The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

February 23, 2007

The Directors
Samling Global Limited
Credit Suisse (Hong Kong) Limited
Macquarie Securities Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Samling Global Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), for each of the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006 (collectively the "Relevant Period") for inclusion in the prospectus of the Company dated February 23, 2007 (the "Prospectus").

The Company was incorporated in Bermuda on June 27, 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Pursuant to a group reorganisation (the "Reorganisation") of the timber and forestry related businesses of Datuk Yaw Teck Seng, Yaw Chee Ming, Yaw Holding Sdn. Bhd., Samling Strategic Corporation Sdn. Bhd. and companies controlled by them (collectively, the "Controlling Shareholders") in Malaysia, Guyana and New Zealand as detailed in paragraph headed "Reorganization" in Appendix VIII to this prospectus, which was completed on June 30, 2006, and the acquisitions of equity interests in companies set out in Section B Note 30(a) from third parties (the "Further Acquisitions"), the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section B Note 37. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganization and Further Acquisitions.

As at the date of this report, no audited financial statements have been prepared for Samling Malaysia Inc, Samling China Inc, Samling Guyana Inc, Samling Trademark Inc, Caribbean Esskay Limited, Samling Tongling Co Ltd, Samling Riverside Co Ltd, Samling Foothill Co Ltd and Samling Global USA Inc as they were either incorporated shortly or dormant before September 30, 2006, or are investment holding companies and have not carried on any business since their respective dates of incorporation, or are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

Several companies comprising the Group have a year end date other than June 30. For the purpose of this accountants' report, audited financial statements of these companies for each of the three years ended June 30, 2006 have been prepared in order to be coterminous with the Group's year end date.

BASIS OF PREPARATION

The combined income statements, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Period, the combined balance sheets of the Group as at June 30, 2004, 2005 and 2006 and September 30, 2006 and the balance sheet of the Company as at June 30, 2005 and 2006 and September 30, 2006, together with the notes thereto (the "Financial Information") have been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, on the bases set out in Section B Note 1 below after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate those financial statements to conform with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the reporting accountant" issued by the HKICPA.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

We have not audited any financial statements of the entities now comprising the Group in respect of any period subsequent to September 30, 2006.

OPINION

In our opinion, for the purpose of this report and on the basis of presentation set out in Section B Note 1 below, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the Group's combined results, combined statements of changes in equity and combined cash flows for the Relevant Period, the Group's state of affairs as at June 30, 2004, 2005 and 2006 and September 30, 2006 and the Company's state of affairs as at June 30, 2005 and 2006 and September 30, 2006.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the combined income statement, combined statement of changes in equity and combined statement of cash flows for the three months ended September 30, 2005, together with the notes thereon (the "September 30, 2005 Corresponding Information"), for which the directors are responsible, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of group management and applying analytical procedures to the September 30, 2005 Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the September 30, 2005 Corresponding Information.

On the basis of our review of the September 30, 2005 Corresponding Information which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited financial information presented for the three months ended September 30, 2005.

A FINANCIAL INFORMATION

1. Combined income statements

	Section B Note	Years ended June 30,			Three months ended September 30,	
		2004	2005	2006	2005	2006
		US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Turnover	4	364,291	409,132	388,686	98,016	144,915
Cost of sales		(303,969)	(339,783)	(341,781)	(85,210)	(100,031)
Gross profit		60,322	69,349	46,905	12,806	44,884
Other operating income	5	6,627	14,727	2,780	532	1,714
Distribution costs		(3,893)	(4,457)	(4,536)	(1,131)	(1,994)
Administrative expenses		(15,384)	(16,918)	(17,157)	(4,207)	(5,377)
Other operating expenses	6	(198)	(524)	(1,538)	(68)	(28)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	18	10,416	(14,768)	(15,285)	1,842	1,214
Profit from operations		57,890	47,409	11,169	9,774	40,413
Financial income		7,321	9,067	6,876	1,736	3,862
Financial expenses		(16,657)	(16,631)	(22,377)	(3,783)	(5,810)
Net financing costs	7	(9,336)	(7,564)	(15,501)	(2,047)	(1,948)
Share of profits less losses of associates		5,510	2,282	1,317	(857)	982
Share of profits less losses of jointly controlled entities		–	2,440	2,816	524	658
Profit/(loss) before taxation	8	54,064	44,567	(199)	7,394	40,105
Income tax	9	(8,831)	(1,302)	1,745	(3,184)	(7,734)
Profit for the year/period		45,233	43,265	1,546	4,210	32,371
Attributable to:						
Equity holders of the Company		23,521	23,118	5,128	1,424	22,297
Minority interests		21,712	20,147	(3,582)	2,786	10,074
Profit for the year/period		45,233	43,265	1,546	4,210	32,371
Dividend attributable to the year/period:	10					
Interim dividend declared during the year/period		1,285	–	2,449	2,368	–
Final dividend proposed after the balance sheet date		1,250	2,500	–	–	–
		2,535	2,500	2,449	2,368	–
Earnings per share (US cents)	11					
— Basic		0.76	0.75	0.17	0.05	0.72

The accompanying notes form part of the Financial Information.

2. Combined balance sheets

	Section B Note	June 30, 2004	June 30, 2005	June 30, 2006	September 30, 2006
		US$'000	*US$'000*	*US$'000*	*US$'000*
Non-current assets					
Property, plant and equipment, net	14				
— Investment properties		9,719	9,493	9,581	9,523
— Other property, plant and equipment		316,997	321,753	381,513	385,641
Construction in progress	15	2,510	4,825	1,963	1,387
Lease prepayments	16	23,368	22,934	26,504	26,324
Timber concessions	17	18,352	16,632	31,843	30,685
Goodwill		610	610	631	631
Plantation assets	18	178,119	193,785	165,299	181,995
Interest in associates	19	45,376	42,788	44,883	45,889
Interest in jointly controlled entities	20	–	18,118	15,345	14,452
Other investment		29	29	30	30
Deferred tax assets	21	4,474	3,399	3,642	3,885
Total non-current assets		599,554	634,366	681,234	700,442
Current assets					
Inventories	22	73,366	68,989	83,471	92,082
Trade and other receivables	23	206,675	218,750	97,261	79,933
Tax recoverable		8,632	8,502	9,390	6,060
Cash and cash equivalents	24	19,718	26,536	21,111	30,843
Total current assets		308,391	322,777	211,233	208,918
Total assets		907,945	957,143	892,467	909,360
Current liabilities					
Bank overdrafts, loans and borrowings	25(a)	110,813	91,949	121,792	117,179
Loans from shareholders	25(b)	2,238	–	–	–
Finance lease liabilities	25(c)	11,356	15,050	22,790	25,529
Bonds	26	–	39,474	–	–
Trade and other payables	27	194,828	137,597	186,258	154,315
Tax payable		9,930	2,531	1,842	2,827
Total current liabilities		329,165	286,601	332,682	299,850
Net current (liabilities)/assets		(20,774)	36,176	(121,449)	(90,932)

	Section B Note	June 30, 2004	June 30, 2005	June 30, 2006	September 30, 2006
		US$'000	*US$'000*	*US$'000*	*US$'000*
Total assets less current liabilities		578,780	670,542	559,785	609,510
Non-current liabilities					
Bank loans and borrowings	25(a)	80,680	83,058	129,241	129,683
Loans from shareholders	25(b)	39,705	–	–	–
Finance lease liabilities	25(c)	26,769	39,837	55,509	61,947
Bonds	26	78,461	39,271	40,816	40,816
Deferred tax liabilities	21	47,422	53,406	47,899	51,120
Total non-current liabilities		273,037	215,572	273,465	283,566
Total liabilities		602,202	502,173	606,147	583,416
Equity					
Share capital	28	48,982	50,442	979	979
Reserves	29	75,498	197,346	166,449	193,077
Total equity attributable to equity holders of the Company		124,480	247,788	167,428	194,056
Minority interests		181,263	207,182	118,892	131,888
Total equity		305,743	454,970	286,320	325,944
Total liabilities and equity		907,945	957,143	892,467	909,360

The accompanying notes form part of the Financial Information.

3. Combined statements of changes in equity

	Section B Note	Attributable to equity holders of the Company								Minority interests	Total equity
		Share capital	Share premium	Currency translation reserve	Revalu-ation reserve	Other reserve	Capital reserve	Retained earnings	Total		
		US$'000 (Note 28)	US$'000 (Note 29)	US$'000 (Note 29)	US$'000 (Note 29)	US$'000 (Note 29)	US$'000 (Note 29)	US$'000 (Note 29)	US$'000	US$'000	US$'000
At July 1, 2003		45,968	15,332	12,479	6,673	3,600	–	6,966	91,018	160,995	252,013
Issue of shares, net of issue expenses	28, 29	3,014	4,947	–	–	–	–	–	7,961	10,558	18,519
Currency translation differences		–	–	3,398	–	–	–	–	3,398	5,128	8,526
Profit for the year	29	–	–	–	–	–	–	23,521	23,521	21,712	45,233
Dividends paid during the year	10	–	–	–	–	–	–	(1,418)	(1,418)	(1,117)	(2,535)
Acquisition of minority interests		–	–	–	–	–	–	–	–	(16,013)	(16,013)
At June 30, 2004		48,982	20,279	15,877	6,673	3,600	–	29,069	124,480	181,263	305,743
At July 1, 2004		48,982	20,279	15,877	6,673	3,600	–	29,069	124,480	181,263	305,743
Issue of shares, net of issue expenses	28, 29	1,460	93,474	–	–	–	–	–	94,934	–	94,934
Currency translation differences		–	–	4,323	–	–	–	–	4,323	6,524	10,847
Profit for the year	29	–	–	–	–	–	–	23,118	23,118	20,147	43,265
Dividends paid during the year	10	–	–	–	–	–	–	(498)	(498)	(752)	(1,250)
Acquisition of minority interests	29(d)(i)	–	–	–	–	6,141	–	–	6,141	–	6,141
Acquisition of additional interest in a subsidiary from the Controlling Shareholders, net of tax	29(d)(i)	–	–	–	–	(4,710)	–	–	(4,710)	–	(4,710)
At June 30, 2005		50,442	113,753	20,200	6,673	5,031	–	51,689	247,788	207,182	454,970
At July 1, 2005		50,442	113,753	20,200	6,673	5,031	–	51,689	247,788	207,182	454,970
Issue of shares, net of issue expenses		967	72,276	–	–	–	40,477	–	113,720	–	113,720
Currency translation differences		–	–	174	–	–	–	–	174	(4,747)	(4,573)
Profit for the year	29	–	–	–	–	–	–	5,128	5,128	(3,582)	1,546
Dividends paid during the year	10	–	–	–	–	–	–	(2,849)	(2,849)	(2,185)	(5,034)
Acquisition of minority interests	29(d)(iii)	–	–	–	–	22,725	–	–	22,725	(58,656)	(35,931)
Arising from Reorganisation	29(d)(ii)	(50,430)	(113,753)	(3,778)	–	(60,858)	–	9,561	(219,258)	(19,120)	(238,378)
At June 30, 2006		979	72,276	16,596	6,673	(33,102)	40,477	63,529	167,428	118,892	286,320
At July 1, 2006		979	72,276	16,596	6,673	(33,102)	40,477	63,529	167,428	118,892	286,320
Current translation differences		–	–	4,331	–	–	–	–	4,331	2,922	7,253
Profit for the period		–	–	–	–	–	–	22,297	22,297	10,074	32,371
At September 30, 2006		979	72,276	20,927	6,673	(33,102)	40,477	85,826	194,056	131,888	325,944
Unaudited											
At July 1, 2005		50,442	113,753	20,200	6,673	5,031	–	51,689	247,788	207,182	454,970
Currency translation differences		–	–	(986)	–	–	–	–	(986)	(1,486)	(2,472)
Profit for the period		–	–	–	–	–	–	1,424	1,424	2,786	4,210
Dividends paid during the period		–	–	–	–	–	–	(1,757)	(1,757)	(611)	(2,368)
At September 30, 2005		50,442	113,753	19,214	6,673	5,031	–	51,356	246,469	207,871	454,340

The accompanying notes form part of the Financial Information.

4. Combined statements of cash flows

	Section B Note	Years ended June 30, 2004	2005	2006	Three months ended September 30, 2005	2006
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Operating activities						
Net cash generated from operations	31	93,656	100,305	91,749	15,473	31,746
Net income tax refunded/(paid)		2,024	(8,746)	(7,943)	(2,201)	(1,984)
Net cash generated from operating activities		95,680	91,559	83,806	13,272	29,762
Investing activities						
Payment for purchase of property, plant and equipment		(25,838)	(36,548)	(54,839)	(3,443)	(1,015)
Capital expenditure in construction in progress		(2,185)	(4,197)	(3,970)	(7,193)	(57)
Capital expenditure in lease prepayments		(3,801)	(84)	(1,871)	(1,047)	–
Capital expenditure in plantation assets		(3,390)	(4,211)	(5,017)	(1,568)	(1,342)
Proceeds from disposal of property, plant and equipment		2,032	50,837	8,319	268	5,714
Proceed from disposal of plantation licence		3,024	–	–	–	–
Dividends received from associate		394	788	651	–	–
Deemed disposal of a subsidiary, net of cash disposed of	30(b)	–	(542)	–	–	–
Acquisition of additional interests in a subsidiary	29(d)(iii)	–	–	(35,931)	–	–
Acquisition of subsidiaries, net of cash acquired	30(a)	–	–	140	–	–
Investment in associates		(129)	(3,803)	–	–	–
Investment in jointly controlled entities		–	(12,887)	–	–	–
(Advances to)/repayment from jointly controlled entity		–	(15,000)	6,205	2,500	1,551
Advances and repayments to related parties		(30,863)	(27,515)	(15,461)	(8,785)	(16,408)
Repayment from related parties		9,905	4,934	25,499	744	9,865
Proceeds from disposal of interest in associate		–	8,494	–	–	–
Deposits pledged		(500)	39	293	–	(201)
Interest received		3,203	4,070	4,444	1,043	183
Net cash used in investing activities		(48,148)	(35,625)	(71,538)	(17,481)	(1,710)
Financing activities						
Capital element of finance lease rentals paid		(10,225)	(13,468)	(20,317)	(4,034)	(6,900)
Proceeds from the issue of shares, net of issue expenses		2,808	–	72,276	–	–
Acquisition of subsidiaries from the Controlling Shareholders	29(d)(ii)	–	–	(72,276)	–	–
Dividends paid		(2,535)	(1,250)	(5,034)	(2,368)	–
Proceeds from bank loans and other borrowings		120,477	105,689	223,744	23,727	31,811
Repayment of bank loans and other borrowings		(132,836)	(125,319)	(203,588)	(23,164)	(32,710)
Interest paid on bank loans and financial lease rentals		(17,608)	(16,523)	(20,699)	(2,445)	(5,109)
Proceeds of loans from shareholders		–	4,804	–	–	–
Net cash used in financing activities		(39,919)	(46,067)	(25,894)	(8,284)	(12,908)
Net increase/(decrease) in cash and cash equivalents		7,613	9,867	(13,626)	(12,493)	15,144
Cash and cash equivalents at beginning of the year/period		(22,036)	(14,351)	(4,408)	(4,408)	(17,093)
Effect of foreign exchange rate changes		72	76	941	(133)	(548)
Cash and cash equivalents at end of the year/period	24	(14,351)	(4,408)	(17,093)	(17,034)	(2,497)

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

1. Basis of presentation

The Financial Information presents the results, cash flows and financial position of the Group for the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006 on the basis that the Company, for the purpose of this report, is regarded as a continuing entity and that the Reorganisation had been completed as at the beginning of the Relevant Period and that the business of the Group had been conducted by the Company throughout the Relevant Period as they are related to entities under common control. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The Group has consistently applied the book value measurement method to all common control transactions. The assets and liabilities transferred from the Controlling Shareholders were based on historical costs at which they were recorded in their financial statements.

