customers. We set appropriate credit limits and terms for our customers after credit evaluations have been performed on a case by case basis. Appropriate credit limits are set at different credit levels for each customer, so as to limit the amount of our credit exposure to any individual customer.

We normally allow our customers a credit period of 30 days to 90 days to make payment to us. Despite these policies, as of September 30, 2006 approximately 20.4% of our trade receivables were aged over 90 days, primarily as a result of our extending to a former distributor of our products in the United States a longer payment period than 90 days upon our having commenced the export of our products directly to the United States. The payment period granted by us to such former distributor consists of a credit period of five years, expiring in March, 2010, with regards to certain of our trade receivables from such former distributor. As of September 30, 2006, we had US$4.7 million in trade receivables outstanding under such extended payment terms. Other than such balances, our trade receivables are generally required to be paid within 30 days to 90 days, our other customers not being extended such extended payment terms by us.

The following table sets forth an ageing analysis of our trade receivables as at the balance sheet dates indicated.

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	31,407	24,694	24,505	28,705
31 – 60 days	5,323	7,294	5,192	6,145
61 – 90 days	5,248	4,559	5,201	4,959
91 – 180 days	6,402	3,941	6,157	4,041
181 – 365 days	1,987	2,916	2,673	3,325
1 – 2 years	5,590	911	3,198	1,683
2 – 3 years	1,000	1,008	552	1,151
3 – 4 years	1,000	1,000	–	–
4 – 5 years	625	–	–	–
	58,582	46,323	47,478	50,009

Out of our US$50.0 million in trade receivables outstanding as at September 30, 2006, US$36.8 million, or approximately 73.6%, were subsequently settled as at December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose.

As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had trade receivables of US$58.1 million.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables increased by US$3.4 million, or approximately 36.6%, from US$9.2 million at June 30, 2004 to US$12.5 million at June 30, 2005 due to the making of a deposit to a supplier for the acquisition of veneer machinery for the Layun veneer mill. Our prepayments, deposits and other receivables increased by US$12.1 million, or approximately 96.3%, from US$12.5 million at June 30, 2005 to US$24.6 million at June 30, 2006 due to professional fees incurred in respect of the Global Offering, the acquisition of subsidiaries and receivables from disposals of plant and equipment. Our prepayments, deposits and other receivables increased by US$5.3 million, or approximately 21.6%, from US$24.6 million at June 30, 2006 to US$29.9 million at September 30, 2006 due to professional fees incurred in respect of the Global Offering and other receivables from the disposal of logging equipment.

Amounts due from related parties

Transactions giving rise to our amounts due from related parties during the Track Record Period generally consisted of advances made to related parties and interest receivable on advances to related parties. Our amounts due from related parties increased by US$21.0 million, or approximately 15.1%, from US$138.9 million at June 30, 2004 to US$159.9 million at June 30, 2005 due to advances made to certain related parties. Our amounts due from related parties decreased by US$134.7 million, or approximately 84.3%, from US$159.9 million at June 30, 2005 to US$25.2 million at June 30, 2006 due to the effects of our Company's reorganization, whereby US$150.2 million was utilized as consideration for the acquisition of certain subsidiaries. Our amounts due from related parties decreased by US$25.2 million, or 100.0%, from US$25.2 million at June 30, 2006 to nil at September 30, 2006 due to the entry by our Company into a settlement agreement dated September 30, 2006, pursuant to which amounts due from and due to related parties were offset and assigned to Samling Strategic, resulting in our amounts due from related parties being reduced to nil.

Our Directors confirm that any outstanding balances due from related parties will be fully settled prior to the Listing Date.

Inventories

The following table sets forth a summary of our inventory balances as at the balance sheet dates indicated, as well as our turnover of average inventory for the periods indicated.

	As at June 30,			As at September 30,
	2004	2005	2006	2006
	(US$'000)			
Timber logs	24,886	19,372	18,916	26,925
Raw materials	7,196	5,371	6,767	7,731
Work-in-progress	9,611	6,705	8,867	7,540
Manufactured inventories	15,089	18,729	17,849	17,672
Stores and consumables	16,584	18,812	31,072	32,214
	73,366	68,989	83,471	92,082
Turnover of average inventory (days)	90	76	81	79

Our inventories consist of timber logs, raw materials, work-in-progress, manufactured inventories and stores and consumables. Our total inventory balances (i) decreased from June 30, 2004 to June 30, 2005 due to higher volumes sold, (ii) increased from June 30, 2005 to June 30, 2006 due to our new veneer plant in Layun, our acquired plywood plant in Sibu, and higher parts inventory at our Guyana operations in anticipation of a planned increase in logging activities in Guyana and (iii) increased from June 30, 2006 to September 30, 2006 due to an increase in log production as a result of improved weather conditions at our log extraction locations.

