

FUTURE PLANS

Development Strategies

Our objective is to become the leading integrated timber resources and wood products company in the world. Key elements of our strategy to achieve this objective include the following:

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

Please refer to the section headed “Business — Our Future Plans” for a detailed description of our future plans.

USE OF PROCEEDS

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

Acquisition opportunities and expansion of operations

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

- approximately HK\$644 million to acquire concessions, harvesting rights and plantations to increase our woodflow;
- approximately HK\$160 million to expand our distribution network for our downstream products — see “Business — Our Future Plans — Enhance our pricing and sales through global branding and strengthening our sales and distribution network”;

- approximately HK\$400 million to invest in ventures to enable us to expand our product range and gain greater market access for downstream products; and
- approximately HK\$202 million to expand downstream operations in New Zealand, Guyana and Malaysia. Our expenditures for downstream expansion will include capital expenditures relating to construction costs of our mills and plant and machinery. In particular we plan to use:
 - approximately HK\$136 million for the construction of a sawmill and/or veneer mill in New Zealand to process increased log volumes expected to be harvested from our New Zealand plantations;
 - approximately HK\$40 million for the installation of new log peeling and drying lines in two of our plywood mills in Malaysia, one of which is capable of processing smaller diameter logs;
 - approximately HK\$16 million for the expansion of one of our sawmills in Guyana for decking and kiln dried timber; and
 - approximately HK\$10 million for the construction of a sawmill within our forest in Sarawak for processing logs from areas being cleared for our plantation development.

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

Plantation development

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

Research, development and information systems

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

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

Repayment of debts

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

- (i) Approximately HK\$23 million is expected to be used to fully repay a Ringgit denominated term loan with an outstanding amount equivalent to approximately HK\$23 million arranged by CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) and lent by CIMB Bank Berhad (formerly known as Bumiputra-Commerce Bank Berhad) granted for the purpose of funding the mandatory general offer. The term loan is repayable in full upon the earlier of November 2008 or receipt by us of the net proceeds of the Global Offering, and has an interest rate of 0.85% per annum above the cost of funds to CIMB Bank Berhad.
- (ii) Approximately HK\$77 million is expected to be used to fully repay a further Ringgit denominated term loan with an outstanding amount equivalent to approximately HK\$77 million arranged by CIMB Investment Bank Berhad and lent by CIMB Bank Berhad also granted for the purpose of funding the mandatory general offer. The term loan is repayable in full upon the earlier of November 2008 or receipt by us of the net proceeds of the Global Offering, and has an interest rate of 0.85% per annum above the cost of funds to CIMB Bank Berhad for the first HK\$9 million of the outstanding amount and 1.00% per annum above the cost of funds to CIMB Bank Berhad for the balance of approximately HK\$68 million of the outstanding amount.

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

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

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

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

proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK\$2,337 million and the further additional net proceeds of about HK\$319 million arising from the exercise of the Over-allotment Option will be used to acquire further concessions, harvesting rights and plantations.

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

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