The Further Acquisitions, being the acquisitions of equity interests in companies from third parties, were accounted for under the purchase accounting method.

All material intra-group transactions and balances have been eliminated on combination.

2. Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include International Accounting Standards ("IASs") and related interpretations, promulgated by the International Accounting Standards Board ("IASB").

This Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These are the Group's first IFRS combined financial statements and IFRS 1 has been applied. The Group does not present combined financial statements in prior periods.

In 2004, the IASB issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after January 1, 2005. For the purposes of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the current accounting period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on July 1, 2006 are set out in note 38.

(b) Basis of preparation of the Financial Information

The Financial Information is presented in United States Dollars ("US$"), rounded to the nearest thousand. It is prepared on the historical cost basis except plantation assets (see note 2(j)) and derivative financial instruments (see note 2(v)) that are stated at their fair value.

A summary of the significant accounting policies adopted by the Group is set out below.

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 35.

(c) Basis of combination

The Financial Information includes the financial statements of the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The power to govern an entity could also exist when the Company is the single largest shareholder of an entity, the balance of shareholdings in the entity is dispersed and the other shareholders have not organised their interests in such a way that they exercise more votes than the Company. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The Financial Information includes the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity. An investment in a jointly controlled entity is accounted for in the Financial Information under the equity method.

(iv) Transactions eliminated on combination

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Financial Information. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Transactions with minority interests

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the combined balance sheets and combined statements of changes in equity within equity, separately from equity attributable to equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the combined income statements as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Transactions with minority shareholders of the Group are at book value and classified as equity transactions. Accordingly, when the Group acquires minority interests of its subsidiaries, the difference between the amounts of consideration and carrying values of minority interests are recognised as reserve movement.

(d) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The Financial Information is presented in US$ ("presentation currency").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Income statements and cash flows of foreign entities are translated into the Group's presentation currency at the average exchange rates for the financial period and their balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investment in foreign subsidiaries are taken directly to reserves.

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(n)).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the investment properties. The estimated useful lives are as follows:

Investment properties . . . . 20 – 50 years

The useful lives and residual values of the investment properties are reassessed annually.

Rental income from investment properties is accounted for as described in note 2(s)(iv).

(f) Other property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 2(n)). Cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see note 2(n)).

(iii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line basis over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

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

Depreciation directly relating to the plantation assets (see note 2(j)) is capitalised until such time the forest plantation commences commercial harvesting.

The useful lives and residual values of assets are reassessed annually.

(v) Retirement and disposal

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(g) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(n)).

Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(h) Intangible assets

(i) Goodwill

All business combinations, except for business combinations involving entities under common control, are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see note 2(n)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the income statement.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(ii) Timber concessions

Timber concession licences acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see note 2(n)). These licences give the Group rights to harvest trees in the allocated concession forests in designated areas in Malaysia and Guyana.

(iii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful life is as follows:

Timber concessions	Over the remaining terms of the concessions

Both the period and method of amortisation and any conclusion that the useful life of an intangible asset is indefinite are reviewed annually.

(i) Lease prepayments

Lease prepayments represent payments made to acquire leasehold land. Leasehold land are carried at cost less accumulated amortisation and impairment losses (see note 2(n)). Amortisation is charged to the income statement on a straight-line basis over the remaining lease term.

(j) Plantation assets

Plantation assets comprise forest crop in Malaysia and New Zealand.

Plantation assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

The fair value of plantation assets is determined independently by professional valuers.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for doubtful receivables. Trade and other receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost of timber harvested from plantation assets is its fair value less estimated point-of-sale costs at the date of harvest, determined in accordance with the accounting policy for plantation assets (see note 2(j)). Any change in value through the date of harvest is recognised in the income statement.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the combined statements of cash flows.

(n) Impairment

The carrying amounts of the Group's assets, other than plantation assets (see note 2(j)), inventories (see note 2(l)) and deferred tax assets (see note 2(u)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversals of impairment

An impairment loss, other than in respect of goodwill, is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(p) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution retirement plans

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the income statement as incurred.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.

(i) Sale of goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Services rendered

Revenue from services rendered is recognised in the income statement as and when the services are performed or rendered.

(iii) Dividend income

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

(iv) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the terms of the respective leases. Lease incentives granted are recognised as an integral part of the total rental income.

(t) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the terms of the respective leases. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Royalty payments

Royalty is payable for every tree harvested based on the size and species of the tree. Royalty expense is accrued when trees are harvested.

(iii) Repairs and maintenance expenditure

Repairs and maintenance expenditure, including cost of overhaul, is expensed as incurred.

(iv) Financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested that are recognised in the income statement.

Borrowing costs incurred on borrowings used to finance forest assets, less any investment income on the temporary investment of these borrowings are capitalised until such time the forest plantation commences commercial harvesting.

Cost of issuance of bonds has been deferred and capitalised as part of the fair value of the bonds. The cost of issuance is amortised to the income statement using the effective interest rate method.

The interest component of finance lease payments is recognised in the income statement using the effective interest rate method.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(u) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the combined income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(v) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(w) Related parties

Parties are considered to be related to an entity in the Group if the party has the ability, directly or indirectly, to control the entity or exercise significant influence over the entity in making financial and operating decisions, or vice versa, or where the entity and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Segment reporting

Segment information is presented in the Financial Information in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Group is comprised of the following main business segments:

Logs	The sale of timber logs from concession and tree plantation area.
Plywood and veneer	The manufacture and sale of plywood and veneer.
Upstream support	The provision of supporting services such as tree-felling, barging, repairs and re-conditioning of equipment and machineries.
Other timber operations	The manufacture and sale of timber related products such as flooring, chipboard, doorskin, housing products, sawn timber and oil palm.
Other operations	Other operations include the manufacture and sale of granite aggregates and rubber compound, property investment and investment companies.

	Year ended June 30, 2004						
	Logs	Plywood and veneer	Upstream support	Other timber operations	Other operations	Eliminations	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	113,278	170,629	29,898	42,356	8,130	–	364,291
Inter-segment revenue	43,486	2,396	130,446	2,681	427	(179,436)	–
Total revenue	156,764	173,025	160,344	45,037	8,557	(179,436)	364,291
Cost of sales	(145,796)	(153,808)	(136,467)	(40,893)	(6,441)	179,436	(303,969)
Other income and expenses	2,900	(5,245)	(5,645)	(2,805)	(2,053)	–	(12,848)
Segment result before changes in fair value of plantation assets	13,868	13,972	18,232	1,339	63	–	47,474
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	10,416	–	–	–	–	–	10,416
Segment result	24,284	13,972	18,232	1,339	63	–	57,890
Net financing costs							(9,336)
Share of profits less losses of associates	–	–	–	79	5,431	–	5,510
Income tax							(8,831)
Profit for the year							45,233
Segment assets	301,422	219,866	225,311	79,920	16,697	–	843,216
Investment in associates	–	–	–	6,410	38,966	–	45,376
Unallocated assets							19,353
Total assets							907,945
Segment liabilities	95,448	146,899	153,421	58,255	4,471	–	458,494
Unallocated liabilities							143,708
Total liabilities							602,202
Capital expenditure	17,920	22,831	27,828	2,604	269	–	71,452
Depreciation and amortisation	8,159	13,773	16,326	5,447	1,082	–	44,787
Non-cash expenses other than depreciation and amortisation	2,327	469	433	116	–	–	3,345

	Year ended June 30, 2005						
	Logs	Plywood and veneer	Upstream support	Other timber operations	Other operations	Eliminations	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	130,974	203,267	32,892	33,043	8,956	–	409,132
Inter-segment revenue	53,374	3,637	132,729	3,037	169	(192,946)	–
Total revenue	184,348	206,904	165,621	36,080	9,125	(192,946)	409,132
Cost of sales	(151,546)	(186,955)	(152,275)	(34,649)	(7,304)	192,946	(339,783)
Other income and expenses	(1,184)	(6,519)	(7,030)	9,917	(2,356)	–	(7,172)
Segment result before changes in fair value of plantation assets	31,618	13,430	6,316	11,348	(535)	–	62,177
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	(14,768)	–	–	–	–	–	(14,768)
Segment result	16,850	13,430	6,316	11,348	(535)	–	47,409
Net financing costs							(7,564)
Share of profits less losses of associates and jointly controlled entities	–	–	–	2,880	1,842	–	4,722
Income tax							(1,302)
Profit for the year							43,265
Segment assets	310,310	231,858	262,824	54,326	16,199	–	875,517
Interest in associates and jointly controlled entities	–	–	–	21,565	39,341	–	60,906
Unallocated assets							20,720
Total assets							957,143
Segment liabilities	91,843	65,395	165,670	32,124	4,564	–	359,596
Unallocated liabilities							142,577
Total liabilities							502,173
Capital expenditure	20,991	25,798	37,809	1,199	536	–	86,333
Depreciation and amortisation	8,357	14,112	17,926	3,158	1,103	–	44,656
Non-cash expenses other than depreciation and amortisation	2,450	3	300	72	–	–	2,825

	Year ended June 30, 2006						
	Logs	Plywood and veneer	Upstream support	Other timber operations	Other operations	Eliminations	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	121,124	207,547	22,060	29,298	8,657	–	388,686
Inter-segment revenue	55,731	19,478	133,514	1,549	1,285	(211,557)	–
Total revenue	176,855	227,025	155,574	30,847	9,942	(211,557)	388,686
Cost of sales	(147,312)	(212,638)	(158,023)	(27,320)	(8,045)	211,557	(341,781)
Other income and expenses	(1,786)	(7,741)	(5,976)	(1,861)	(3,087)	–	(20,451)
Segment result before changes in fair value of plantation assets	27,757	6,646	(8,425)	1,666	(1,190)	–	26,454
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	(15,285)	–	–	–	–	–	(15,285)
Segment result	12,472	6,646	(8,425)	1,666	(1,190)	–	11,169
Net financing costs							(15,501)
Share of profits less losses of associates and jointly controlled entities	–	–	–	2,565	1,568	–	4,133
Income tax							1,745
Profit for the year							1,546
Segment assets	294,413	282,913	147,912	52,165	32,143	–	809,546
Interest in associates and jointly controlled entities	–	–	–	17,956	42,272	–	60,228
Unallocated assets							22,693
Total assets							892,467
Segment liabilities	96,390	94,024	192,609	24,048	41,802	–	448,873
Unallocated liabilities							157,274
Total liabilities							606,147
Capital expenditure	26,936	29,174	47,137	623	11,639	–	115,509
Depreciation and amortisation	10,335	16,703	21,646	2,711	1,505	–	52,900
Non-cash expenses other than depreciation and amortisation	1,056	–	–	74	–	–	1,130

	Three months ended September 30, 2005 (unaudited)						
	Logs	Plywood and veneer	Upstream support	Other timber operations	Other operations	Eliminations	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	30,475	48,151	10,217	6,720	2,453	–	98,016
Inter-segment revenue	12,774	983	28,989	410	200	(43,356)	–
Total revenue	43,249	49,134	39,206	7,130	2,653	(43,356)	98,016
Cost of sales	(36,279)	(45,700)	(38,908)	(5,528)	(2,151)	43,356	(85,210)
Other income and expenses	(1,266)	(1,093)	(1,435)	(620)	(460)	–	(4,874)
Segment result before changes in fair value of plantation assets	5,704	2,341	(1,137)	982	42	–	7,932
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	1,842	–	–	–	–	–	1,842
Segment result	7,546	2,341	(1,137)	982	42	–	9,774
Net financing costs							(2,047)
Share of profits less losses of associates and jointly controlled entities	–	–	–	356	(689)	–	(333)
Income tax							(3,184)
Profit for the period (unaudited)							4,210
Segment assets	303,295	245,597	270,899	53,448	15,928	–	889,167
Interest in associates and jointly controlled entities	–	–	–	18,741	39,350	–	58,091
Unallocated assets							20,077
Total assets							967,335
Segment liabilities	90,744	73,058	161,915	35,133	5,207	–	366,057
Unallocated liabilities							146,938
Total liabilities							512,995
Capital expenditure	5,208	12,219	3,087	39	193	–	20,746
Depreciation and amortisation	2,327	3,451	4,729	700	283	–	11,490
Non-cash expenses other than depreciation and amortisation	419	–	–	–	–	–	419

	Three months ended September 30, 2006						
	Logs	Plywood and veneer	Upstream support	Other timber operations	Other operations	Eliminations	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	42,591	88,919	4,463	6,157	2,785	–	144,915
Inter-segment revenue	23,303	8,351	48,000	616	1,262	(81,532)	–
Total revenue	65,894	97,270	52,463	6,773	4,047	(81,532)	144,915
Cost of sales	(49,962)	(74,978)	(47,220)	(6,190)	(3,213)	81,532	(100,031)
Other income and expenses	(1,298)	(2,790)	(237)	(559)	(801)	–	(5,685)
Segment result before changes in fair value of plantation assets	14,634	19,502	5,006	24	33	–	39,199
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	1,214	–	–	–	–	–	1,214
Segment result	15,848	19,502	5,006	24	33	–	40,413
Net financing costs							(1,948)
Share of profits less losses of associates and jointly controlled entities	–	–	–	743	897	–	1,640
Income tax							(7,734)
Profit for the period							32,371
Segment assets	316,426	284,048	149,660	45,969	33,351	–	829,454
Interest in associates and jointly controlled entities	–	–	–	17,148	43,193	–	60,341
Unallocated assets							19,565
Total assets							909,360
Segment liabilities	93,503	89,796	174,965	18,369	36,709	–	413,342
Unallocated liabilities							170,074
Total liabilities							583,416
Capital expenditure	9,031	3,906	10,553	200	238	–	23,928
Depreciation and amortisation	3,293	4,817	6,550	347	518	–	15,525
Non-cash expenses other than depreciation and amortisation	473	–	–	3	–	–	476

Geographical segments

All the segments are primarily managed and operated in Malaysia, Guyana, New Zealand and China (including Hong Kong and Taiwan). In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets are based on the geographical location of the assets.