Our turnover of average inventory (in terms of days) (i) decreased from June 30, 2004 to June 30, 2005 due to an increase in sales volumes of plywood and veneer during the 2005 financial year, (ii) increased from June 30, 2005 to June 30, 2006 due to inventories associated with our new veneer plant in Layun and our acquired plywood plant in Sibu, together with an increase in parts inventories of our Guyana operations in anticipation of a planned increase in our logging activities in Guyana and (iii) decreased from June 30, 2006 to September 30, 2006 due to an increase in sales volumes during the three months ended September 30, 2006.

We control and monitor our inventories by tagging each log and each crate of plywood and veneer for tracking purposes and tracking each log and each crate of plywood and veneer daily. We utilize inventory tracking software in connection with the monitoring and control of our inventories of logs and plywood.

The following table sets forth an ageing analysis of our total inventory balances as at the balance sheet dates indicated.

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
1 – 3 months	57,219	57,019	65,536	71,226
4 – 6 months	3,533	1,936	8,605	10,923
7 – 9 months	2,001	1,913	3,101	3,433
10 – 12 months	1,095	841	1,124	1,538
Greater than 1 year	9,518	7,280	5,105	4,962
	73,366	68,989	83,471	92,082

Out of our US$92.1 million in inventory as at September 30, 2006, US$72.9 million, or approximately 79.2%, was subsequently sold or used as at December 31, 2006, being the most recent practicable balance sheet date for such purposes and no amounts were written off due to damage or loss. The following table sets forth details with regards to the subsequent sale or use as at December 31, 2006 of our inventory as at September 30, 2006.

	Inventory as at September 30, 2006 subsequently sold or used as at December 31, 2006
	(US$ in millions)
Timber logs	26.0
Raw materials	4.9
Works-in-progress	6.7
Manufactured inventories	14.1
Stores and consumables	21.2
	72.9

As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had inventory balances of US$99.9 million, comprised of inventory balances of US$28.2 million of timber logs, US$8.4 million of raw materials, US$7.9 million of work-in-progress, US$25.8 million of manufactured inventories and US$29.6 million of stores and consumables.

Trade and Other Payables

At June 30, 2004, 2005 and 2006, and at September 30, 2006, we had trade and other payables of US$194.8 million, US$137.6 million, US$186.3 million, and US$154.3 million, respectively.

Our trade and other payables include trade payables, other payables, accrued expenses, and amounts due to related parties. Our trade payables represent trade payables from our purchases from various suppliers. Our other payables comprise amounts payable to suppliers of plant and equipment. Our accrued expenses comprise accruals for royalties, salaries, rates and assessments and other costs. Amounts due to related parties comprise non-trade balances due to related parties.

The table below sets forth information regarding our trade and other payables as of the dates indicated.

	June 30,			September 30,
	2004	**2005**	**2006**	**2006**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Trade payables	64,354	58,213	67,824	65,620
Other payables	21,491	15,842	32,211	37,297
Accrued expenses	43,108	32,950	36,784	33,684
Amounts due to related parties	65,875	30,592	49,439	17,714
	194,828	137,597	186,258	154,315

Trade payables

Our trade payables were US$64.4 million as of June 30, 2004, US$58.2 million as of June 30, 2005, US$67.8 million as of June 30, 2006, and US$65.6 million as of September 30, 2006.

Our trade payables decreased by US$6.1 million, or approximately 9.5%, from US$64.4 million at June 30, 2004 to US$58.2 million at June 30, 2005 due to the repayment of certain trade creditor balanced from the sale of our door-facing and door making subsidiaries to two jointly controlled entities. Our trade payables increased by US$9.6 million, or approximately 16.5%, from US$58.2 million at June 30, 2005 to US$67.8 million at June 30, 2006 due to increased purchases of spare parts inventory and the inclusion of trade creditor payables of certain companies acquired in the PRC and Malaysia on June 29, 2006. Our trade payables decreased by US$2.2 million, or approximately 3.2%, from US$67.8 million at June 30, 2006 to US$65.6 million at September 30, 2006 due to our improved liquidity position.

The following table sets out the turnover of our average trade payables for the periods indicated.

	Financial year ended June 30,			Three months ended September 30,
	2004	**2005**	**2006**	**2006**
		(days)		
Turnover of average trade payables	79	66	67	60

The average age of our trade payables (i) decreased from June 30, 2004 to June 30, 2005 due to the repayment of certain trade and other payables during the 2005 financial year from proceeds from the sale of our door-facing and door-making subsidiaries to two jointly controlled entities we formed with Masonite during that year, (ii) increased from June 30, 2005 to June 30, 2006 due to increased purchases of spare parts inventory and the inclusion of trade and other payables of companies acquired in the PRC and Malaysia on June 29, 2006, and (iii) decreased from June 30, 2006 to September 30, 2006 due to our improved liquidity position. We control and monitor our trade payables by tracking the ageing of our trade payables and conducting monthly reconciliations.