	Year ended June 30, 2004							
	Malaysia	Guyana	New Zealand	China	Japan	North America	Other regions	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	78,057	2,394	3,938	62,883	88,876	43,403	84,740	364,291
Segment assets	599,992	36,598	206,626	–	–	–	–	843,216
Capital expenditure	58,850	103	12,499	–	–	–	–	71,452

	Year ended June 30, 2005							
	Malaysia	Guyana	New Zealand	China	Japan	North America	Other regions	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	81,373	3,244	4,441	76,571	104,616	51,769	87,118	409,132
Segment assets	615,721	35,976	223,820	–	–	–	–	875,517
Capital expenditure	70,721	1,981	13,631	–	–	–	–	86,333

	Year ended June 30, 2006							
	Malaysia	Guyana	New Zealand	China	Japan	North America	Other regions	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	78,913	4,569	2,407	60,384	101,711	46,881	93,821	388,686
Segment assets	547,298	53,105	190,834	18,309	–	–	–	809,546
Capital expenditure	90,438	10,957	14,114	–	–	–	–	115,509

	Three months ended September 30, 2005 (unaudited)							
	Malaysia	Guyana	New Zealand	China	Japan	North America	Other regions	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	23,934	1,073	886	14,950	25,047	9,501	22,625	98,016
Segment assets	626,911	38,821	223,435	–	–	–	–	889,167
Capital expenditure	17,257	56	3,433	–	–	–	–	20,746

	Three months ended September 30, 2006							
	Malaysia	Guyana	New Zealand	China	Japan	North America	Other regions	Combined
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	20,052	1,402	466	30,250	45,719	17,121	29,905	144,915
Segment assets	543,754	57,062	209,295	19,343	–	–	–	829,454
Capital expenditure	18,449	2,170	3,161	148	–	–	–	23,928

4. Turnover

Turnover mainly represents the sales value of goods supplied to customers less returns and discounts and income from provision of timber extraction, river transportation and repairs and re-conditioning of equipment and machineries services. The amount of each significant category of revenue recognised in turnover during the Relevant Period is as follows:

	Years ended June 30,			Three months ended September 30,	
	2004	**2005**	**2006**	**2005**	**2006**
	US$'000	***US$'000***	***US$'000***	***US$'000*** **(unaudited)**	***US$'000***
Sales of goods	334,393	376,240	366,626	87,799	140,452
Revenue from provision of services	29,898	32,892	22,060	10,217	4,463
	364,291	409,132	388,686	98,016	144,915

5. Other operating income

	Years ended June 30,			Three months ended September 30,	
	2004	**2005**	**2006**	**2005**	**2006**
	US$'000	***US$'000***	***US$'000***	***US$'000*** **(unaudited)**	***US$'000***
Gain on disposal of property, plant and equipment (note (a))	228	12,183	667	77	1,394
Reversal of impairment losses for doubtful debts	512	409	92	6	6
Gain on disposal of plantation licence (note (b))	3,024	–	–	–	–
Gain on disposal of associate	–	609	–	–	–
Rental income	503	371	588	159	126
Sundry income	2,360	1,155	1,433	290	188
	6,627	14,727	2,780	532	1,714

(a) The amount in 2005 included a gain on disposal of property, plant and equipment of $11,530,000 to Magna-Foremost Sdn Bhd, a jointly controlled entity of the Group.

(b) The amount represented income from sale of a plantation licence to Timor Enterprises Sendirian Berhad ("Timor"). Timor is a subsidiary of Glenealy Plantations (Malaya) Berhad ("Glenealy"), an associate of the Group, which is listed on the Main Board of Bursa Malaysia Securities Berhad.

6. Other operating expenses

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Inventories loss	–	–	991	–	–
Loss on deemed disposal of a subsidiary (note 30(b))	–	316	–	–	–
Others	198	208	547	68	28
	198	524	1,538	68	28

Inventories loss represented the carrying value of damaged inventories, net of insurance compensation, during a fire in one of the warehouses of the Group in Bintulu, Malaysia.

7. Net financing costs

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Interest on loans from banks and other borrowings	(21,873)	(21,182)	(22,902)	(5,291)	(6,757)
Interest on loans from shareholders	(2,934)	(2,577)	–	–	–
Less: Borrowing costs capitalised into plantation assets (note 18)	8,150	8,546	8,046	2,175	2,096
Interest expense	(16,657)	(15,213)	(14,856)	(3,116)	(4,661)
Net loss on change in fair value of financial instruments	–	(1,418)	–	–	(1,149)
Foreign exchange losses	–	–	(7,521)	(667)	–
Financial expenses	(16,657)	(16,631)	(22,377)	(3,783)	(5,810)
Interest income	3,203	4,070	4,444	1,043	183
Net gain on change in fair value of financial instruments	17	–	2,432	693	–
Foreign exchange gains	4,101	4,997	–	–	3,679
Financial income	7,321	9,067	6,876	1,736	3,862
	(9,336)	(7,564)	(15,501)	(2,047)	(1,948)

Borrowing costs have been capitalised at a rate of 5.12% – 8.11% per annum during the Relevant Period.

8. Profit/(loss) before taxation

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Profit/(loss) before taxation is arrived at after charging:					
(a) Personnel expenses					
Salaries, wages, bonuses and benefits	49,847	55,932	60,136	14,303	18,889
Contributions to retirement schemes	2,840	3,222	3,409	799	915
	52,687	59,154	63,545	15,102	19,804

Pursuant to the relevant labour rules and regulations in Malaysia, Guyana and the People's Republic of China ("PRC"), the companies comprising the Group participate in defined contribution retirement benefit schemes ("the Schemes") organised by the respective local authorities whereby the Group is required to make contributions to the Schemes at rates in the range of 12% to 20% of the eligible employees' salaries. Contributions to the Schemes vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
(b) Other items					
Impairment losses for doubtful receivables	1,177	661	74	–	–
Auditors' remuneration	206	201	248	50	62
Depreciation (note 14(a))	42,586	42,418	50,392	10,912	14,186
Amortisation of lease prepayments (note 16)	481	518	729	148	180
Amortisation of timber concessions (note 17)	1,720	1,720	1,779	430	1,158
Royalties (note 17)	27,960	29,393	24,703	6,063	8,233
Share of associates' taxation	2,480	1,075	716	(223)	301
Share of jointly controlled entities' taxation	–	680	871	179	213

9. Income tax

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Current tax					
Current year	8,069	6,359	5,310	1,317	6,404
(Over)/under-provision in respect of prior years	(571)	(5,360)	1,073	73	–
	7,498	999	6,383	1,390	6,404
Deferred tax					
Origination and reversal of temporary differences (note 21)	1,333	303	(8,128)	1,794	1,582
Reduction in tax rate (note c)	–	–	–	–	(252)
	1,333	303	(8,128)	1,794	1,330
Total income tax expense/(credit) in combined income statements	8,831	1,302	(1,745)	3,184	7,734

(a) Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands.

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the Relevant Period.

(c) Pursuant to the income tax rules and regulations of Malaysia, the companies comprising the Group in Malaysia are liable to Malaysian income tax at a rate of 28% for the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005. In September 2006, the Malaysian government announced a reduction in the income tax rate from 28% to 27% for the year of assessment 2007 and from 27% to 26% for the year of assessment 2008. Accordingly, the provision for Malaysian income tax for the period ended September 30, 2006 is calculated at 27% of the estimated assessable profits for the period.

(d) The subsidiary in Guyana is liable to Guyana income tax at a rate of 45%. No provision for Guyana income tax has been made as the subsidiary did not have assessable profits subject to Guyana income tax during the Relevant Period.

(e) The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 33%. No provision for New Zealand income tax has been made as the subsidiaries did not have assessable profits subject to New Zealand income tax during the Relevant Period.

(f) Pursuant to the approval obtained from the relevant PRC tax authorities, the subsidiaries in the PRC are entitled to a tax concession period whereby the subsidiaries are fully exempted from PRC enterprise income tax for two years starting from its first profit-making year, followed by a 50% reduction in PRC enterprise income tax for the next three years. The standard income tax rate in the PRC is 33%.

The first profit-making year of Foothill LVL & Plywood (Cangshan) Co., Ltd. (Foothill"), a subsidiary acquired by the Group on June 29, 2006 (note 30(a)), was 2003. Foothill was fully exempted from PRC enterprise income tax from January 1, 2003 to December 31, 2004 and subject to a preferential tax rate of 15% from January 1, 2005 to December 31, 2007.

Being a production oriented enterprise in the Nantong Economic Development Zone of the PRC, Riverside Plywood Corporation ("Riverside"), a subsidiary acquired by the Group on June 29, 2006 (note 30(a)), was entitled to a preferential PRC enterprise income tax rate of 15%. The first profit-making year of Riverside was 2004. Riverside was fully exempted from PRC enterprise income tax from January 1, 2004 to December 31, 2005 and subject to a preferential tax rate of 7.5% from January 1, 2006 to December 31, 2008.

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Reconciliation of effective income tax expense/(credit)					
Profit/(loss) before taxation	54,064	44,567	(199)	7,394	40,105
Income tax calculated at weighted average domestic tax rates applicable to profits in the respective countries	14,116	11,587	(52)	1,922	10,884
Effect of non-deductible expenses (note (i))	2,486	5,025	3,561	1,917	1,120
Effect of non-taxable income (note (ii))	(10,779)	(9,260)	(2,803)	(235)	(1,946)
Effect of tax concessions (note (iii))	(117)	(102)	–	–	–
Effect of tax credit (note (iv))	(5,119)	(5,870)	(5,419)	(1,298)	(1,433)
Effect of unused temporary differences and tax losses not recognised	8,815	5,282	1,895	805	535
Effect of utilisation of temporary differences not recognised in prior years	–	–	–	–	(1,174)
Effect of change in tax rate	–	–	–	–	(252)
(Over)/under-provision of income tax expense in prior years (note (v))	(571)	(5,360)	1,073	73	–
Income tax expense/(credit)	8,831	1,302	(1,745)	3,184	7,734

Notes:

(i) Non-deductible expenses mainly comprise interest expense of non-trade nature and depreciation of non-qualifying assets.

(ii) Non-taxable income mainly comprises offshore interest income and share of profits of associates and jointly controlled entities.

(iii) Part of the income earned by a subsidiary, Sorvino Holdings Sdn Bhd ("Sorvino"), qualified as pioneer income and was exempted from Malaysian income tax. In 1999, Sorvino was granted pioneer status by the Malaysian Inland Revenue Board for its reconditioning of heavy equipment business for a period of 5 years with effect from November 1999.

(iv) Tax credit mainly comprise certain expenses incurred by Samling Plywood (Baramas) Sdn Bhd ("SPB"), Samling Plywood (Bintulu) Sdn Bhd, Samling Plywood (Miri) Sdn Bhd, Samling Housing Products Sdn Bhd and Samling DorFoHom Sdn Bhd which qualified for double deduction for Malaysian income tax purposes. Under the Malaysian tax laws, companies engaged in the manufacturing of wood-based products (excluding sawn timber and veneer) shall be allowed to claim a double deduction of the freight charges incurred by the company in respect of the export of wood-based products.

(v) The reversal of over-provision of income tax in 2005 was in relation to the deemed disposal of a subsidiary, Caliente B.V. (see note 30(b)) in 2005. The reversal was made as the net tax liabilities was confirmed to be not payable.

10. Dividends

No dividend has been paid or declared by the Company since its incorporation. Dividends for the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 represent dividends declared by the following subsidiaries of the Company to their then shareholders.

(a) Dividend attributable to the year/period

	Years ended June 30,			Three months ended September 30,	
	2004	**2005**	**2006**	**2005**	**2006**
	US$'000	***US$'000***	***US$'000***	***US$'000* (unaudited)**	***US$'000***
Interim dividend declared and paid:					
Sertama Sdn Bhd	568	–	–	–	–
Sorvino Holdings Sdn Bhd	717	–	–	–	–
Syarikat Samling Timber Sdn Bhd	–	–	1,361	1,316	–
Samling Housing Products Sdh Bhd	–	–	1,088	1,052	–
	1,285	–	2,449	2,368	–
Final dividend proposed after the balance sheet date:					
Lingui Developments Berhad	1,250	2,500	–	–	–
	2,535	2,500	2,449	2,368	–

The final dividend proposed after the balance sheet date has not been recognised as a liability in the balance sheet.

(b) Dividend attributable to the previous financial year, approved and paid during the year/period

	Years ended June 30,			Three months ended September 30,	
	2004	**2005**	**2006**	**2005**	**2006**
	US$'000	***US$'000***	***US$'000***	***US$'000*** **(unaudited)**	***US$'000***
Final dividend in respect of the previous financial year, approved and paid during the year/period	1,250	1,250	2,500	–	–

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

The directors consider that the dividend payments made during the Relevant Period are not indicative of the future dividend policy of the Company.

11. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company for each of the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006 and the 3,094,236,830 shares in issue as at the date of the Prospectus as if the shares were outstanding throughout the entire Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted earnings per share are not presented.

12. Directors' remuneration

	Year ended June 30, 2004				
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors					
Yaw Chee Ming	12	108	4	15	139
Cheam Dow Toon	12	66	3	11	92
Non-executive director					
Chan Hua Eng	18	–	–	–	18
Independent non-executive directors					
David William Oskin	–	–	–	–	–
Tan Li Pin, Richard	–	–	–	–	–
Fung Ka Pun	–	–	–	–	–
Total	42	174	7	26	249

	Year ended June 30, 2005				
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors					
Yaw Chee Ming	12	123	19	18	172
Cheam Dow Toon	12	67	14	13	106
Non-executive director					
Chan Hua Eng	18	–	–	–	18
Independent non-executive directors					
David William Oskin	–	–	–	–	–
Tan Li Pin, Richard	–	–	–	–	–
Fung Ka Pun	–	–	–	–	–
Total	42	190	33	31	296

	Year ended June 30, 2006				
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors					
Yaw Chee Ming	32	135	41	25	233
Cheam Dow Toon	32	72	30	18	152
Non-executive director					
Chan Hua Eng	48	–	–	–	48
Independent non-executive directors					
David William Oskin	20	20	–	–	40
Tan Li Pin, Richard	20	20	–	–	40
Fung Ka Pun	25	–	–	–	25
Total	177	247	71	43	538

	Three months ended September 30, 2005 (unaudited)				
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors					
Yaw Chee Ming	3	24	–	5	32
Cheam Dow Toon	3	18	–	3	24
Non-executive director					
Chan Hua Eng	5	–	–	–	5
Independent non-executive directors					
David William Oskin	–	–	–	–	–
Tan Li Pin, Richard	–	–	–	–	–
Fung Ka Pun	–	–	–	–	–
Total	11	42	–	8	61

	Three months ended September 30, 2006				
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors					
Yaw Chee Ming	8	84	–	5	97
Cheam Dow Toon	8	62	–	3	73
Non-executive director					
Chan Hua Eng	12	–	–	–	12
Independent non-executive directors					
David William Oskin	5	5	–	–	10
Tan Li Pin, Richard	5	5	–	–	10
Fung Ka Pun	6	–	–	–	6
Total	44	156	–	8	208

No emoluments have been paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period. No director waived or agreed to waive any emoluments during the Relevant Period.

13. Individuals with highest emoluments

The five highest paid individuals of the Group include one, two, one, one and two directors during the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006 respectively whose emoluments are disclosed in note 12. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Basic salaries, allowances and benefits in kind	409	319	705	151	146
Discretionary bonuses	15	91	81	–	–
Retirement scheme contributions	32	40	22	5	–
	456	450	808	156	146

The emoluments of these individuals (pro-rata on a per annum basis for three months ended September 30) are within the following band:

	Number of individuals				
	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
HK$Nil to HK$1,000,000	3	–	–	2	–
HK$1,000,000 to HK$2,000,000	1	3	4	2	3

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period.

14. Property, plant and equipment, net

	Land and buildings	Roads and bridges	Plant and machinery, equipment, river crafts and wharfs	Motor vehicles	Furniture and fittings	Sub-total	Investment properties	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost:								
At July 1, 2003	103,690	65,886	382,849	19,015	5,735	577,175	11,955	589,130
Additions	5,041	5,960	41,929	792	67	53,789	137	53,926
Disposals	(807)	(519)	(3,109)	(537)	(200)	(5,172)	–	(5,172)
Exchange differences	1,231	266	88	–	–	1,585	–	1,585
At June 30, 2004	109,155	71,593	421,757	19,270	5,602	627,377	12,092	639,469
At July 1, 2004	109,155	71,593	421,757	19,270	5,602	627,377	12,092	639,469
Additions	1,989	5,117	60,288	1,866	119	69,379	–	69,379
Transfer from construction in progress (note 15)	1,882	–	–	–	–	1,882	–	1,882
Disposals	(62)	–	(41,713)	(1,052)	(19)	(42,846)	–	(42,846)
Exchange differences	1,772	565	144	–	–	2,481	–	2,481
At June 30, 2005	114,736	77,275	440,476	20,084	5,702	658,273	12,092	670,365
At July 1, 2005	114,736	77,275	440,476	20,084	5,702	658,273	12,092	670,365
Additions through business combinations (note 30(a))	1,778	4,107	2,246	74	31	8,236	–	8,236
Additions	8,948	7,681	77,643	2,219	114	96,605	–	96,605
Transfer from construction in progress (note 15)	1,932	–	4,990	50	27	6,999	–	6,999
Disposals	(164)	(1,567)	(17,784)	(392)	–	(19,907)	–	(19,907)
Exchange differences	330	1,300	12,941	526	64	15,161	411	15,572
At June 30, 2006	127,560	88,796	520,512	22,561	5,938	765,367	12,503	777,870
At July 1, 2006	127,560	88,796	520,512	22,561	5,938	765,367	12,503	777,870
Additions	1,027	988	18,228	162	28	20,433	–	20,433
Transfer from construction in progress (note 15)	562	–	65	–	6	633	–	633
Disposals	(375)	(335)	(8,225)	–	–	(8,935)	–	(8,935)
Exchange differences	1,371	601	143	–	3	2,118	–	2,118
At September 30, 2006	130,145	90,050	530,723	22,723	5,975	779,616	12,503	792,119

	Land and buildings	Roads and bridges	Plant and machinery, equipment, river crafts and wharfs	Motor vehicles	Furniture and fittings	Sub-total	Investment properties	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Accumulated depreciation:								
At July 1, 2003	13,353	18,894	217,994	15,656	5,277	271,174	2,148	273,322
Charge for the year	2,516	5,477	33,240	1,102	163	42,498	225	42,723
Written back on disposal	(238)	(227)	(2,358)	(372)	(173)	(3,368)	–	(3,368)
Exchange differences	–	33	43	–	–	76	–	76
At June 30, 2004	15,631	24,177	248,919	16,386	5,267	310,380	2,373	312,753
At July 1, 2004	15,631	24,177	248,919	16,386	5,267	310,380	2,373	312,753
Charge for the year	2,436	5,837	32,782	1,150	162	42,367	226	42,593
Written back on disposal	(10)	–	(15,361)	(1,013)	(17)	(16,401)	–	(16,401)
Exchange differences	–	98	76	–	–	174	–	174
At June 30, 2005	18,057	30,112	266,416	16,523	5,412	336,520	2,599	339,119
At July 1, 2005	18,057	30,112	266,416	16,523	5,412	336,520	2,599	339,119
Charge for the year	2,272	7,655	39,119	1,198	135	50,379	234	50,613
Written back on disposal	(28)	(1,041)	(10,897)	(289)	–	(12,255)	–	(12,255)
Exchange differences	515	815	7,418	408	54	9,210	89	9,299
At June 30, 2006	20,816	37,541	302,056	17,840	5,601	383,854	2,922	386,776
At July 1, 2006	20,816	37,541	302,056	17,840	5,601	383,854	2,922	386,776
Charge for the period	648	2,347	10,839	329	25	14,188	58	14,246
Written back on disposal	–	(214)	(4,025)	–	–	(4,239)	–	(4,239)
Exchange differences	(5)	94	82	–	1	172	–	172
At September 30, 2006	21,459	39,768	308,952	18,169	5,627	393,975	2,980	396,955
Carrying amount:								
At June 30, 2004	93,524	47,416	172,838	2,884	335	316,997	9,719	326,716
At June 30, 2005	96,679	47,163	174,060	3,561	290	321,753	9,493	331,246
At June 30, 2006	106,744	51,255	218,456	4,721	337	381,513	9,581	391,094
At September 30, 2006	108,686	50,282	221,771	4,554	348	385,641	9,523	395,164

The majority of the Group's land and buildings are located in Malaysia, New Zealand and the PRC.

(a) Depreciation charge for the year is analysed as follows:

	Years ended June 30,			Three months ended September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Expensed in income statement	42,586	42,418	50,392	14,186
Capitalised as plantation assets	137	175	221	60
	42,723	42,593	50,613	14,246

(b) Certain leasehold land and buildings, and plant and machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25.

(c) Net book value of plant and machinery held under finance leases:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Net book value of plant and machinery held under finance leases	52,313	74,557	103,146	106,026

(d) The Group leases out investment property under operating leases. The leases typically run for an initial period of 3 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The fair values of investment property amounted to $13,951,000, $13,667,000, $14,339,000 and $14,339,000 at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively, which were determined based on valuations carried out by an independent firm of surveyors, HASB Consultants Sdn Bhd, who have among their staff members of The Institution of Surveyors, Malaysia with recent experience in the location and category of property being valued.

(e) An analysis of net book value of properties is as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Outside Hong Kong				
— freehold	37,875	39,407	39,159	40,574
— long-term leases	22,246	14,156	17,442	17,764
— medium-term leases	42,922	49,981	55,277	55,348
— short-term leases	200	2,628	4,447	4,523
	103,243	106,172	116,325	118,209

15. Construction in progress

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
At July 1	325	2,510	4,825	1,963
Additions through business combinations (note 30(a))	–	–	14	–
Other additions	2,185	4,197	3,970	57
Transfer to property, plant and equipment (note 14)	–	(1,882)	(6,999)	(633)
Exchange differences	–	–	153	–
At June 30/September 30	2,510	4,825	1,963	1,387

16. Lease prepayments

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cost:				
At July 1	23,480	27,281	27,365	31,815
Additions through business combinations (note 30(a))	–	–	1,648	–
Other additions	3,801	84	1,871	–
Exchange differences	–	–	931	–
At June 30/September 30	27,281	27,365	31,815	31,815
Accumulated amortisation:				
At July 1	3,432	3,913	4,431	5,311
Charge for the year	481	518	729	180
Exchange differences	–	–	151	–
At June 30/September 30	3,913	4,431	5,311	5,491
Carrying amount:				
At June 30/September 30	23,368	22,934	26,504	26,324

Lease prepayments represent leasehold land in Malaysia and the PRC, which expire between 2013 to 2923.

17. Timber concessions

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cost:				
At July 1	23,684	23,684	23,684	40,913
Additions through business combinations (note 30(a))	–	–	16,423	–
Exchange differences	–	–	806	–
At June 30/September 30	23,684	23,684	40,913	40,913
Accumulated amortisation:				
At July 1	3,612	5,332	7,052	9,070
Charge for the year	1,720	1,720	1,779	1,158
Exchange differences	–	–	239	–
At June 30/September 30	5,332	7,052	9,070	10,228
Carrying amount:				
At June 30/September 30	18,352	16,632	31,843	30,685

The Group acquired five timber concession licences through acquisitions of subsidiaries prior to 2004 for a total consideration of $23,684,000 and through acquisition of Merawa Sdn Bhd in 2006 for $16,423,000. The Group has also been granted certain timber concession licences by the government of Malaysia and Guyana at no initial cost. Each licence covers a specific area called a forest management unit or concession. Each concession is divided into annual harvest areas called "coupes" which are sequentially harvested over a number of years. Concessions are harvested according to a schedule of between 5 to 25 years. The annual allowable volume of timber that can be extracted is determined by and agreed with the Sarawak Forest Department or Guyana Forestry Commission. The licences expire between 2007 to 2041. Under the terms of the timber concession licences, the Group is required to pay royalties to the respective governments based on the volume by species harvested each year, subject to an annual minimum royalty payment (see note 33(b)).

The amortisation charge and royalties for the Relevant Period are included in "cost of sales" in the combined income statements.

18. Plantation assets

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	US$'000	US$'000	US$'000
At July 1	146,470	178,119	193,785	165,299
Additions	11,677	12,932	13,284	3,498
Harvested timber transferred to inventories	(2,327)	(2,450)	(1,056)	(473)
Change in fair value less estimated point-of-sale costs	10,416	(14,768)	(15,285)	1,214
Exchange differences	11,883	19,952	(25,429)	12,457
At June 30/September 30	178,119	193,785	165,299	181,995

The analysis of fair value of plantation assets by location is as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	US$'000	US$'000	US$'000
New Zealand	176,609	190,023	157,545	174,097
Malaysia	1,510	3,762	7,754	7,898
	178,119	193,785	165,299	181,995

Included in additions to the Group's plantation assets are interest capitalised of $8,150,000, $8,546,000, $8,046,000 and $2,096,000, and depreciation of property, plant and equipment of $137,000, $175,000, $221,000 and $60,000 for the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, respectively.

A significant portion of trees in New Zealand are planted on freehold forest and a small portion on leasehold forest with 79 years term, expiring in 2060. The Group has been granted 6 plantation licences for a gross area of approximately 438,000 hectares of planted forest in Malaysia. The licences are for 60 years, the earliest of which expires in December 2058.

At June 30, 2004, 2005 and 2006 and September 30, 2006, plantation assets represent standing timber planted by the Group and comprise approximately 30,377 hectares, 33,248 hectares, 35,714 hectares and 37,180 hectares of tree plantations respectively, which range from newly established plantations to plantations that are 27 years old. During the years ended June 30, 2004, 2005 and 2006 and September 30, 2006, the Group harvested approximately 132,218 m^3, 130,025 m^3, 95,608 m^3 and 24,612 m^3 of wood, which had a fair value less estimated point-of-sale costs of $2,327,000, $2,450,000, $1,056,000 and $473,000 respectively at the date of harvest. The fair value includes any gain/loss on initial recognition of the logs at the point of harvesting.

The Group's plantation assets in Malaysia and New Zealand were independently valued by Pöyry Forest Industry Pte Ltd ("Pöyry") and Chandler Fraser Keating Limited ("CFK"), respectively. In view of the non-availability of market value for immature trees in New Zealand and Malaysia, both Pöyry and CFK have applied the net present value approach whereby projected future net cash flows, based on their assessment of current timber log prices, were discounted at the rate of 8.5% (June 30, 2006: 8.5%; June 30, 2004 and 2005: 9%) for plantation assets in New Zealand and 10.2% for plantation assets in Malaysia for each of the years/period applied to pre-tax cash flows to provide a current market value of the plantation assets. The discount rate used in the valuation of the plantation assets in New Zealand as at each balance sheet date was determined by reference to published discount rates, weighted average cost of capital analysis, internal rate of return analysis, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions mainly in New Zealand over a period of time, with more weight given to the implied discount rate. In the absence of forest sales transactions in Malaysia, the discount rate used in Malaysia was based on the weighted average cost of capital which recognises the weighted average cost of debt funded capital and equity capital.

The principal valuation methodology and assumptions adopted are as follows:

— A stand-based approach was employed whereby stands are scheduled to be harvested at or near their optimum economic rotation age.

— The cash flows are those arising from the current rotation of trees only. No account was taken of revenues or costs from re-establishment following harvest, or of land not yet planted.

— The cash flows do not take into account income taxation and finance costs.

— The cash flows have been prepared in real terms and have not therefore included inflationary effects.

— The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account.

— Costs are current average costs. No allowance has been made for cost improvements in future operations.

Certain plantation assets are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25.

19. Interest in associates

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Share of net assets:				
Associates listed outside Hong Kong	33,653	35,113	36,685	37,229
Unlisted associates	11,723	7,675	8,198	8,660
	45,376	42,788	44,883	45,889
Market value of listed associates	21,870	20,009	22,614	23,745

Details of the Group's associates, all of which are held indirectly by the Company through intermediate investment holding companies, are as follows:

Name of company	Place of incorporation	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Issued and fully paid share capital	Principal activities
		%	%		
Glenealy Plantations (Malaya) Berhad	Malaysia	21.74	36.42	RM115,361,892 divided into 115,361,892 ordinary shares of RM1 each	Investment holding, operation of oil palm plantations, oil mills and forest plantations
Daiken Miri Sdn Bhd (formerly known as Samling Fibre Board Sdn Bhd)	Malaysia	17.91	30	RM149,960,000 divided into 149,960,000 ordinary shares of RM1 each	Manufacture and sale of high and medium-density fibre board
Sepangar Chemical Industry Sdn Bhd	Malaysia	23.88	40	RM20,000,000 divided into 20,000,000 ordinary shares of RM1 each	Manufacture and sale of formalin and various formaldehyde adhesive resins
Rimalco Sdn Bhd	Malaysia	40	40	RM200,000 divided into 200,000 ordinary shares of RM1 each	Manufacture and sale of sawn timber
Samling-PDT Resources Sdn Bhd	Malaysia	49	49	RM1,000,000 divided into 1,000,000 ordinary shares of RM1 each	Dormant

Summary financial information of associates:

	Assets	Liabilities	Equity	Revenue	Profit (note)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Year ended June 30, 2004					
100 per cent	226,562	(112,830)	113,732	72,712	17,236
Group's interest	87,226	(41,850)	45,376	29,092	5,510
Year ended June 30, 2005					
100 per cent	230,377	(94,458)	135,919	81,069	8,117
Group's interest	81,640	(38,852)	42,788	28,954	2,282
Year ended June 30, 2006					
100 per cent	247,828	(106,420)	141,408	125,526	3,409
Group's interest	88,998	(44,115)	44,883	47,046	1,317
Three months ended September 30, 2006					
100 per cent	253,808	(110,828)	142,980	26,963	2,277
Group's interest	91,390	(45,501)	45,889	9,915	982

Note: The profit for the year/period (Group's interest) includes gain from changes in fair value of plantation assets less estimated point-of-sale costs of $5,046,000, $3,149,000, $2,433,000 and $433,000 for the three years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, respectively.

20. Interest in jointly controlled entities

	June 30, 2004	June 30, 2005	June 30, 2006	September 30, 2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Group's share of net assets, unlisted	–	3,118	6,039	6,697
Loan to a jointly controlled entity	–	15,000	9,306	7,755
	–	18,118	15,345	14,452

Details of the Group's jointly controlled entities, all of which are held by the Company through intermediate investment holding companies, are as follows:

Name of company	Place of incorporation	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Issued and fully paid share capital	Principal activities
		%	%		
Foremost Crest Sdn Bhd	Malaysia	23.88	50	RM21,483,230 divided into 21,483,230 ordinary shares of RM1 each	Manufacture and sale of doors
Magna-Foremost Sdn Bhd	Malaysia	42.95	50	RM76,459,480 divided into 76,459,480 ordinary shares of RM1 each	Manufacture and sales of door facings

Loan to a jointly controlled entity is unsecured, interest bearing at 1% above the London Inter Bank Offering Rate ("LIBOR") per annum and repayable by 2009.