Our suppliers generally require us to make payment within two weeks to 90 days of our taking receipt of goods. Despite these policies, as of September 30, 2006 approximately 49.7% of our trade payables were aged over 90 days, primarily as a result of our being extended by four of our spare parts suppliers (with whom we have had substantial prior dealings) payment periods longer than 90 days with regards to certain of our trade payables. The payment periods granted to us by such spare parts suppliers with regards to such trade payables consist of a total credit period of two to three years. As of September 30, 2006, we had US$11.2 million in trade payables outstanding under such extended payment terms. Other than such balances, our trade payables are generally required to be paid within two weeks to 90 days, our other suppliers not extending such extended payment terms to us.

The following table sets forth an ageing analysis of our trade payables as at the balance sheet dates indicated.

	June 30,			September 30,
	2004	**2005**	**2006**	**2006**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Within 30 days	19,713	18,517	18,070	12,867
31 – 60 days	7,708	9,452	8,950	10,417
61 – 90 days	6,722	5,815	6,403	9,742
91 – 180 days	9,671	9,487	9,978	9,686
181 – 365 days	8,656	10,165	13,264	11,080
1 – 2 years	11,305	4,578	10,856	11,444
2 – 3 years	579	77	303	384
3 – 4 years	–	122	–	–
	64,354	58,213	67,824	65,620

Out of our US$65.6 million in trade payables outstanding as at September 30, 2006, US$35.3 million, or approximately 53.9%, were subsequently settled as at December 31, 2006, being the most recent practicable balance sheet date for such purpose.

As of December 31, 2006, being the most recent practicable balance sheet date subsequent to September 30, 2006 for such purpose, we had trade payables of US$54.0 million.

Other payables

Our other payables decreased by US$5.6 million, or approximately 26.3%, from US$21.5 million at June 30, 2004 to US$15.8 million at June 30, 2005 due to repayment of certain suppliers of plant and equipment. Our other payables increased by US$16.4 million, or approximately 103.3%, from US$15.8 million at June 30, 2005 to US$32.2 million at June 30, 2006 due to the acquisition of logging equipment and accruals for professional fees in respect of the Global Offering. Our other payables increased by US$5.1 million, or approximately 15.8%, from US$32.3 million at June 30, 2006 to US$37.3 million at September 30, 2006 due to accruals for professional fees in respect of the Global Offering and further acquisitions of logging equipment.

Accrued expenses

Our accrued expenses decreased by US$10.2 million, or approximately 23.6%, from US$43.1 million at June 30, 2004 to US$33.0 million at June 30, 2005 due to capitalisation of accrued interest payable to the former shareholder of Caribbean Esskay Limited in the 2005 financial year. Our accrued expenses increased by US$3.8 million, or approximately 11.6%, from US$33.0 million at June 30, 2005 to US$36.8 million at June 30, 2006 due to an increase in accruals for purchases not yet billed by suppliers at year end. Our accrued expenses decreased by US$3.1 million, or approximately 8.4%, from US$36.8 million at June 30, 2006 to US$33.7 million at September 30, 2006 due to a decrease in accruals for purchases billed by suppliers at year end.

Amounts due to related parties

Transactions giving rise to our amounts due to related parties during the Track Record Period generally consisted of advances made by related parties, interest payable on advances from related parties and management fees. Our amounts due to related parties decreased by US$35.3 million, or approximately 53.6%, from US$65.9 million at June 30, 2004 to US$30.6 million at June 30, 2005 due to the capitalization of certain related balances. Our amounts due to related parties increased by US$18.8 million, or approximately 61.6%, from US$30.6 million at June 30, 2005 to US$49.4 million at June 30, 2006 due to advances made by a related company to enable our Company to settle part of a loan taken in order to finance the mandatory general offer for shares in Lingui described in "Our History and Corporate Structure". Our amounts due to related parties decreased by US$31.7 million, or approximately 64.2%, from US$49.4 million at June 30, 2006 to US$17.7 million at September 30, 2006 due to the entry by our Company into a settlement agreement dated September 30, 2006, pursuant to which amounts due from and due to related parties were offset and assigned to Samling Strategic, resulting in our amounts due from related parties being reduced to US$17.7 million.

Our Directors confirm that all outstanding balances due to related parties will be capitalized into our Company's share capital prior to the Listing Date.

INDEBTEDNESS

At June 30, 2004, 2005 and 2006, September 30, 2006 and December 31, 2006 we had the following outstanding indebtedness.