Summarised financial information of the jointly controlled entities is as follows:

	June 30, 2004	June 30, 2005	June 30, 2006	September 30, 2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Non-current assets	–	24,094	23,875	23,651
Current assets	–	16,413	13,064	12,762
Total assets	–	40,507	36,939	36,413
Current liabilities	–	2,921	6,485	7,706
Non-current liabilities	–	31,350	18,376	15,313
Total liabilities	–	34,271	24,861	23,019

	Years ended June 30,			Three months ended September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	–	22,306	26,773	6,177
Expenses	–	17,426	21,141	4,861
Group's share of profit after tax	–	2,440	2,816	658

21. Deferred tax

The amounts, determined after appropriate offsetting, are as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Deferred tax liabilities	50,411	60,159	55,717	55,906
Set off of tax	(2,989)	(6,753)	(7,818)	(4,786)
	47,422	53,406	47,899	51,120
Deferred tax assets	7,463	10,152	11,460	8,671
Set off of tax	(2,989)	(6,753)	(7,818)	(4,786)
	4,474	3,399	3,642	3,885

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the Relevant Period are as follows:

	At July 1, 2003	Charged/ (credited) to income statement	Acquisition of subsidiaries	Exchange differences	Charged to reserves	At June 30, 2004
	US$'000	*US$'000* (note 9)	*US$'000*	*US$'000*	*US$'000* (note 29(d)(i))	*US$'000*
Deferred tax liabilities						
Property, plant and equipment	21,242	(323)	–	(51)	–	20,868
Plantation assets	15,494	3,736	–	1,415	–	20,645
Timber concessions	5,619	(482)	–	–	–	5,137
Others	4,019	(258)	–	–	–	3,761
Total	46,374	2,673	–	1,364	–	50,411
Deferred tax assets						
Property, plant and equipment	4,285	2,713	–	–	–	6,998
Unutilised tax losses	1,723	(1,344)	–	–	–	379
Others	115	(29)	–	–	–	86
Total	6,123	1,340	–	–	–	7,463
Net deferred tax liabilities	40,251	1,333	–	1,364	–	42,948

	At July 1, 2004	Charged/ (credited) to income statement	Acquisition of subsidiaries	Exchange differences	Charged to reserves	At June 30, 2005
	US$'000	*US$'000* (note 9)	*US$'000*	*US$'000*	*US$'000* (note 29(d)(i))	*US$'000*
Deferred tax liabilities						
Property, plant and equipment	20,868	(352)	–	(51)	–	20,465
Plantation assets	20,645	3,574	–	2,822	–	27,041
Timber concessions	5,137	(482)	–	–	–	4,655
Others	3,761	252	–	–	3,985	7,998
Total	50,411	2,992	–	2,771	3,985	60,159
Deferred tax assets						
Property, plant and equipment	6,998	(1,031)	–	–	–	5,967
Unutilised tax losses	379	3,059	–	–	–	3,438
Others	86	661	–	–	–	747
Total	7,463	2,689	–	–	–	10,152
Net deferred tax liabilities	42,948	303	–	2,771	3,985	50,007

	At July 1, 2005	Charged/ (credited) to income statement	Acquisition of subsidiaries	Exchange differences	Charged to reserves	At June 30, 2006
	US$'000	*US$'000* (note 9)	*US$'000*	*US$'000*	*US$'000* (note 29(d)(i))	*US$'000*
Deferred tax liabilities						
Property, plant and equipment	20,465	(2,406)	483	644	–	19,186
Plantation assets	27,041	(1,927)	–	(3,285)	–	21,829
Timber concessions	4,655	(498)	4,598	158	–	8,913
Others	7,998	(2,285)	–	76	–	5,789
Total	60,159	(7,116)	5,081	(2,407)	–	55,717
Deferred tax assets						
Property, plant and equipment	5,967	3,502	–	183	–	9,652
Unutilised tax losses	3,438	(1,454)	2	84	–	2,070
Others	747	(1,036)	–	27	–	(262)
Total	10,152	1,012	2	294	–	11,460
Net deferred tax liabilities	50,007	(8,128)	5,079	(2,701)	–	44,257

	At July 1, 2006	Charged/ (credited) to income statement	Acquisition of subsidiaries	Exchange differences	Charged to reserves	At September 30, 2006
	US$'000	*US$'000* (note 9)	*US$'000*	*US$'000*	*US$'000* (note 29(d)(i))	*US$'000*
Deferred tax liabilities						
Property, plant and equipment	19,186	(2,443)	–	–	–	16,743
Plantation assets	21,829	1,461	–	1,648	–	24,938
Timber concessions	8,913	(477)	–	–	–	8,436
Others	5,789	–	–	–	–	5,789
Total	55,717	(1,459)	–	1,648	–	55,906
Deferred tax assets						
Property, plant and equipment	9,652	(1,949)	–	–	–	7,703
Unutilised tax losses	2,070	(1,219)	–	–	–	851
Others	(262)	379	–	–	–	117
Total	11,460	(2,789)	–	–	–	8,671
Net deferred tax liabilities	44,257	1,330	–	1,648	–	47,235

No deferred tax assets is recognised for the following items:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Net deductible temporary differences	15,550	5,334	5,566	3,460
Unutilised tax losses	96,140	123,697	125,296	131,099
	111,690	129,031	130,862	134,559

The unutilised tax losses and net deductible temporary differences do not expire under the current tax legislation in Malaysia, Guyana and New Zealand. Tax losses in Guyana could be used to offset only up to 50% of the assessable profits for the year. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

22. Inventories

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

The analysis of the amount of inventories recognised as an expense is as follows:

	Years ended June 30,			Three months ended September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Carrying amount of inventories sold	303,969	339,783	341,781	100,031

Certain inventories are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25.

23. Trade and other receivables

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

Amounts due from related parties comprise advances, which are unsecured, interest free and recoverable upon demand.

Included in trade receivables are amounts due from related parties of $4,932,000, $6,681,000, $8,954,000 and $13,380,000 at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively.

Certain trade and other receivables are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25.

The Group normally allows a credit period ranging from 30 days to 90 days to its customers.

An ageing analysis of trade receivables is as follows:

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

24. Cash and cash equivalents

	June 30, 2004	June 30, 2005	June 30, 2006	September 30, 2006
	US$'000	US$'000	US$'000	US$'000
Deposits	11,646	11,258	9,975	9,860
Cash at bank and in hand	8,072	15,278	11,136	20,983
Cash and cash equivalents in the combined balance sheets	19,718	26,536	21,111	30,843
Bank overdrafts (note 25(a))	(24,073)	(20,987)	(28,540)	(23,475)
Fixed deposits and bank balances held as security	(9,996)	(9,957)	(9,664)	(9,865)
Cash and cash equivalents in the combined cash flow statements	(14,351)	(4,408)	(17,093)	(2,497)

Certain deposits are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25.

25. Bank and other borrowings

(a) Bank overdrafts, loans and borrowings

The bank overdrafts, loans and borrowings were repayable as follows:

	June 30, 2004	June 30, 2005	June 30, 2006	September 30, 2006
	US$'000	US$'000	US$'000	US$'000
Within 1 year or on demand	110,813	91,949	121,792	117,179
After 1 year but within 2 years	4,747	3,012	10,932	10,728
After 2 years but within 5 years	9,199	11,155	34,156	34,557
After 5 years	66,734	68,891	84,153	84,398
	80,680	83,058	129,241	129,683
	191,493	175,007	251,033	246,862

The bank overdrafts, loans and borrowings were secured as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Overdrafts (note 24)				
— unsecured	12,646	9,893	16,435	12,652
— secured	11,427	11,094	12,105	10,823
	24,073	20,987	28,540	23,475
Bank loans and borrowings				
— unsecured	46,873	46,290	94,121	92,631
— secured	120,547	107,730	128,372	130,756
	167,420	154,020	222,493	223,387
	191,493	175,007	251,033	246,862

The carrying value of assets secured for bank loans and borrowings were as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Property, plant and equipment	68,508	29,935	35,634	38,810
Lease prepayments	–	–	1,462	1,451
Plantation assets	176,608	190,024	157,545	174,097
Inventories	2,960	–	–	–
Trade and other receivables	1,383	–	–	–
Cash and cash equivalents	9,996	9,957	9,664	9,865
	259,455	229,916	204,305	224,223

In addition, the Company's bank loan of $12,801,000 as at June 30 and September 30, 2006 was secured by the Company's 59.69% equity interests in Lingui Developments Berhad ("Lingui").

Included in bank loans and borrowings are $50,543,000, $53,325,000 and $54,776,000 and $54,787,000 at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively which are denominated in a currency other than the functional currency of the entity to which they relate.

Certain bank loans and borrowings totalling $56,955,000, $47,485,000, $56,539,000 and $54,215,000 were guaranteed by Samling Strategic Corporation Sdn Bhd ("SSC"), a company owned by the Controlling Shareholders, members of the Yaw Family, Merawa Holding Sdn Bhd ("Merawa Holding") and Anhui Hualin at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively. Merawa Holding is the former parent company of Merawa Sdn Bhd (see note 30(a)) and Anhui Hualin is a company owned by the Controlling Shareholders. The directors of the Company have confirmed that these guarantees would be released prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("SEHK").

The banking facilities of the Group amounted to $217,102,000, $201,779,000, $282,327,000 and $280,211,000, and were utilised to the extent of $191,493,000, $175,007,000, $251,033,000 and $246,862,000 as at June 30, 2004, 2005 and 2006 and September 30, 2006, respectively.

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 34(e). As at June 30, 2004, 2005 and 2006 and September 30, 2006, none of the covenants relating to drawn down facilities had been breached.

(b) Loans from shareholders

Loans from shareholders were unsecured, interest-free for the first $20 million and interest bearing at 10% per annum for the remaining balance, and had no fixed terms of repayment. The loans were repaid in 2005.

(c) Finance lease liabilities

Finance lease liabilities are payable as follows:

	June 30,									September 30,		
	2004			2005			2006			2006		
	Gross	Interest	Principal	Gross	Interest	Principal	Gross	Interest	Principal	Gross	Interest	Principal
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Less than one year	13,684	2,328	11,356	18,369	3,319	15,050	27,386	4,596	22,790	30,731	5,202	25,529
Between one and two years	11,921	1,588	10,333	17,853	2,290	15,563	24,785	3,061	21,724	28,309	3,601	24,708
Between two and five years	17,846	1,410	16,436	26,228	1,954	24,274	36,152	2,367	33,785	39,848	2,609	37,239
	29,767	2,998	26,769	44,081	4,244	39,837	60,937	5,428	55,509	68,157	6,210	61,947
	43,451	5,326	38,125	62,450	7,563	54,887	88,323	10,024	78,299	98,888	11,412	87,476

26. Bonds

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Nominal value	78,947	78,947	40,816	40,816
Deferred issuance cost	(486)	(202)	–	–
	78,461	78,745	40,816	40,816
Less: Current portion	–	(39,474)	–	–
	78,461	39,271	40,816	40,816

The bonds were offered by Lingui to sophisticated third party investors in 2001. The bonds are held by the bondholders in a scripless securities trading system operated by the Central Bank of Malaysia.

The terms of the bonds are as follows:

Outstanding balance	Redemption terms	Interest
Nil (June 30, 2006: Nil; June 30, 2005 and June 30, 2004: $39 million)	Redeemable at par in April 2006	8% per annum
$41 million (June 30, 2006: $41 million; June 30, 2005 and June 30, 2004: $39 million)	Redeemable at par in April 2008	8.5% per annum

The bonds are secured by Debt Service Reserve Accounts which are maintained for coupon payments and principal repayment. Debt Reserve Accounts are part of the "Fixed deposits and bank balances held as security" disclosed in note 24.

27. Trade and other payables

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

Amounts due to related parties are unsecured, interest free and repayable on demand. The directors have confirmed that this payable will be settled prior to the listing of the Company's shares on the SEHK (see note 32(c) and (d)).

Included in trade payables are amounts due to related parties of $10,225,000, $11,430,000, $10,818,000 and $11,505,000 at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively.

An ageing analysis of trade payables is as follows:

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

28. Share capital

For the purpose of this report, share capital at June 30, 2004 and 2005 represents the aggregate of the share capital of the companies comprising the Group. The issue of new shares in 2004 and 2005 represent the issue of shares by companies comprising the Group.

Upon completion of the Reorganization and Further Acquisitions, the Company becomes the holding company of the Group. Share capital at June 30, 2006 and September 30, 2006 represents the share capital of the Company (note 36(v)).

29. Reserves

	Share premium	Currency translation reserve	Revaluation reserve	Other reserve	Capital reserve	Retained earnings	Total
	US$'000 (note (a))	*US$'000* (note (b))	*US$'000* (note (c))	*US$'000* (note (d))	*US$'000* (note (e))	*US$'000*	*US$'000*
At July 1, 2003	15,332	12,479	6,673	3,600	–	6,966	45,050
Issue of shares, net of issue expenses	4,947	–	–	–	–	–	4,947
Currency translation differences	–	3,398	–	–	–	–	3,398
Profit for the year	–	–	–	–	–	23,521	23,521
Dividends paid during the year	–	–	–	–	–	(1,418)	(1,418)
At June 30, 2004	20,279	15,877	6,673	3,600	–	29,069	75,498
At July 1, 2004	20,279	15,877	6,673	3,600	–	29,069	75,498
Issue of new shares, net of issue expenses	93,474	–	–	–	–	–	93,474
Currency translation differences	–	4,323	–	–	–	–	4,323
Profit for the year	–	–	–	–	–	23,118	23,118
Dividend paid during the year	–	–	–	–	–	(498)	(498)
Acquisition of minority interests (note (d)(i))	–	–	–	6,141	–	–	6,141
Acquisition of additional interests in a subsidiary from the Controlling Shareholders, net of tax (note (d)(i))	–	–	–	(4,710)	–	–	(4,710)
At June 30, 2005	113,753	20,200	6,673	5,031	–	51,689	197,346
At July 1, 2005	113,753	20,200	6,673	5,031	–	51,689	197,346
Issue of new shares, net of issue expenses	72,276	–	–	–	40,477	–	112,753
Currency translation differences	–	174	–	–	–	–	174
Profit for the year	–	–	–	–	–	5,128	5,128
Dividend paid during the year	–	–	–	–	–	(2,849)	(2,849)
Acquisition of minority interests (note (d)(iii))	–	–	–	22,725	–	–	22,725
Arising from Reorganization (note (d)(ii))	(113,753)	(3,778)	–	(60,858)	–	9,561	(168,828)
At June 30, 2006	72,276	16,596	6,673	(33,102)	40,477	63,529	166,449
At July 1, 2006	72,276	16,596	6,673	(33,102)	40,477	63,529	166,449
Currency translation differences	–	4,331	–	–	–	–	4,331
Profit for the period	–	–	–	–	–	22,297	22,297
At September 30, 2006	72,276	20,927	6,673	(33,102)	40,477	85,826	193,077

Notes:

(a) Share premium

For the purpose of this report, the share premium at June 30, 2004 and 2005 represents the share premium of the combined entities. Share premium at June 30, 2006 and September 30, 2006 represents the share premium of the Company.

(b) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(d)(ii).

(c) Revaluation reserve

The revaluation reserve arose in 2001 from (a) the acquisition of subsidiaries by Lingui Development Berhad ("Lingui") from its associate where the identifiable assets and liabilities of the subsidiaries were remeasured to fair values; and (b) the disposal of subsidiaries by Lingui to its associate where the carrying value of Lingui's investment in the associate were remeasured to reflect the fair values of the assets and liabilities of these subsidiaries.

(d) Other reserve

(i) As part of the reorganisation of the Group's operations in Guyana, the Group acquired the remaining minority interests in Barama Company Limited ("Barama"). Under a deed of assignment signed on April 29, 2005, Sunkyong Limited ("Sunkyong"), a minority shareholder of Barama, assigned the shareholders' loan of $6,238,000 and interest payable of $2,128,000 to the Group for a consideration of $650,000. On the even date, the Group acquired a 20% equity interest in Barama from Sunkyong for $1,150,000. The difference, net of tax, between the carrying value of minority interest in Barama and acquisition consideration of $6,141,000 is treated as an equity movement, and recorded in "Other reserve".

Pursuant to a deed of assignment signed on April 29, 2005, Samling International Limited ("SIL"), a company owned by the Controlling Shareholders, assigned shareholders' loan and interest payable totalling $58,309,000 to the Group at the carrying value of $58,309,000. On the even date, the Group acquired a 20% equity interest in Barama from SIL for $1,150,000. The difference, net of tax, between the carrying value and acquisition consideration of $4,710,000 is treated as an equity movement and recorded in "Other reserve".

The deferred tax liability resulted from the above transactions amounted to $3,985,000 (note 21).

(ii) On April 18, 2006, the Controlling Shareholders transferred its 39.87% equity interest in a listed company, Lingui, to the Company for cash consideration of $72,276,000. The difference between the historical carrying value of the shares acquired and acquisition consideration is treated as an equity movement, and recorded in "Other reserve".

In June 2006, the Controlling Shareholders transferred the equity interests in its private companies in Malaysia and Guyana to the Company, which was satisfied by the assignment of non-trade amounts due from related parties from Syarikat Samling Timber Sdn Bhd ("SST"), a subsidiary of the Company, to SSC totalling $150,181,000 and shares of the Company. The difference between the nominal value of the shares acquired and acquisition consideration is treated as an equity movement, and recorded in 'Other reserve'.

(iii) As a consequence of the transfer of the 39.87% equity interest in Lingui from the Controlling Shareholders to the Company, in compliance with the Malaysia Code on Take-overs and Mergers, the Company had on the same day made a Mandatory General Offer ("Offer") for the remaining Lingui shares not already held by the Company. On May 9, 2006, the Company received valid acceptances pursuant to the Offer which had resulted in the Company holding more than 50% of the voting shares of Lingui. Consequently, the Offer was declared unconditional on May 9, 2006.

As at May 24, 2006, on the closing date of the Offer, the Company received valid acceptances from shareholders other than the Controlling Shareholders, representing 19.82% of the voting shares of Lingui, for cash consideration of $35,931,000. The difference between the carrying value of the minority interests and acquisition consideration is recorded in "Other reserve". The Group's equity interest in Lingui increased from 39.87% to 59.69% thereafter.

(e) Capital reserve

The capital reserve represents the nominal value of ordinary shares not yet issued by the Company at June 30 and September 30, 2006 as consideration for acquisition of subsidiaries (note 30(a)) which will be converted into share capital and share premium (if any) upon issuance of additional shares. The directors confirm that such shares will be issued prior to the listing of the Company's shares on the SEHK.

(f) Distributable reserves

The Company was incorporated on June 27, 2005. At June 30, 2005 and 2006 and September 30, 2006, the reserve available for distribution to equity shareholders of the company was $Nil, Nil and $2,533,000, respectively.

On the basis set out in note 1, the aggregate amounts of distributable reserves at June 30, 2004, 2005 and 2006 and September 30, 2006 of the companies comprising the Group were $29,069,000, $51,689,000 and $63,529,000 and $85,826,000 respectively.

30. Acquisitions and deemed disposal of subsidiaries

(a) Acquisitions

As part of the Reorganization, the Company acquired the following timber related businesses in Malaysia and the PRC owned by certain business associates of the Controlling Shareholders (the "Further Acquisitions") who are independent third parties as at the date of acquisition:

Name of company	Date of acquisition	Principal activities	Fair value at date of acquisition
			US$'000
Dayalaba Sdn Bhd	June 29, 2006	Extraction and sale of logs	44
Bedianeka Sdn Bhd	June 29, 2006	Sales agent	1,915
Merawa Sdn Bhd	June 29, 2006	Extraction and sale of logs	16,781
Foothill	June 29, 2006	Manufacture of plywood and veneer	965
Riverside	June 29, 2006	Manufacture of plywood and veneer	6,787

The considerations for the Further Acquisitions were satisfied by issuance of 190,669 ordinary shares in SST and 64,686,840 ordinary shares in the Company which will be issued prior to the listing of the Company's shares on the SEHK.

The total fair value of the shares in SST and the Company issued/to be issued as consideration for the Further Acquisitions was estimated at approximately $26,492,000, which represented the fair value of the net identifiable assets and liabilities of the acquired companies at the date of acquisition.

The revenue and net profit attributable to the equity holders of the Group for the year ended June 30, 2006 as if the dates of the Further Acquisitions had been the beginning of the year were $439,155,000 and $11,735,000 respectively.

The acquisitions had the following effect on the Group's assets and liabilities:

	2006
	US$'000
Property, plant and equipment, net	8,236
Construction in progress	14
Lease prepayments	1,648
Timber concessions	16,423
Deferred tax assets	2
Inventories	4,982
Trade and other receivables	18,279
Cash and cash equivalents	140
Bank and other borrowings	(5,823)
Trade and other payables	(11,984)
Tax payable	(344)
Deferred tax liabilities	(5,081)
Net identifiable assets and liabilities	26,492
Total purchase consideration	(26,492)
	–
Less: Cash acquired	(140)
Net cash inflow in respect of the acquisitions	(140)

(b) Deemed disposal

On August 9, 2004, Caliente B.V. (formerly known as TreeOne B.V.) issued 2,430 ordinary shares of Euro 46 each to a third party. As a result, the Group's effective shareholding in the subsidiary decreased from 100% to 14.9%. The assets and liabilities of Caliente B.V. deemed disposed of and its cash flow effect are as follows:

	2005
	US$'000
Current assets	551
Current liabilities	(235)
Net assets disposed of	316
Net loss on deemed disposal	(316)
	–
Cash disposed of	(542)
Net cash outflow	(542)

31. Note to the combined statements of cash flows

(a) Reconciliation of profit/(loss) before taxation to net cash generated from operations:

	Section B Note	Years ended June 30,			Three months ended September 30,	
		2004	2005	2006	2005	2006
		US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Profit/(loss) before taxation		54,064	44,567	(199)	7,394	40,105
Adjustments for:						
— Depreciation and amortisation		44,787	44,656	52,900	11,490	15,524
— Interest income		(3,203)	(4,070)	(4,444)	(1,043)	(183)
— Interest expense		16,657	15,213	14,856	3,116	4,661
— Share of profits less losses of associates		(5,510)	(2,282)	(1,317)	857	(982)
— Share of profits less losses of jointly controlled entities		–	(2,440)	(2,816)	(524)	(658)
— (Gain)/loss from changes in fair value of plantation assets less estimated point-of-sale costs		(10,416)	14,768	15,285	(1,842)	(1,214)
— (Gain)/loss from changes in fair value of financial instruments		(17)	1,418	(2,432)	(693)	1,149
— Loss on deemed disposal of subsidiaries		–	316	–	–	–
— Gain on disposal of an associate		–	(609)	–	–	–
— Gain on disposal of property, plant and equipment		(228)	(12,183)	(667)	(77)	(1,394)
— Gain on disposal of plantation licence		(3,024)	–	–	–	–
— Foreign exchange (gains)/losses		(4,403)	(5,044)	7,737	666	(3,782)
Operating profit before changes in working capital		88,707	94,310	78,903	19,344	53,226
— Decrease/(increase) in inventories, including harvested timber transferred to inventories		4,743	6,827	(6,098)	(4,066)	(8,138)
— (Increase)/decrease in trade and other receivables		(2,788)	8,196	7,679	(3,241)	(8,627)
— Increase/(decrease) in trade and other payables		2,994	(9,028)	11,265	3,436	(4,715)
Net cash generated from operations		93,656	100,305	91,749	15,473	31,746

(b) Major non-cash transactions

(i) The total consideration for the acquisition of minority interests from Sunkyong and SIL of $2,300,000, as described in note 29(d)(i), were settled through "Amounts due to related parties".

(ii) On June 30, 2005, Caribbean Esskay Limited, a subsidiary of the Company, issued and allotted three shares of $1 each to SIL for capitalisation of a shareholder loan from SIL of $84,394,000. The amount was settled through "Amounts due to related parties".

(iii) On June 24, 2005, Samling Flooring Products Sdn Bhd, a subsidiary of the Company, issued and allotted 500,000 ordinary shares of RM1 (equivalent to $0.26) each to SSC. The total amount of RM500,000 (equivalent to $132,000) was settled through "Amounts due to related parties".

(iv) On June 24, 2005, KTN Timor Sdn Bhd ("KTN Timor"), a subsidiary of the Company, issued and allotted 5,000,000 ordinary shares of RM1 (equivalent to $0.26) each to Rimba Utama Sdn Bhd, the then shareholder of KTN Timor. The total amount of RM5,000,000 (equivalent to $1,316,000) was settled through "Amounts due to related parties".

(v) The Group acquired property, plant and equipment with an aggregate cost of $53,926,000, $69,379,000, $96,605,000, $8,764,000 and $20,433,000 of which $28,088,000, $27,801,000, $41,766,000, $5,321,000 and $16,077,000 during the year ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2005 and 2006, respectively, were acquired by means of finance leases. In addition, included in the purchase of property, plant and equipment is an amount of $Nil, $5,030,000, $Nil, $Nil and $3,341,000 which has been accrued for in other payables at June 30, 2004, 2005 and 2006 and September 30, 2005 and 2006 respectively.

(vi) The acquisition of several companies under the common control of the Controlling Shareholders was satisfied by the assignment of non-trade amounts due from related parties from SST to SSC totalling $150,181,000, as described in note 29(d)(ii).

(vii) The purchase consideration for the Further Acquisitions was satisfied by issuance of ordinary shares, as described in note 30(a).

32. Related party transactions

During the Relevant Period, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Yaw Holding Sdn Bhd ("Yaw Holding"), its subsidiaries and associates ("Yaw Holding Group")	Yaw Holding is the ultimate controlling party of the Company
Glenealy Plantations (Malaya) Berhad ("Glenealy") and its subsidiaries ("Glenealy Group")	Glenealy is an associate of the Group
Sepangar Chemical Industry Sdn Bhd ("Sepangar")	Sepangar is an associate of the Group
Daiken Miri Sdn Bhd ("Daiken")	Daiken is an associate of the Group
Rimalco Sdn Bhd ("Rimalco")	Rimalco is an associate of the Group
Magna-Foremost Sdn Bhd ("Magna-Foremost")	Magna-Foremost is a jointly controlled entity of the Group
Foremost Crest Sdn Bhd ("Foremost Crest")	Foremost Crest is a jointly controlled entity of the Group
Samling International Limited ("SIL") and its subsidiaries ("SIL Group")	SIL is controlled by the father of Mr. Yaw Chee Ming
Perkapalan Damai Timur Sdn Bhd ("PDT")	PDT is a major shareholder of the Company, and is controlled by Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman
Arif Hemat Sdn Bhd ("Arif Hemat")	Arif Hemat is controlled by Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman
3D Networks Sdn Bhd ("3D Networks")	3D Networks is controlled by Mr. Yaw Chee Ming

Name of party	Relationship
Si Khiong Industries Sdn Bhd ("Si Khiong")	Si Khiong is controlled by the father-in-law of Mr. Yaw Chee Ming
PT Batamec ("PT Batamec")	PT Batamec is controlled by the father of Mr. Yaw Chee Ming
Sojitz Building Materials (previously known as Sun Building Material Corporation) ("Sojitz Building")	Sojitz Building is a subsidiary of Sojitz Corporation, a major shareholder of Samling Housing Products Sdn Bhd, a subsidiary of the Group
SUS Company, LLC ("SUS"), Pi Zhou Yanglin Woodware Co Ltd ("Yanglin") and Pacific Plywood Co Ltd ("Pacific Plywood")	SUS, Yanglin and Pacific Plywood are controlled by Mr. Chia Ti Lin, Colin, a senior management of the Group
Yong Joo Sawmill Sdn Bhd ("Yong Joo Sawmill")	Yong Joo Sawmill is an associate of Titimas Global Agencies Sdn Bhd, a company controlled by Mr. Pui Kian Onn, a director of Riverside, a subsidiary of the Group

Particulars of significant transactions between the Group and the above related parties during the Relevant Period are as follows:

(a) Recurring transactions

	Years ended June 30,			Three months ended September 30,	
	2004	**2005**	**2006**	**2005**	**2006**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***
Sale of goods to:					
Sojitz Building	9,538	11,401	11,225	2,851	2,372
Yaw Holding Group	6,647	2,315	374	112	8
Rimalco	4,159	4,389	4,694	1,234	1,500
SIL Group	631	1,166	1,507	1	399
Glenealy Group	277	795	1,436	388	451
Daiken	166	230	51	8	9
Magna-Foremost	–	2,410	2,453	597	889
SUS	–	–	–	–	4,907
Pacific Plywood	–	–	–	–	59
Yong Joo Sawmill	–	–	–	–	252
	21,418	22,706	21,740	5,191	10,846
Provision of services to:					
Yaw Holding Group	2,642	5,126	1,135	492	761
Glenealy Group	160	200	636	47	561
Daiken	262	286	44	13	29
Rimalco	34	30	34	9	2
Magna-Foremost	–	–	–	–	231
Foremost Crest	–	–	–	–	46
	3,098	5,642	1,849	561	1,630

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Rental of properties and equipment to:					
Rimalco	284	253	261	62	65
Daiken	130	140	186	36	50
Yaw Holding Group	21	15	17	4	4
3D Networks	33	33	34	8	11
Glenealy Group	–	81	25	17	–
Magna-Foremost	–	38	21	5	9
	468	560	544	132	139
Sale of property, plant and equipment to:					
Glenealy Group	182	21	–	–	112
Magna-Foremost	–	46,809	23	–	–
	182	46,830	23	–	112
Purchase of goods from:					
Sepangar	8,194	13,171	12,519	2,810	2,690
Yaw Holding Group	2,710	5,125	922	235	946
Si Khiong	1,394	1,878	3,531	818	1,234
Daiken	–	–	3,056	959	610
Glenealy Group	–	–	324	–	473
Magna-Foremost	–	–	–	211	–
Yanglin	–	–	–	–	1,131
Pacific Plywood	–	–	–	–	642
	12,298	20,174	20,352	5,033	7,726
Purchase of services from:					
Yaw Holding Group	1,212	1,140	1,352	574	267
Glenealy Group	28	29	30	–	3
	1,240	1,169	1,382	574	270
Purchase of property, plant and equipment from:					
Si Khiong	10,887	6,607	11,679	2,376	2,272

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business. The directors have confirmed that the above transactions will continue in the future after the listing of the Company's shares on the SEHK.

(b) Non-recurring transactions

	Years ended June 30,			Three months ended September 30,	
	2004	2005	2006	2005	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Sale of goods to:					
Yaw Holding Group	183	454	23	1	88
Arif Hemat	10	4	7	1	2
	193	458	30	2	90
Provision of services to:					
Yaw Holding Group	203	423	3,065	1,259	–
SIL Group	–	51	54	–	–
Arif Hemat	1	2	5	–	–
Rimalco	4	19	30	4	5
	208	495	3,154	1,263	5
Rental of properties and equipment to:					
Rimalco	32	40	9	5	4
Yaw Holding Group	13	2	–	–	–
Arif Hemat	5	4	5	1	5
	50	46	14	6	9
Purchase of goods from:					
Yaw Holding Group	1,164	725	1,923	840	–
Rimalco	191	30	11	–	–
SIL Group	4	–	–	–	–
	1,359	755	1,934	840	–
Purchase of services from:					
Yaw Holding Group	15,187	17,806	5,670	2,078	75
SIL Group	100	61	–	–	–
Arif Hemat	4	–	7	–	–
	15,291	17,867	5,677	2,078	75
Purchase of property, plant and equipment from:					
Yaw Holding Group	11,894	–	3,269	–	–
PT Batamac	–	709	–	–	–
	11,894	709	3,269	–	–
Sale of plantation licence to:					
Glenealy Group	3,024	–	–	–	–
Sale of inventories to:					
Magna-Foremost	–	2,181	–	–	–
Foremost Crest	–	2,580	–	–	–
	–	4,761	–	–	–

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business. The directors have confirmed that the above transactions will not continue in the future after the listing of the Company's share on the SEHK.

(c) Amounts due from related parties

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Yaw Holding Group	133,942	154,787	14,046	–
PDT	3,241	3,121	6,058	–
SIL Group	1,725	1,981	5,040	–
Rimalco	–	–	26	–
Arif Hemat	12	4	13	–
	138,920	159,893	25,183	–

Amounts due from related parties are unsecured, interest free and are expected to be recovered within one year. Pursuant to a settlement agreement dated September 30, 2006, the amounts due from and due to related parties (note 32(d)) have been assigned to SSC, the immediate parent of the Company. The directors have confirmed that the remaining net payable balance will be capitalised into the Company's share capital prior to the listing of the Company's shares on the SEHK.