	As at June 30,			As at September 30,	As at December 31,
	2004	2005	2006	2006	2006
	(US$ in millions)				
Secured commercial indebtedness					
Loans and borrowings	120.6	107.7	128.4	130.8	136.6
Bank overdrafts	11.4	11.1	12.1	10.8	15.0
Lease liabilities	38.1	54.9	78.3	87.5	93.5
Bonds	78.5	78.7	40.8	40.8	42.5
Subtotal	248.6	252.4	259.6	269.9	287.6
Unsecured commercial indebtedness					
Loans and borrowings	46.9	46.3	94.1	92.6	88.7
Bank overdrafts	12.6	9.9	16.4	12.7	11.2
Subtotal	59.5	56.2	110.5	105.3	99.9
Unsecured shareholder loans	41.9	—	—	—	—
Total	350.0	308.6	370.1	375.2	387.5
Current Subtotal	124.4	146.5	144.6	142.7	148.7
Noncurrent Subtotal	225.6	162.1	225.5	232.5	238.8
Total	350.0	308.6	370.1	375.2	387.5

Note: For the purpose of this indebtedness statement, foreign currency amounts have been translated into U.S. dollars at applicable rates prevailing at the close of business on the relevant balance sheet date. No representation is made that the amounts denominated in the relevant currencies have been, could have been or could be converted into U.S. dollars or vice versa at such rates or at any other rate on that date or any other date or at all.

At December 31, 2006, our indebtedness consisted primarily of: (1) secured working capital facilities (including revolving credits, overdrafts, bank acceptances and trust receipts to meet our short term needs), (2) secured bank loans to meet our long-term needs, (3) financial leases related to purchases of heavy machinery and equipment for our logging operations, and (4) bond issuances. At December 31, 2006, approximately 74.2% of our total indebtedness was secured while approximately 25.8% was unsecured. Of the secured facilities, approximately 5.3% were secured by a parent guarantee from Samling Strategic, approximately 1.0% were secured by personal guarantees from our Controlling Shareholders, and approximately 0.5% was secured by our Controlling Shareholders' affiliate Anhui Hualin. We have renegotiated with our secured lenders to replace Samling Strategic and the other guarantors, as applicable, with ourselves as the guarantor for such facilities before Listing. See "Business — Connected Transactions" in this prospectus. As of the Latest Practicable Date, all such guarantees have been released.

The followings sets forth a summary information about the effective interest rate of our indebtedness at June 30, 2004, 2005 and 2006, at September 30, 2006 and at December 31, 2006.

	Effective interest rate per annum				
	As at June 30,			As at September 30,	As at December 31,
	2004	2005	2006	2006	2006
	(in percentages)				
Secured					
Loans and borrowings	4.15–15.0	4.28–15.0	3.8–15.0	4.3–15.0	4.3–15.0
Bank overdrafts	7.0–8.4	7.0–8.0	7.0–8.75	7.0–8.75	7.0–8.75
Lease liabilities	3.7–4.7	3.5–4.7	3.0–4.5	3.4–4.7	3.4–4.7
Bonds	8.0–8.5	8.0–8.5	8.5	8.5	8.5
Unsecured					
Loans and borrowings	2.86–15.0	2.75–15.0	3.10–15.0	4.17–15.0	4.17–15.0
Bank overdrafts	7.0–7.9	7.0–7.5	7.0–8.25	7.0–8.25	7.0–8.25
Shareholders' loans	4.8	—	—	—	—

Our gearing ratio was 39%, 32% and 41% as of June 30, 2004, 2005 and 2006, respectively. Our gearing ratio was 41% as of September 30, 2006 and 40% as of December 31, 2006, respectively. Our gearing ratio is derived by dividing the total of bank overdrafts, loans and borrowings, finance lease liabilities and bonds by total assets. Our gearing ratio remained relatively stable from June 30, 2006 to September 30, 2006 and from September 30, 2006 to December 31, 2006. The increase in our gearing ratio from June 30, 2005 to June 30, 2006 was primarily due to an increase in bank borrowings, partly to fund our increased capital expenditures, and a reduction of non-trade amounts due from related parties in settlement of the transfer of certain timber businesses to us by our Controlling Shareholders. The decrease in our gearing ratio from June 30, 2004 to June 30, 2005 was primarily due to a decrease in borrowings.

There has been no material adverse change in our indebtedness since December 31, 2006.

Contractual obligations

The following table sets out our contractual obligations at September 30, 2006.

	Payments due by period				
	Total	Less than 1 year	1–2 years	2–5 years	More than 5 years
	(US$ in millions)				
Debt Obligations	246.9	117.2	10.7	34.6	84.4
Finance Lease Liabilities	87.5	25.5	24.7	37.2	—
Bonds	40.8	—	40.8	—	—
Subtotal	375.2	142.7	76.2	71.9	84.4
Royalty Payments	8.2	1.4	1.2	2.6	3.1
Total	383.4	144.1	77.4	74.5	87.4

Contingent liabilities and off-balance sheet arrangements

Contingent liabilities may arise in the ordinary course of our business primarily from the bringing of legal proceedings and claims and from the adoption of new environmental regulations.

We are involved in certain legal proceedings arising from the ordinary course of our business, including as plaintiff or defendant in litigation or arbitration proceedings. See "Business — Legal Proceedings and Protests" for a description of several such currently pending proceedings against us. Frequently, the outcome of such litigation cannot be ascertained. As we are subject to such proceedings and claims in the regular course of our business, we can provide no assurance that additional similar proceedings or claims will not be initiated against us in the future. The amounts of contingent liabilities arising from litigation may be difficult to quantify.

In addition, we may also become subject to new environmental laws and regulations that may impose contingencies upon us in the future. Such laws and regulations may impose significant costs, expenses and liabilities in the future. See "Risk Factors — Risks Relating to our Business — Our concessions, harvesting rights, plantations and production facilities are subject to environmental regulations".

We confirm that there has not been any material change in the contingent liabilities of our Company since December 31, 2006.

Other than these contingent liabilities, we did not have any off-balance sheet arrangements as at December 31, 2006. Except as disclosed above, we did not have any outstanding loan capital, bank overdrafts, and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities outstanding as of December 31, 2006.

CAPITAL EXPENDITURES

In the financial years ended June 30, 2004, 2005 and 2006, we incurred capital expenditures in the amounts of US$71.5 million, US$86.3 million and US$115.5 million, respectively. In the three months ended September 30, 2005 and 2006, we incurred capital expenditures in the amounts of US$20.7 million and US$23.9 million, respectively. These capital expenditures consisted primarily of:

(1) upstream expenditures for the purchase and replacement of roads and bridges for our timber extraction operations, logging equipment and machinery, and expenditures relating to plantation establishment and reforestation activities, and

(2) downstream expenditures on new equipment for existing plywood and veneer plants as well as expenditures relating to new additional veneer, sawmill and plywood manufacturing operations in Malaysia and Guyana.

The following table shows our current estimate of planned capital expenditures and investments for the financial years indicated.

	Financial Year Ending June 30,			
	2007	2008	2009	Total
	(US$ in millions)			
Replacement capital expenditures	57.0	30.0	30.0	117.0
New capital expenditures and investments	6.0	33.0	145.0	184.0
Total	63.0	63.0	175.0	301.0

During the financial year ending June 30, 2007 through the financial year ending June 30, 2009, we currently plan to spend approximately US$301.0 million in capital expenditures and investments, of which US$117.0 million is budgeted for replacement capital expenditures and US$184.0 million is budgeted for new capital expenditures and investments.

We are currently planning to make replacement capital expenditures on new logging trucks and equipment in accordance with our planned equipment replacement program. We also currently intend to replace various downstream manufacturing equipment which we expect will be due for replacement in the coming years.

In terms of new capital investments, we are currently intending to invest in the acquisition of additional concessions, log extraction equipment for new concessions and strategic downstream manufacturing facilities and ventures.

Our current plans with respect to future capital expenditures is subject to change based on the evolution of our business plans, including potential acquisitions, the progress of our capital projects, market conditions, our outlook on future business conditions, and whether we are able to successfully complete this Global Offering. See "Future Plans and Use of Proceeds". Other than as required by law, we do not undertake any obligation to publish updates on our capital expenditure plans. There is no guarantee that any of the planned capital expenditures outlined above will proceed as planned. As we continue to expand, we may incur additional capital expenditures. In the future, we may consider additional debt or equity financing, depending on market conditions, our financial performance and other relevant factors. We cannot assure you that we will be able to raise additional capital, should that become necessary, on terms acceptable to us.

RISK MANAGEMENT

We are exposed to specific risks in the conduct of our business and the business environment in which we operate. These risks include, or have historically included, exposure to interest rate, foreign exchange, commodity price, customer credit and liquidity, cash flow and working capital risks arising in the regular course of our business. Generally, our overall objective is to ensure that we understand, measure and monitor these various risks and take appropriate actions to minimize our exposure to such risks. Our policies for managing each of these risks are described below.

Interest rate risk

We borrow both fixed and floating interest rate loans. Several of our secured and unsecured debt facilities carry interest at floating rates. Exposure to floating interest rates presents us with risk when there are unexpected adverse interest rate movements. Our policy is to manage such interest rate risk, working within an established framework, pursuant to which we selectively enter into swap or interest rate hedging transactions to ensure that we are not unduly exposed to significant interest rate movements and rates are appropriately fixed as necessary. As part of our interest rate hedging framework, we monitor and control our interest rate exposure by regularly monitoring relevant interest rates and their outlook. Our interest rate hedging policy is to initially enter loans, where possible, at floating interest rates then prevailing, determining the tenure of the loan consistent with our monitoring of relevant interest rates and their outlook, and then to switch to fixed interest rates by means of swap or interest rate hedging transactions if our monitoring of relevant interest rates and their outlook indicates that, considering their tenure, such a change would be prudent. Several of our secured and unsecured debt facilities carry interest at floating rates, and we currently enter into swap or interest rate hedging transactions in connection with some, but not all, of these debt facilities, considering their tenure. We currently hedge against interest rate risk related to certain loans currently secured by our New Zealand plantation assets with outstanding principal amounts, including capitalized interest, as at September 30, 2006 of US$54.8 million and NZ$30.9 million, respectively, thereby effectively fixing the interest rates of such loans.

During the Track Record Period, we have experienced the net gains and losses set forth below as a result of our interest rate hedging activities, reflecting movements in mark to market interest rates as of each respective balance sheet date. We experienced a net gain of US$17,000, a net loss of US$1.4 million, and a net gain of US$2.4 million on change in fair value of financial instruments in the financial years ended June 30, 2004, 2005 and 2006, respectively, resulting from our interest rate hedging activities, reflecting movement in mark to market interest rates as of such balance sheet dates. We experienced a net gain of US$0.7 million and a net loss of US$1.1 million on change in fair value of financial instruments during the three months ended September 30, 2005 and 2006, respectively, resulting from our interest rate hedging activities, reflecting movement in mark to market interest rates as of such balance sheet dates.

Foreign exchange risk

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

The exchange rate between any of the currencies mentioned above may become volatile or may change significantly in the future. See “Risk Factors — Future movements in exchange rates may have a material adverse effect on our financial condition and results of operations”.

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

Certain of our foreign exchange gains and losses are attributable to foreign exchange translations on the U.S. dollar loan described above booked on the accounts of our New Zealand plantation forest subsidiary, HFF, with outstanding principal amount, including capitalized interest, as of September 30, 2006 of US$54.8 million. As HFF's functional currency is the New Zealand dollar, exchange differences on the value of HFF's U.S. dollar loans are recognized as part of our financial income and expense.

We do not enter into foreign currency swap agreements to hedge against our foreign currency risk. We manage our foreign currency risk by entering into borrowings in amounts consistent with our expected stream of revenues denominated in the relevant currency of such borrowing, which policy acts in effect as a natural hedge.

Commodity price risk

We are also exposed to commodity price risk resulting from changes in the prices for crude oil, which generally affects the costs of fuel and glue, two of the main components of our cost of sales . See "— Factor Affecting Results of Operations — Cost of Sales".

Customer credit risk

We experience customer credit risk from sales made on deferred terms. We normally allow our customers a credit period of 30 days to 90 days to make payment to us, but may offer extended credit periods to certain customers. We control and monitor our customer credit risk by maintaining credit policies with regards to the standard terms of letters of credit used by our customers and by tracking the ageing of balances due from our customers. We set appropriate credit limits and terms for our customers after credit evaluations have been performed on a case by case basis. Appropriate credit limits are set at different credit levels for each customer, so as to limit the amount of our credit exposure to any individual customer. Where there are indications that amounts owed to us may not be recovered, appropriate legal actions may be initiated by us, and settlement agreements may be agreed with such debtors.

Liquidity, cash flow and working capital risk

We have adopted liquidity risk management practices to maintain sufficient cash flow, working capital and cash and liquid financial assets for our operations. We fund our operations principally through cash flow from operations, short term credit facilities (including bank overdrafts, bank acceptances and revolving credits), long term bank loans, capital leases, finance leases and, up until the end of the 2006 financial year, loans from shareholders. See "Financial Information — Liquidity and Capital Resources" for further information regarding our liquidity, cash flow and working capital.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Greater China Appraisal Limited, an independent property valuer, has valued our property interests as at December 31, 2006. The text of the letter, summary of valuation and the valuation certificates are set out in Appendix V to this prospectus.

The statement below shows the reconciliation of certain properties and lease prepayments from the audited combined financial statements as at September 30, 2006 to the valuation as at December 31, 2006 set out in Appendix V to this prospectus.

	US$'000
Net book value of the following properties as at September 30, 2006 as set in Appendix I to this prospectus	
– Land and buildings	108,686
– Investment properties	9,523
– Lease prepayment	26,324
	144,533
Less: Amortisation of lease prepayments for the three months ended December 31, 2006	(210)
Less: Depreciation of land and buildings for the three months ended December 31, 2006	(705)
Less: Depreciation of investment properties for the three months ended December 31, 2006	(64)
Less: Disposals during the period from October 1, 2006 to December 31, 2006	(54)
Add: Additions during the period from October 1, 2006 to December 31, 2006	1,781
Add: Exchange differences	5,818
Add: Transfer from construction in progress	8
Net book value as at December 31, 2006	151,107
Valuation surplus	79,230
Valuation of properties as at December 31, 2006 subject to valuation as set out in Appendix V to this prospectus	230,337

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.

PROFIT FORECAST FOR THE YEAR ENDING JUNE 30, 2007

Our Directors forecast that, on the bases and assumptions set out in Appendix III — "Profit Forecast", and in the absence of unforeseen circumstances, our combined profit attributable to the equity holders of our Company in accordance with IFRS for the year ending June 30, 2007 is unlikely to be less than US$72.2 million, calculated after changes in fair value of our plantation assets less estimated point-of-sale costs. The profit forecast has been prepared by our Directors based on the audited consolidated results of the Group for the three months ended September 30, 2006, the unaudited management accounts for the three months ended December 31, 2006, and a forecast of our combined results for the remaining six months ending June 30, 2007.

Our forecast profit of US$72.2 million for the year ending June 30, 2007 reflects an estimated revaluation gain on our plantation assets less estimated point-of-sale costs of US$4.9 million. The extent of any revaluation gain or loss for the year ending June 30, 2007 is dependent on market conditions and other factors that are beyond our control. See "Risk Factors — Risks Relating to the Global Offering and our Share Performance — Our net profit attributable to equity holders of our Company for the year ending June 30, 2007 will involve gains or losses that may arise on revaluation of our plantation assets, which are subject to certain estimates and assumptions" for further information regarding uncertainties relating to our forecast of our revaluation gain or loss for the year ending June 30, 2007. The profit forecast in Appendix III includes a sensitivity analysis illustrating the sensitivity of our profit forecast for the year ending June 30, 2007 to increases and decreases of 5.0%, 10.0% and 15.0% in our forecast change in fair value of plantation assets less estimated point-of-sale costs for the year ending June 30, 2007, and indicating the resulting forecast profit or loss for the year ending June 30, 2007 arising from such increases or decreases. See the section of Appendix III headed "Assumptions with respect to change in fair value of plantation assets" for such sensitivity analysis. Such sensitivity analysis is intended for illustrative purposes only, and any variation could exceed such amounts. As is illustrated by such sensitivity analysis, our forecast results for the year ending June 30, 2007 may be significantly affected by our actual change in fair value of plantation assets less estimated point-of-sale costs for the year ending June 30, 2007, over which we have no control.

On a pro forma fully diluted basis and on the assumptions that the forecast combined profit attributable to the equity holders of our Company for the year ending June 30, 2007 were US$72.2 million and a total of 4,144,236,830 Shares were issued and outstanding immediately after completion of the Global Offering, the unaudited pro forma fully diluted forecast earnings per Share for the year ending June 30, 2007 is not less than US1.74 cents per Share (approximately HK13.57 cents per Share). No account has been taken of any Shares which may be allotted and issued upon exercise of the Over-allotment Option, which may be allotted and issued upon exercise of options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the mandates set out in the section headed "Resolutions of Shareholders of our Company" in Appendix VIII to this prospectus.

See "Summary — Profit Forecast for the Year Ending June 30, 2007" for a brief summary of certain information presented in such profit forecast.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Dividend policy

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

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

Distributable reserves

As of September 30, 2006, our Company had distributable reserves of US$2.5 million.

On the basis set out in Section A of the Accountants' Report set out in Appendix I to this prospectus, for the financial years ended June 30, 2006 and the three months ended September 30, 2006, we had an aggregate amount of distributable reserves of US$29.1 million, US$51.7 million, US$63.5 million and US$85.8 million, respectively, attributable to the companies comprising our Group.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets is based on our audited combined net assets as at September 30, 2006 as set out in the Accountants' Report in Appendix I to this prospectus, adjusted as shown below:

	Audited combined net tangible assets as of September 30, 2006	Estimated net proceeds from Global Offering[1]	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share[2]
		(US$ in millions)		*(US$)*
Based on an offer price of HK$1.60 per Offer Share	295	196	491	0.12
Based on an offer price of HK$2.08 per Offer Share	295	259	554	0.13

Notes:

(1) The estimated net proceeds from the Global Offering are based on the respective Offer Price of HK$1.60 and HK$2.08 per Offer Share, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares which may be allotted and issued upon exercise of the Over-allotment Option.

(2) The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraph and on the assumption of a total of 4,144,236,830 Shares being the number of shares in issue as at September 30, 2006, which takes no account any Shares which may be allotted and issued upon exercise of the Over-allotment Option, or which may be allotted and issued upon exercise of options that may be granted under the Share Option Scheme, or which may be allotted and issued or repurchased by our Company pursuant to the mandates as set out in the paragraph headed "Resolutions of Shareholders of our Company" in Appendix VIII to this prospectus.

(3) With reference to the valuation of the property interests of our Company as set out in Appendix V to this prospectus, the aggregate revalued amount of our property interests as at December 31, 2006 was about HK$1,794.6 million (approximately US$230.3 million). The unaudited net book value of these property interests as at December 31, 2006 was about US$151.1 million. The revaluation surplus is about US$79.2 million and has not been included in the above adjusted net tangible assets of the Group. Such revaluation surplus has not been recorded in the Financial Information as set out in Appendix I and will not be recorded in our combined financial statements for the financial year ending June 30, 2007 as our property interests are carried at cost model. If such revaluation surplus would be included in our financial statements for the year ending June 30, 2007, an additional depreciation of approximately US$1.4 million per annum would be incurred.

MATERIAL ADVERSE CHANGE

Our Directors confirm that except for the changes disclosed in the section above headed "Indebtedness", there has been no material adverse change in our financial or trading position or prospects or our subsidiaries since September 30, 2006, being the date of our latest audited combined financial statements.

REQUIREMENTS FOR FINANCIAL DISCLOSURES OF LINGUI AND GLENEALY

Pursuant to the listing requirements of the Malaysia Stock Exchange ("Malaysian Listing Requirements"), each of Lingui and Glenealy is required to give the Malaysia Stock Exchange for public release an interim financial report that is prepared on a quarterly basis, as soon as the figures have been approved by its board of directors, and in any event not later than two months after the end of each quarter of a financial year. The Malaysian Listing Requirements also prescribe that such interim financial report shall include the information set out in the Malaysian Listing Requirements (including a review of the performance of Lingui and Glenealy, an explanatory comment on any material change in the profit before taxation, and a commentary on the prospects) and any other information as may be required by the Malaysia Stock Exchange. In addition, each of Lingui and Glenealy is required to submit to the Malaysia Stock Exchange returns as at June 30 and December 31 of each calendar year within two months from these dates respectively. Such returns shall include such information set out in the Malaysian Listing Requirements (including information on directors, substantial shareholders and employees of Lingui and Glenealy) and any other information as may be required by the Malaysia Stock Exchange.

Following Listing, pursuant to rule 13.09(2) of the Listing Rules, we will publish the quarterly/interim financial information of Lingui and Glenealy (which would be treated as our subsidiary for the purpose of our compliance with the Listing Rules) in Hong Kong when they are published in Malaysia, however we do not intend to publish a reconciliation of the quarterly/interim financial information of Lingui and Glenealy, which are prepared in accordance with the generally accepted accounting principles in Malaysia, with IFRS promulgated by the International Accounting Standards Board.

LINGUI UNAUDITED CONSOLIDATED FINANCIAL INFORMATION AS AT AND FOR THE THREE MONTHS AND SIX MONTHS ENDED DECEMBER 31, 2006

Under the rules of the Malaysia Stock Exchange, on which shares of our subsidiary, Lingui, are listed, Lingui publicly releases, on a quarterly basis, reports containing unaudited financial statements prepared in accordance with generally accepted accounting principles in Malaysia. Because Lingui released certain unaudited financial statements for the three months and six months ended December 31, 2006 (including unaudited financial statements for the same periods in 2005) prior to the date of this prospectus, we have incorporated those financial statements in this prospectus. Those financial statements have been reviewed by KPMG, our Company's Reporting Accountants, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

Such interim unaudited financial statements of Lingui have been prepared in accordance with generally accepted accounting principles in Malaysia, were filed by Lingui with the Malaysia Stock Exchange on January 29, 2007 and comprise unaudited consolidated income statement information of Lingui for the three months and the six months ended December 31, 2006 and the corresponding periods in 2005, unaudited consolidated balance sheet information of Lingui as at December 31, 2006 and as at June 30, 2006, unaudited consolidated cash flow information of Lingui for the six months ended December 31, 2006 and the corresponding period in 2005, unaudited consolidated statement of change in equity information of Lingui for the six months ended December 31, 2006 and the corresponding period in 2005 and notes thereto. Such interim unaudited financial statements, together with a reconciliation of the net profit of Lingui and its owners' equity to IFRS, have been included in Appendix IV to this prospectus. Except to such extent and as otherwise stated therein, no reconciliation to IFRS has been undertaken of such financial information.

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