(d) Amounts due to related parties

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Yaw Holding Group	39,601	30,514	47,790	17,714
SIL Group	25,485	78	16	–
PDT	789	–	1,633	–
	65,875	30,592	49,439	17,714

Amounts due to related parties are unsecured, interest free and expected to be repaid within one year.

(e) Guarantees

Guarantees totalling $56,955,000, $47,485,000, $56,539,000 and $54,215,000 were given by SSC, family members of the Controlling Shareholders, Merawa Holding and Anhui Hualin against certain banking facilities granted to the Group at June 30, 2004, 2005 and 2006 and September 30, 2006 respectively as disclosed in note 25.

The directors have confirmed that all the above guarantees will be released prior to the listing of the Company's shares of the SEHK.

33. Commitments and contingent liabilities

(a) Capital commitments

At June 30, 2004, 2005 and 2006 and September 30, 2006, the Group had capital commitments for acquisition and construction of land and buildings and equipment as follows:

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Authorised and contracted for	–	21,198	957	7,488
Authorised but not contracted for	27,747	69,866	63,099	31,623

(b) Future minimum royalty payments

As at June 30, 2004, 2005 and 2006 and September 30, 2006, the total future minimum royalty payments payable under the terms of the timber concession licences of the Group are as follows (see note 17):

	June 30,			September 30,
	2004	2005	2006	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 1 year	1,105	1,105	1,359	1,351
After 1 year but within 5 years	3,936	3,442	3,912	3,755
After 5 years	4,348	3,737	3,353	3,131
	9,389	8,284	8,624	8,237

(c) Contingent liabilities

(i) Legal claims from the Penans

Two of the Company's subsidiaries, Syarikat Samling Timber Sdn Bhd ("SST") and Samling Plywood (Baramas) Sdn Bhd ("SPB"), together with the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses, Penans, and settlements situated on timber concessions held by SPB and where SST has been appointed as the contractor to harvest timber logs from the area. The action commenced in 1998 and the plaintiffs are seeking a declaration that they have native customary rights over claimed land located within the relevant timber concession areas. Certain other inhabitants later joined the proceedings as defendants and made an application to stay the proceedings. As at September 30, 2006, the above proceeding remained pending before the Malaysian court.

Separately, another subsidiary, Tamex Timber Sdn Bhd ("Tamex"), together with the Superintendent of Lands and Surveys Department (Bintulu Division) and the State Government of Sarawak, are being jointly sued in the Malaysian courts by the Penans and settlements situated on planted forest licensed areas held by another subsidiary, Samling Reforestation (Bintulu) Sdn Bhd ("SRB") and where Tamex has been appointed as the contractor to harvest timber logs from the area. The action commenced in 2003 and the plaintiffs are claiming various relief including a declaration that issuance of the land title and/or provisional lease of that parcel of land at and/or around the longhouse communities of that area was unconstitutional and wrongful. Tamex denied the claim and also counterclaimed for damages, costs, interest and further or other relief. As at September 30, 2006, the above proceeding also remained pending before the Malaysian court.

The directors believe that the Group has merit in their defence to the claims and have not experienced any material interference to the logging operations as a result of these claims. In the event that the Malaysian courts order a judgement against the Group, the Group may be ordered to terminate their operations on the relevant parcels of land claimed by the plaintiffs, remove the structures, machineries and equipment from those areas and/or pay damages and costs incurred, and/or the courts may order other reliefs as it considers just. Although the outcome of these litigations cannot be ascertained at this stage and the monetary value involved cannot be reliably quantified, the directors believe that these proceedings will not have a material adverse impact on the Group's business, results of operations or financial condition.

(ii) Environmental contingencies

The Group's operations are regulated by various laws and regulations. Laws and regulations protecting the environment and wild life have generally become more stringent in recent years and could become more stringent in the future. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group for violations of existing conditions attached to the licences whether or not caused or known by the Group. The financial position of the Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The directors are not aware of any environmental liabilities as at September 30, 2006. The directors are also not aware of any violation to existing conditions attached to the Group's timber concession and tree plantation licences, or subject to any significant costs, expenses, penalties and liabilities.

34. Financial instruments

(a) Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of:

(i) ensuring that appropriate funding strategies are adopted to meet the Group's short term and long term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections of each project and that of the Group;

(ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

(iii) ensuring that credit risks on sales to customers on deferred terms are properly managed.

The Group is also exposed to financial risks arising from changes in timber prices, the movements of which would have significant impact on the Group's earnings, cash flows as well as the value of the plantation assets. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

(b) Credit risk

The Group's credit risk arises from sales made on deferred terms. Credit risks and exposures are controlled and monitored on an on-going basis by setting appropriate credit limits and terms after credit evaluations have been performed on customers on a case-by-case basis. Appropriate approval limits are set at different level of credit limit and terms. The Group's diversified business base ensures that there are no significant concentrations of credit risk for a particular customer.

(c) Foreign currency exchange risk

The Group's main income from timber related business is mostly derived in US$. The movements of US$ against Ringgit Malaysia ("RM") and Guyana Dollar ("G$") will affect the revenue and costs of some production materials, spare parts and equipment purchases. However, the currency exchange risk during the years ended June 30, 2004 and 2005 was minimised because RM was pegged to US$ at RM3.80 to the dollar until July 2005 when the Malaysian government moved the RM to unpegged float. Between July 2005 and September 30, 2006, RM did not fluctuate significantly against US$, with an exchange rate of US$1: RM3.675 as at September 30, 2006. G$ did not fluctuate significantly against US$ during the Relevant Period.

The Group's investment in a New Zealand subsidiary, which holds plantation assets also exposes the Group to foreign currency exchange risk. Future sales derived from the plantation assets are expected to be made in the international market and generally would be denominated in US$. The Group is exposed to a certain degree of risk resulting from the fluctuation in New Zealand Dollars ("NZ$") against US$.

The revenue generating operations of the Group's PRC subsidiaries are transacted in Renminbi, which is not freely convertible into foreign currencies. On January 1, 1984, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted by the People's Bank of China ("PBOC"). However, the unification of the exchange rate does not imply convertibility of Renminbi into other foreign currencies. All foreign exchange transactions of these PRC subsidiaries continue to take place either through the PBOC or other institutions authorised to buy or sell foreign currencies. Approval of foreign currency payments, including remittances of dividends, by the PBOC or other institutions requires submitting a payment application form together with relevant supporting documents.

(d) Interest rate risk

The Group borrows both fixed and floating interest rate loans. Exposure to floating interest rate presents the Group with a certain element of risk when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are appropriately fixed when necessary.

Management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the market situation and the outlook prevailing then. In addition, interest rate swap agreements have been entered into for loans denominated in US$50.5 million and NZ$27.4 million, US$53.3 million and NZ$29.6 million, US$54.8 million and NZ$30.9 million, and US$54.8 million and NZ$30.9 million as at June 30, 2004, 2005 and 2006 and September 30, 2006, respectively, to ensure that the exposure to changes in interest rates are fixed for the respective tranches throughout the tenure of the loans with swap rates between 5.32% to 8.86% per annum respectively over the loan period. The Group's short term deposits are placed at fixed rate investments which management endeavours to obtain the best rate available in the market.

(e) Liquidity and cash flow risk

The Group's net current (liabilities)/assets amounted to approximately $(20,774,000), $36,176,000, $(121,449,000) and $(90,932,000) at June 30, 2004, 2005, 2006 and September 30, 2006 respectively. The Group recorded a net cash inflow from operating activities of approximately $95,680,000, $91,559,000, $83,806,000 and $29,762,000 for the years ended June 30, 2004, 2005, 2006 and the three months ended September 30, 2006 respectively. For the same periods, the Group had a net cash outflow to investing activities of approximately $48,148,000, $35,625,000, $71,538,000 and $1,710,000 respectively. The Group also recorded a net cash outflow to financing activities of approximately $39,919,000, $46,067,000, $25,894,000 and $12,908,000 for the years ended June 30, 2004, 2005, 2006 and the three months ended September 30, 2006 respectively. The Group had an (increase)/decrease in the negative cash and cash equivalents of approximately $7,613,000, $9,867,000, $(13,626,000) and $15,144,000 for the years ended June 30, 2004, 2005, 2006 and the three months ended September 30, 2006 respectively.

With regard to the year ended June 30, 2006 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as they fall due, and on its ability to obtain external financing, to meet its committed future capital expenditures.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the year ending June 30, 2007. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

Timber prices are constantly affected by both demand and supply cycles of the timber industry. As a result, the movements of the prices would have significant impact on the Group's earnings and valuation of plantation assets as well as cash flows and liquidity. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

The following table shows information about exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	June 30, 2004					
Group	**Effective interest rate per annum**	**Total**	**Within 1 year**	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Financial asset						
— Deposits with financial institutions	2.3 – 3.7	11,646	11,646	–	–	–
Financial liabilities						
— Unsecured overdraft	7.0 – 7.9	12,646	12,646	–	–	–
— Secured overdraft	7.0 – 8.4	11,427	11,427	–	–	–
— Unsecured bank loans and borrowings	2.86 – 15.0	46,873	45,893	263	717	–
— Secured bank loans and borrowings	4.15 – 15.0	120,547	120,547	–	–	–
— Loans from shareholders	4.8	41,943	2,238	39,705	–	–
— Finance lease liabilities	3.7 – 4.7	38,125	11,356	10,333	16,436	–
— Bonds	8.0 – 8.5	78,461	–	39,231	39,230	–

Group	June 30, 2005 Effective interest rate per annum	Total	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
	%	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets						
— Deposits with financial institutions	2.3 – 3.7	11,258	11,258	–	–	–
— Loan to a jointly controlled entity	3.78	15,000	15,000	–	–	–
Financial liabilities						
— Unsecured overdraft	7.0 – 7.5	9,893	9,893	–	–	–
— Secured overdraft	7.0 – 8.0	11,094	11,094	–	–	–
— Unsecured bank loans and borrowings	2.75 – 15.0	46,290	45,243	262	785	–
— Secured bank loans and borrowings	4.28 – 15.0	107,730	107,730	–	–	–
— Finance lease liabilities	3.5 – 4.7	54,887	15,050	15,563	24,274	–
— Bonds	8.0 – 8.5	78,745	39,474	–	39,271	–

Group	June 30, 2006 Effective interest rate per annum	Total	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
	%	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets						
— Deposits with financial institutions	3.2 – 5.0	9,975	9,975	–	–	–
— Loan to a jointly controlled entity	6.0	9,306	9,306	–	–	–
Financial liabilities						
— Unsecured overdraft	7.0 – 8.25	16,435	16,435	–	–	–
— Secured overdraft	7.0 – 8.75	12,105	12,105	–	–	–
— Unsecured bank loans and borrowings	3.1 – 15.0	94,121	72,305	3,568	8,860	9,388
— Secured bank loans and borrowings	3.8 – 15.0	128,372	128,372	–	–	–
— Finance lease liabilities	3.0 – 4.5	78,299	22,790	21,724	33,785	–
— Bonds	8.5	40,816	–	40,816	–	–

Group	September 30, 2006 Effective interest rate per annum	Total	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
	%	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets						
— Deposits with financial institutions	3.2 – 5.0	9,860	9,860	–	–	–
— Loan to a jointly controlled entity	6.48	7,755	7,755	–	–	–
Financial liabilities						
— Unsecured overdraft	7.0 – 8.25	19,091	19,091	–	–	–
— Secured overdraft	7.0 – 8.75	4,384	4,384	–	–	–
— Unsecured bank loans and borrowings	4.17 – 15.0	102,373	81,449	3,568	8,580	8,776
— Secured bank loans and borrowings	4.3 – 15.0	121,014	121,014	–	–	–
— Finance lease liabilities	3.4 – 4.7	87,476	25,529	24,708	37,239	–
— Bonds	8.5	40,816	–	40,816	–	–

(f) Natural risk

The Group's revenue depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood in the concessions and the growth of the trees in the plantations may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting in the concessions, or otherwise impede the Group's logging operations or the growth of the trees in the plantations, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and in a timely manner.

Moreover, bad weather may adversely affect the condition of the Group's transportation infrastructure, which is critical for the Group to supply timber from the timber concessions to the Group's manufacturing plants and customers. The Group has developed a strategy for utilising different transportation modes and stockpiling, but its daily operations may be unfavourably affected by interruption of transportation due to bad weather or other reasons.

(g) Fair values

Recognised financial instruments

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

The aggregate fair values of other financial assets and liabilities carried on the balance sheet as at June 30, 2004, 2005 and 2006 and September 30, 2006 are shown below:

	June 30,						September 30,	
	2004		2005		2006		2006	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Group								
Financial asset								
— Loan to a jointly controlled entity	–	–	15,000	15,000	9,306	9,306	7,755	7,755
Financial liabilities								
— Unsecured bank loans and borrowings	46,873	46,873	46,290	46,290	94,121	94,121	92,631	92,631
— Secured bank loans and borrowings	120,547	120,547	107,730	107,730	128,372	128,372	130,756	130,756
— Loans from shareholders	39,705	39,705	–	–	–	–	–	–
— Bonds	78,461	83,338	39,271	41,498	40,816	43,265	40,816	43,265

The fair values of secured term loans have been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

The fair values of bonds have been determined by using the market transaction value nearest to the financial year end or in the event of the absence of such information, the published quoted price of the instrument as at the balance sheet date.

The fair value of loan to jointly controlled entity has been determined by discounting the expected cash flows repayments using the Group's average borrowing rate.

35. Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(a) Useful lives of property, plant and equipment

The management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Fair value of plantation assets

The Group's plantation assets are valued at fair value less estimated point-of-sale costs. In determining the fair value of the plantation assets, the professional valuers have applied the net present value approach which requires a number of key assumptions and estimates to be made such as discount rate, log price, harvest profile, plantation costs, growth, harvesting and establishment. Any change in the estimates may affect the fair value of the plantation assets significantly. The professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of plantation assets.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(e) Net realisable value of inventories

Net realisable value of inventories, in particular housing and flooring products, is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycle. Management reassess these estimates at each balance sheet date.

36. The Company's balance sheet

	Note	June 30, 2005	June 30, 2006	September 30, 2006
		US$'000	*US$'000*	*US$'000*
Non-current assets				
Investments in subsidiaries	(i)	–	26,425	26,427
Amounts due from subsidiaries	(ii)	–	257,840	261,329
Total non-current assets		–	284,265	287,756
Current assets				
Other receivables and prepayments		12	7,797	8,829
Cash and cash equivalents		–	1,081	2,191
Total current assets		12	8,878	11,020
Total assets		12	293,143	298,776
Current liabilities				
Bank loan	(iii)	–	12,801	12,801
Amounts due to related companies	(iv)	–	29,479	30,471
Other payables and accrued expenses		–	2,963	4,624
Total current liabilities		–	45,243	47,896
Equity				
Share capital	(v)	12	979	979
Share premium	(v)	–	72,276	72,276
Currency translation reserve		–	34	34
Capital reserve	(vi)	–	175,058	175,058
(Accumulated losses)/retained earnings		–	(447)	2,533
Total equity		12	247,900	250,880
Total liabilities and equity		12	293,143	298,776

Notes:

(i) Investments in subsidiaries are stated at cost and details of the subsidiaries at September 30, 2006 are set out in note 37.

(ii) Amounts due from subsidiaries are unsecured, interest bearing at 1-year LIBOR and not expected to be recovered within one year.

(iii) The bank loan is interest bearing, secured by the Company's 59.69% equity interests in Lingui and is repayable within one year.

(iv) Amounts due to related companies are unsecured, interest free and repayable on demand.

(v) Share capital and share premium

	Share capital Number of shares		Share premium
	('000)	*US$'000*	*US$'000*
Shares issued upon incorporation	12	12	–
At June 30, 2005	12	12	–
At July 1, 2005	12	12	–
Issue of new share to SSC	–	–	72,276
Issue of new shares pursuant to Reorganization	967	967	–
At June 30, 2006 and September 30, 2006	979	979	72,276

The Company was incorporated in Bermuda on June 27, 2005 as an exempted company with an authorised share capital of $12,000, comprising 12,000 ordinary shares of $1 each, all of which were allotted and issued as subscriber shares on June 29, 2005.

Pursuant to resolutions in writing on March 2, 2006, the authorised share capital was increased from $12,000 to $1,200,000 by the creation of an additional 1,188,000 shares.

On April 20, 2006, the Company allotted and issued 1 share to SSC at $72,276,000.

On June 30, 2006, the Company allotted and issued 967,102 shares pursuant to the Reorganization.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(vi) Capital reserve represents the nominal value of shares to be issued by the Company at June 30, 2006 and September 30, 2006 as part of the Reorganisation.

37. Particulars of subsidiaries

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries.

Except for Caribbean Esskay Limited, Samling Malaysia Inc, Samling Guyana Inc, Samling China Inc, Samling Trademark Inc, Samling Tongling Co Ltd, Samling Riverside Co Ltd and Samling Foothill Co Ltd, all subsidiaries are held indirectly by the Company through intermediate investment holding companies.

The following are subsidiaries of the Company upon the completion of the Reorganization and Further Acquisitions:

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Syarikat Samling Timber Sdn Bhd	i, x	Malaysia, October 26, 1976	10,000,000 ordinary shares of RM1 each	100	Contractor for timber extraction and tree plantation
Kayuneka Sdn Bhd	i, x	Malaysia, September 2, 1993	80,000 ordinary shares of RM1 each and 20,000 preference shares of RM1 each	100	Agent for sale of logs
KTN Timor Sdn Bhd	ii, x	Malaysia, January 24, 1983	6,000,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Ravenscourt Sdn Bhd	ii, xii	Malaysia, May 30, 1984	500,000 ordinary shares of RM1 each	100	Extraction and sale of logs
SIF Management Sdn Bhd	i, x	Malaysia, December 28, 1993	300,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Samling Flooring Products Sdn Bhd	i, x	Malaysia, January 17, 1984	10,000,000 ordinary shares of RM1 each	100	Manufacture of flooring products, veneer and plywood
Samling Housing Products Sdn Bhd	i, xii, xvi	Malaysia, August 21, 1993	10,000,000 ordinary shares of RM1 each	54	Manufacture of housing products

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Samling Chipboard Sdn Bhd	i, xii	Malaysia, April 5, 1994	100,000 ordinary shares of RM1 each	54	Manufacture of particle board
Samling Resources Sdn Bhd	i, x	Malaysia, May 8, 1985	1,000,000 ordinary shares of RM1 each and 50,000 preference shares of RM1 each	100	Rental of equipment
Samling Reforestation (Bintulu) Sdn Bhd	i, x	Malaysia, April 5, 1994	200,000 ordinary shares of RM1 each	100	Tree plantation
Samling Wood Industries Sdn Bhd	i, x	Malaysia, June 15, 1970	10,907,002 ordinary shares of RM1 each	100	Extraction and sale of logs
Sorvino Holdings Sdn Bhd	i, xiii, xiv, xvi	Malaysia, January 22, 1992	2,000,000 ordinary shares of RM1 each	100	Provision of machinery repairs and re-conditioning services
Syarikat Reloh Sdn Bhd	ii, xii	Malaysia, May 7, 1983	100,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Majulaba Sdn Bhd	ii, xii, xvi	Malaysia, April 29, 1985	25,000 ordinary shares of RM1 each	70	Extraction and sale of logs
Sertama Sdn Bhd	i, x	Malaysia, November 10, 1986	1,000,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Samling DorFoHom Sdn Bhd	i	Malaysia, April 5, 1994	40,000,000 ordinary shares, 347,143 CRPS (Class A), of RM1 each 379,885 CRPS (Class B1) of RM1 each & 5,700,000 CRPS (Class B2) of RM1 each	86	Investment holding and wood residual trading

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Samling Manufacturing Plantation Sdn Bhd	i	Malaysia, April 2, 1998	200,000 ordinary shares of RM1 each	60.12	Dormant
Lingui Developments Berhad	iii, xv	Malaysia, December 27, 1967	659,630,441 ordinary shares of RM0.5 each	59.69	Investment holding
Samling Plywood (Baramas) Sdn Bhd	iii, xv	Malaysia, August 22, 1987	20,250,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood and veneer, extraction and sale of timber logs
Samling Plywood (Lawas) Sdn Bhd	iii, xv	Malaysia, May 9, 1986	3 ordinary shares of RM1 each	59.69	Extraction and sale of logs
TreeOne (Malaysia) Sdn Bhd	iii, xv	Malaysia, January 20, 1997	1,000,000 ordinary shares of RM1 each, 6,182,947 redeemable preference shares "A" of RM1 each, 1,400 redeemable preference shares "C" of RM1 each and 50,000 deferred shares of RM1 each	59.69	Investment holding
Samling Plywood (Bintulu) Sdn Bhd	iii, xv	Malaysia, March 19, 1986	25,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood and veneer, extraction and sale of timber logs

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Tamex Timber Sdn Bhd	iii, xv	Malaysia, December 23, 1980	1,001,000 ordinary shares of RM1 each, 50,000 redeemable preference shares (type 1) of RM1 each and 50,000 redeemable preference shares (type 2) of RM1 each	59.69	Contractor for timber extraction
Samling Power Sdn Bhd (formerly known as Samling Agro-Forestry Management Sdn Bhd)	iii, xv	Malaysia, May 28, 1996	2,000,000 ordinary shares of RM1 each	59.69	Operation of power generating facilities
Ang Cheng Ho Quarry Sdn Bhd	iii, xv	Malaysia, February 28, 1970	66,000 ordinary shares of RM100 each	59.69	Quarry licensee and operator
Stigang Resources Sdn Bhd	iii, xv	Malaysia, July 15, 1976	6,121,530 ordinary shares of RM1 each	59.69	Quarry licensee and operator
Alpenview Sdn Bhd	iii, xv	Malaysia, October 11, 1991	1,000,000 ordinary shares of RM1 each and 3,070,038 redeemable preference shares of RM1 each	59.69	Investment holding
Lingui Corporation Sdn Bhd	iii, xv	Malaysia, March 29, 1985	2 ordinary shares of RM1 each	59.69	Provision of management services
Hock Lee Plantations Sdn Bhd	iii, xv	Malaysia, April 8, 1970	72,624 ordinary shares of RM100 each and 100 redeemable preference shares of RM100 each	59.69	Investment holding

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
TreeOne Logistic Services Sdn Bhd	iii, xv	Malaysia, April 1, 1997	300,000 ordinary shares of RM1 each	57.9	Provision of logistic services
Grand Paragon Sdn Bhd	iii, xv	Malaysia, October 11, 1996	2,000,000 ordinary shares of RM1 each	47.75	Investment holding
Samling Plywood (Miri) Sdn Bhd	iii, xv	Malaysia, January 18, 1984	40,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood, extraction and sale of timber logs
Tinjar Transport Sdn Bhd	iii, xv	Malaysia, September 15, 1976	2,476,000 ordinary shares of RM1 each	59.69	Riverine transportation services
Miri Parts Trading Sdn Bhd	iii, xv	Malaysia, November 29, 1980	200,000 ordinary shares of RM1 each	59.69	Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services
Ainokitchen (Malaysia) Sdn Bhd (formerly known as Austral Concept Sdn Bhd)	iii, xv	Malaysia, April 7, 2005	2 ordinary shares of RM1 each	59.69	Kitchen retail, tendering of kitchen products in housing development projects
Bukit Pareh Quarry Sdn Bhd	iii, xv	Malaysia, September 29, 1977	3 ordinary shares of RM1 each	59.69	Dormant
TreeOne (NZ) Limited	iv, xv	New Zealand, January 13, 1997	1 ordinary share of NZD10,000 each	59.69	Investment holding
Hikurangi Forest Farms Limited	iv, xv	New Zealand, June 19, 1980	1,200,000 ordinary shares of NZD1 each	59.69	Forest plantation
East Coast Forests Limited	iv, xv	New Zealand, April 23, 1951	1,000 ordinary shares of NZD2 each	59.69	Inactive

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Tasman Forestry (Gisborne) Limited	iv, xv	New Zealand, April 16, 1980	42,500,000 ordinary shares of NZD1 each	59.69	Inactive
Hock Lee Rubber Products Sdn Bhd	iii, xv	Malaysia, January 15, 1980	13,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of rubber retread compounds
Hock Lee Enterprises (M) Sendirian Berhad	iii, xv	Malaysia, November 28, 1967	137,000 ordinary shares of RM100 each	59.69	Property investment and letting of industrial properties
Samling Malaysia Inc	viii	British Virgin Islands, June 24, 2005	1 ordinary share of US$1	100	Investment holding
Barama Company Limited	v, xii	Guyana, August 20, 2001	18,000,000 shares of US$1 each	100	Manufacture of plywood, sawn timber, extraction and sale of timber
Barama Buckhall Inc	v, xii	Guyana, April 15, 2005	500,000 ordinary shares of Guyana Dollar ("G$") 1 each	100	Manufacture and sale of sawn timber
Barama Housing Inc	v, xii	Guyana, October 27, 2003	2 ordinary shares of G$1 each	100	Dormant
Caribbean Esskay Limited	viii	British Virgin Islands, May 8, 1992	4 shares of US$1 each	100	Investment holding
Samling Guyana Inc	viii	British Virgin Islands, June 24, 2005	1 ordinary share of US$1	100	Dormant
Samling China Inc	viii	British Virgin Islands, June 24, 2005	1 ordinary share of US$1	100	Dormant
Samling Trademark Inc	viii	British Virgin Islands, June 24, 2005	1 ordinary share of US$1	100	Ownership of trademark
Samling Tongling Co Ltd	ix	Hong Kong, December 30, 2004	1 ordinary share of HK$1	100	Dormant

Name of company	Note	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest	Principal activities
				%	
Samling Riverside Co Ltd	ix	Hong Kong, June 16, 2005	1 ordinary share of HK$1	100	Dormant
Samling Foothill Co Ltd	ix	Hong Kong, June 16, 2005	1 ordinary share of HK$1	100	Investment holding
Dayalaba Sdn Bhd	ii, xii	Malaysia, April 29, 1985	25,000 ordinary shares of RM1 each	70	Extraction and sale of logs
Bedianeka Sdn Bhd	i, xiii, xiv	Malaysia, September 10, 1993	2 ordinary shares of RM1 each	100	Sales agent
Merawa Sdn Bhd	i, xii	Malaysia, August 24, 1987	25,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Riverside	vi, xi	PRC, August 13, 2002	US$6,000,000	100	Manufacture of plywood and veneer
Foothill	vii, xi	PRC, November 26, 2002	US$840,000	100	Manufacture of laminated veneer lumber
Samling Global USA Inc	viii	United States of America, September 20, 2006	US$1,500	100	Dormant

Notes:

(i) The statutory financial statements were audited by KPMG Kuching, a firm of certified public accountants registered in Malaysia.

(ii) The statutory financial statements were audited by Lau Hoi Chew & Co, a firm of certified public accountants registered in Malaysia.

(iii) The statutory financial statements were audited by KPMG Kuala Lumpur, a firm of certified public accountants registered in Malaysia.

(iv) The statutory financial statements were audited by KPMG New Zealand, a firm of certified public accountants registered in New Zealand.

(v) The statutory financial statements were audited by Deloitte & Touche Guyana, a firm of certified public accountants registered in Guyana.

(vi) The statutory financial statements were audited by Nantong Sheng Hua United CPA (南通昇華會計師事務所), a firm of certified public accountants registered in the PRC.

(vii) The statutory financial statements were audited by Linyi Jinqao Accountants Firm Ltd (臨沂金橋有限責任會計師事務所), a firm of certified public accountants registered in the PRC.

(viii) No statutory audit is required in the countries/jurisdictions in which these companies are incorporated.

(ix) No statutory audited financial statements have been prepared for these companies as they have not carried on any business since their respective dates of incorporation other than the Reorganization.

(x) These companies changed their financial year end from January 31 to June 30 during the 17 months ended June 30, 2004 to be coterminous with the Group's year end date.

(xi) These entities established in the PRC are wholly foreign owned enterprises. The companies' financial year end is December 31.

(xii) These companies' financial year end is January 31.

(xiii) This company's financial year end is December 31.

(xiv) These companies changed their financial year end from December 31 to June 30 during the 6 months ended June 30, 2006 to be coterminous with the Group's year end date.

(xv) Prior to the Reorganisation, the Controlling Shareholders held a 39.87% equity interest in Lingui. The Group combined the results of Lingui and its subsidiaries ("Lingui Group") during the Relevant Period because the Controlling Shareholders had power to govern the financial and operating policies of Lingui Group. The power to govern the Lingui Group existed during the Relevant Period because the Controlling Shareholders was the single largest shareholder of Lingui, the balance of shareholdings in Lingui was dispersed and the other shareholders of Lingui had not organised their interests in such a way that they would exercise more votes than the Controlling Shareholders .

(xvi) Prior to the Reorganisation, the Controlling Shareholders held 42%, 49% and 30% equity interests in Samling Housing Products Sdn Bhd, Sorvino Holdings Sdn Bhd and Majulaba Sdn Bhd respectively. The Group combined the results of these subsidiaries during the Relevant Period because the Controlling Shareholders had power to govern the financial and operating policies of these subsidiaries by virtue of an arrangement with several shareholders of these subsidiaries that resulted in Controlling Shareholders controlling more than 50% of voting power in these subsidiaries.

38. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on July 1, 2006

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period beginning on July 1, 2006 and which have not been adopted in these financial statements:

		Effective for accounting periods beginning on or after
Amendment to IAS 1	Presentation of financial statements: capital disclosures	January 1, 2007
IFRS 7	Financial instruments: disclosures	January 1, 2007
IFRS 8	Operating segments	January 1, 2009
IFRIC 10	Interim financial reporting and impairment	November 1, 2006
IFRIC 11	IFRS 2 — Group and treasury share transactions	March 1, 2007
IFRIC 12	Service concession arrangements	January 1, 2008

Management of the Group has not completed its review of the possible impact on the Group of the above standards and interpretations.

C SUBSEQUENT EVENTS

The following significant events took place subsequent to September 30, 2006:

1. Valuation of properties

For the purpose of the listing of the Company's shares on the Main Board of the SEHK, the properties of the Group were revalued at December 31, 2006 by Greater China Appraisal Limited.

2. Share Option Scheme

Pursuant to the written resolutions passed by the shareholders of the Company on February 2, 2007 and the directors on February 4, 2007, the Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in Appendix VIII of the Prospectus.

D PARENT AND ULTIMATE CONTROLLING PARTY

At September 30, 2006, the directors consider the immediate parent and ultimate controlling party of the Company to be Samling Strategic Corporation Sdn Bhd and Yaw Holding Sdn Bhd respectively, both of which are incorporated in Malaysia. Neither of them produces financial statements available for public use.

E DIRECTORS' REMUNERATION

Save as disclosed in Section B note 12 above, no remuneration has been paid or is payable in respect of the Relevant Period to the directors of the Company. Under the arrangement presently in force, the estimated aggregate amount of the Company's directors' remuneration payable for the year ending June 30, 2007 is approximately US$959,121, excluding management bonuses which are payable at the Company's discretion.

F SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to September 30, 2006.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong