
Unaudited Half Year Financial Statements for the period ended 30 June 2006

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/ (Decrease)
	Half year ended 30 Jun 2006	2005 (restated)	
Notes	US\$'000	US\$'000	%
Revenue	51,319	16,340	214
Cost of sales	(44,167)	(15,455)	186
Gross profit	7,152	885	NM
Selling and distribution expenses	(2,549)	(133)	NM
Administrative expenses	(3,254)	(2,039)	60
Other operating expenses	(2,546)	(692)	268
Gain arising from increase in fair value less estimated point-of-sale costs of forest asset	5,339	3,466	54
Other revenue	203	58	250
Depreciation and amortisation	(160)	(147)	9
Finance costs	(1,751)	(204)	NM
Profit before tax	1 2,434	1,194	104
Tax expenses	2 (1,602)	(976)	64
Profit after tax	832	218	282
Attributable to:			
Equity holders of the Company	832	218	282
Minority interests	--	--	--
	832	218	282

Remarks:

NM denotes "Not Meaningful"

Notes to Income Statement

1. Profit before taxation is arrived at after (crediting)/charging the following:

	Group	
	Half year ended 30 Jun	
	2006	2005
	US\$'000	US\$'000
Allowance for doubtful debts (net of written back)	(1)	(2)
Dividend income	--	(1)
Foreign exchange gain – realised	(15)	--
Foreign exchange loss/(gain) – unrealised	909	(116)
Gain on disposal of property, plant & equipment	(152)	(8)
Loss on disposal of other investments	6	--
Impairment in value of completed properties held for sale	--	38
Impairment in value of other investments	--	108
Reversal of impairment in value of completed properties held for sale	(13)	--
Reversal of impairment in value of other investments	(7)	--
Interest income	(150)	(8)

2. Tax expenses can be analysed as follows:

	Group	
	Half year ended 30 Jun	
	2006	2005
	US\$'000	US\$'000
Current tax	--	43
Deferred tax	1,602	1,040
	<hr/>	<hr/>
	1,602	1,083
Overprovision in respect of prior years	--	(107)
	<hr/>	<hr/>
	1,602	976

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 30.06.06 US\$'000	As at 31.12.05 (restated) US\$'000	As at 30.06.06 US\$'000	As at 31.12.05 US\$'000
Non-Current Assets				
Forest asset	209,556	203,681	--	--
Property, plant and equipment	33,669	14,339	6,226	6,072
Amounts due from subsidiaries	--	--	12,150	12,879
Investments in subsidiaries	--	--	118,179	113,459
Investment property	419	403	--	--
Other investments	25	145	25	145
Club membership	99	96	--	--
Deferred tax assets	49	49	--	--
Goodwill on consolidation	18,428	17,692	--	--
	<u>262,245</u>	<u>236,405</u>	<u>136,580</u>	<u>132,555</u>
Current Assets				
Construction work-in-progress	110	632	--	--
Completed properties held for sale	1,277	1,978	--	--
Inventories	--	1,400	--	--
Trade and other receivables	60,026	44,907	24,126	22,192
Cash on hand and at banks	5,564	8,626	2,129	3,679
	<u>66,977</u>	<u>57,543</u>	<u>26,255</u>	<u>25,871</u>
Current Liabilities				
Construction progress billings in excess of costs	(7,424)	(3,105)	--	--
Trade and other payables	(45,906)	(20,076)	(9,901)	(7,905)
Hire purchase creditors	(39)	(22)	--	--
Provision for taxation	(141)	(135)	(31)	(30)
Amounts due to financial institutions	(21,327)	(46,774)	(5,016)	(31,601)
	<u>(74,837)</u>	<u>(70,112)</u>	<u>(14,948)</u>	<u>(39,536)</u>
Net Current (Liabilities)/ Assets	(7,860)	(12,569)	11,307	(13,665)
Non-Current Liabilities				
Deferred tax liabilities	(54,499)	(52,901)	--	--
Non-current payables	--	--	(2,664)	(2,558)
Hire purchase creditors	(62)	(44)	--	--
Long term loans	(3,321)	(3,235)	--	--
	<u>(57,882)</u>	<u>(56,180)</u>	<u>(2,664)</u>	<u>(2,558)</u>
Net Assets	<u>196,503</u>	<u>167,656</u>	<u>145,223</u>	<u>116,332</u>
Represented by:				
Equity attributed to equity holders of the Company				
Share capital	168,582	114,945	168,582	114,945
Share premium	--	31,727	--	31,727
Reserves	27,920	20,983	(23,359)	(30,340)
	<u>196,502</u>	<u>167,655</u>	<u>145,223</u>	<u>116,332</u>
Minority interests	1	1	--	--
Total Equity	<u>196,503</u>	<u>167,656</u>	<u>145,223</u>	<u>116,332</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 Jun 2006		As at 31 Dec 2005	
Secured	Unsecured	Secured	Unsecured
US\$17,019,000	US\$4,347,000	US\$16,159,000	US\$30,637,000

Amount repayable after one year

As at 30 Jun 2006		As at 31 Dec 2005	
Secured	Unsecured	Secured	Unsecured
US\$3,383,000	--	US\$3,279,000	--

Details of any collateral

The following sets out the details of the collateral for the Group's borrowings from the various financial institutions:

- (a) Agriculture produce from the forest asset;
- (b) Assignment of key contracts and insurances in connection to the wood chip mill project;
- (c) Base camp located at the forest concession area in South Kalimantan, Indonesia with net book value of approximately US\$2,633,000;
- (d) Charge on fixed deposit of US\$2,648,000;
- (e) Charge on all assets of the wood chip mill project of approximately US\$23,252,000;
- (f) Completion guarantee of US\$5,000,000 given by turnkey contractor in connection to construction of the wood chip mill;
- (g) First legal mortgage on 103 Defu Lane 10, Singapore 539223 with net book value of approximately US\$6,155,000;
- (h) First legal mortgage on 1 residential unit located at 16 St Michael's Road, Singapore 328005 with net realisable value of approximately US\$163,000;
- (i) Investment property located at Tanah Merah Kechil Road #13-05, Singapore 465558 with carrying value of approximately US\$419,000;
- (j) Plant and equipment with net book value of approximately US\$141,000;
- (k) Pledging of proceeds from certain construction projects;
- (l) Pledging of future proceeds from wood chip production;
- (m) Pledging of quoted investments with market value of approximately US\$25,000; and
- (n) Pledging of unquoted shares in subsidiaries.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	Half year ended 30 Jun	
	2006	2005
	US\$'000	US\$'000
Cash flows from operating activities		
Profit before taxation	2,434	1,194
Adjustments for:		
Depreciation and amortisation	160	147
Gain arising from increase in fair value less estimated point-of-sale costs of forest asset	(5,339)	(3,466)
Gain on disposal of property, plant & equipment	(152)	(8)
Loss on disposal of other investments	6	--
Impairment in value of other investments	--	108
Interest expenses	1,751	204
Interest income	(150)	(8)
Reversal of impairment in value of other investments	(7)	--
Reversal of impairment in value of completed properties held for sale	(13)	--
Net exchange differences	(62)	116
Cash flows used before working capital changes	(1,372)	(1,713)
(Increase)/decrease in working capital:		
Completed properties held for sale	797	1,317
Construction work-in-progress, net of construction billings in excess of costs	4,890	(2,763)
Inventories	1,458	--
Trade and other receivables	(13,252)	2,987
Trade and other payables	5,663	(1,154)
Cash flows used in operations	(1,816)	(1,326)
Tax paid	(1)	(193)
Interest paid	(1,751)	(204)
Net cash flows used in operating activities	(3,568)	(1,723)
Cash flows from investing activities		
Addition in cost of forest asset	(410)	(179)
Down payment for construction of wood chip mill	--	(5,000)
Interest received	232	8
Proceeds from disposals of property, plant and equipment	253	37
Proceeds from disposal of other investments	127	--
Purchase of property, plant & equipment	(57)	(3,119)
Net cash flows from/(used in) investing activities	145	(8,253)
Cash flows from financing activities		
Increase of pledge in fixed deposits	(125)	(495)
Proceeds from issuance of ordinary shares	--	4,455
Proceeds from bank borrowings, net	123	3,091
Repayment of hire purchase	(20)	(1)
Net cash flows (used in)/from financing activities	(22)	7,050
Effect of exchange rate changes on cash and cash equivalents	231	(156)
Net decrease in cash and cash equivalents	(3,214)	(3,082)
Cash and cash equivalents at beginning of period	5,538	6,719
Cash and cash equivalents at end of period	2,324	3,637
Breakdown of cash and cash equivalents at end of period is		
Cash on hand and at bank (excluding restricted cash)	2,915	4,162
Bank overdrafts, unsecured	(591)	(525)

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

GROUP	-----Attributable to shareholders----->							Minority Interests	Total Equity
	Share Capital	Share Premium	Capital Reserve	Foreign Currency Translation	Other Reserves ⁽¹⁾	Accumulated (Losses)/ Profit	Total Reserves		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
2006									
AT 31 DECEMBER 2005 AS PREVIOUSLY REPORTED	114,945	31,727	161,557	3,694	5,826	(624)	170,453	1	317,126
Effects of applying "reverse acquisition accounting"	--	--	(161,557)	(6,813)	(68,305)	87,205	(149,470)	--	(149,470)
AT 31 DECEMBER 2005 AS RESTATED	114,945	31,727	--	(3,119)	(62,479)	86,581	20,983	1	167,656
Net effect of exchange differences ⁽²⁾	--	--	--	471	--	--	471	--	471
Net income recognised directly in equity	--	--	--	471	--	--	471	--	471
Profit for the period	--	--	--	--	--	832	832	--	832
Total recognised income and expenses for the period	--	--	--	471	--	832	1,303	--	1,303
Transfer of share premium to share capital	31,727	(31,727)	--	--	--	--	--	--	--
Liabilities to be settled in shares	--	--	--	--	5,634	--	5,634	--	5,634
Issuance of shares	21,910	--	--	--	--	--	--	--	21,910
BALANCE AS AT 30 JUNE 2006	168,582	--	--	(2,648)	(56,845)	87,413	27,920	1	196,503
2005									
AT 1 JANUARY 2005 AS PREVIOUSLY REPORTED	106,759	19,520	166,118	6,021	5,826	(5,643)	172,322	--	298,601
Effects of applying "reverse acquisition accounting"	--	--	(166,118)	(5,073)	(68,305)	91,767	(147,729)	--	(147,729)
AT 1 JANUARY 2005 AS RESTATED	106,759	19,520	--	948	(62,479)	86,124	24,593	--	150,872
Net effect of exchange differences	--	--	--	(4,505)	--	--	(4,505)	1	(4,504)
Net income recognised directly in equity	--	--	--	(4,505)	--	--	(4,505)	1	(4,504)
Profit for the period	--	--	--	--	--	218	218	--	218
Total recognised income and expenses for the period	--	--	--	(4,505)	--	218	(4,287)	1	(4,286)
Issuance of shares	6,412	8,251	--	--	--	--	--	--	14,663
Expenses incurred on issuance of shares	--	(209)	--	--	--	--	--	--	(209)
BALANCE AS AT 30 JUNE 2005	113,171	27,562	--	(3,557)	(62,479)	86,342	20,306	1	161,040

(1) Other reserves comprise of:

- (i) equity-settle liability for acquisition of Anrof Singapore Limited ("ASL") group of companies in year 2002;
- (ii) reserve on consolidation which comprises the net excess of the fair value of net assets over the deemed cost of business combination incurred by ASL arising from the reverse acquisition of the Company; and
- (iii) shares borrowing from Tektronix Industries Ltd ("Tektronix") for partial repayment of Series Three Loan Note from Cornell Capital Offshore LP ("Cornell")

(2) The net effect of exchange differences includes a credit of US\$487,000 arising from the change in functional currencies of 2 foreign subsidiaries as mentioned Note 5(1).

COMPANY	-----Attributable to shareholders----->							Minority Interests	Total Equity
	Share Capital	Share Premium	Capital Reserve	Foreign Currency Translation	Other Reserves ⁽³⁾	Accumulated Losses	Total Reserves		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
BALANCE AS AT 1 JANUARY 2006	114,945	31,727	--	99	5,826	(36,265)	(30,340)	--	116,332
Net effect of exchange differences	--	--	--	4,823	--	--	4,823	--	4,823
Net income recognised directly in equity	--	--	--	4,823	--	--	4,823	--	4,823
Loss for the period	--	--	--	--	--	(3,476)	(3,476)	--	(3,476)
Total recognised income and expenses for the period	--	--	--	4,823	--	(3,476)	1,347	--	1,347
Transfer of share premium to share capital	31,727	(31,727)	--	--	--	--	--	--	--
Liabilities to be settled in shares	--	--	--	--	27,544	--	27,544	--	27,544
Issuance of shares	21,910	--	--	--	(21,910)	--	(21,910)	--	--
Expenses incurred on issuance of shares	--	--	--	--	--	--	--	--	--
BALANCE AS AT 30 JUNE 2006	168,582	--	--	4,922	11,460	(39,741)	(23,359)	--	145,223
BALANCE AS AT 1 JANUARY 2005	106,759	19,520	--	1,951	5,826	(31,298)	(23,521)	--	102,758
Net effect of exchange differences	--	--	--	(2,988)	--	--	(2,988)	--	(2,988)
Net income recognised directly in equity	--	--	--	(2,988)	--	--	(2,988)	--	(2,988)
Loss for the period	--	--	--	--	--	(1,684)	(1,684)	--	(1,684)
Total recognised income and expenses for the period	--	--	--	(2,988)	--	(1,684)	(4,672)	--	(4,672)
Issuance of shares	6,412	8,251	--	--	--	--	--	--	14,663
Expenses incurred on issuance of shares	--	(209)	--	--	--	--	--	--	(209)
BALANCE AS AT 30 JUNE 2005	113,171	27,562	--	(1,037)	5,826	(32,982)	(28,193)	--	112,540

(3) Other reserves comprise of:

- (i) equity-settle liability for acquisition of ASL group of companies in year 2002; and
- (ii) shares borrowing from Tektronix for partial repayment of Series Three Loan Note from Cornell.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The Company's share capital increased by US\$53,637,000 to US\$168,582,000 as at 30 June 2006, arising from:

1. Transfer of share premium to share capital

A transfer of US\$31,727,000 was made from the share premium account, pursuant to the Companies (Amendment) Act (the "Act") which came into effect on 30 January 2006. Under the Act, the concept of par value and authorised share capital has been abolished. Accordingly, the Company's share premium account has been closed and its balance transferred to the share capital account.

2. Issuance of new shares

During current period, the Company issued 3 tranches of shares to Tektronix, pursuant to the Security Lending Agreement:

- (i) 22,458,964 shares at S\$0.2672 per share;
- (ii) 48,989,056 shares at S\$0.2858 per share; and
- (iii) 50,854,936 shares at S\$0.2950 per share

The Company has earlier borrowed a total of 122,302,956 shares from Tektronix to deliver to Cornell for the partial repayment of the S\$50m Series Three Loan Note.

As at 30 June 2006, there were 129,774,239 (30 June 2005: 92,472,953) unissued ordinary shares pursuant to the acquisition of ASL group of companies in 2002 and share borrowings from Tektronix.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard).

The figures have not been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation are consistent with those applied in the audited financial statements for the year ended 31 December 2005, except for:

- 1. Change in functional currency of two foreign subsidiaries from Indonesia Rupiah ("IDR") to United States Dollars ("USD");
- 2. Change in financial statements presentation currency from Singapore Dollars ("SGD") to USD;
- 3. Retrospective adjustment to apply principle of "reverse acquisition accounting" for acquisition of ASL group of companies; and
- 4. Adoption of the new/ revised Financial Reporting Standard ("FRS") and interpretation which have become effective from 1 January 2006.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

1. Change in functional currency of two foreign subsidiaries from IDR to USD

With effect from 1 January 2006, two of the foreign subsidiaries within the Forestry and Pulp Division have changed their functional currency from IDR to USD due to the changes in the underlying transactions, events and conditions relevant to these companies with anticipation of sales prices and capex funding for construction of the wood chip and pulp mills primarily influenced by USD.

The change in functional currency has led to an increase in the Group's foreign currency translation reserves by US\$487,000.

2. Change in presentation currency from SGD to USD

Following the change in above, the functional currency of most subsidiaries within the Forestry and Pulp Division is pre-dominantly USD. As the core investment of the Group is in Forestry and Pulp Division and this division is expected to contribute substantial revenue and profits to the Group from 2006 onwards, the financial statements, including comparatives, of the Group and the Company have been translated from SGD to USD for presentation purpose.

Assets and liabilities are translated at the foreign exchange rate ruling at the balance sheet date. Income and expenses are translated at rates approximating the foreign exchange rates ruling at the dates of the transactions. All resulting exchange differences are recognised as a separate component of equity.

The change in presentation currency has no significant impact on the financial statements.

3. Retrospective adjustment to apply principle of "reverse acquisition accounting" for acquisition of ASL Group

In 2002, the Company acquired ASL group of companies and the acquisition was accounted for using the "purchase method" for the reasons set out in Note 39 of the Company's financial statements for the year ended 31 December 2005. The acquisition meets the description of a reverse acquisition transaction in Singapore FRS 22 – Business Combination. However, "purchase method" was continue to be adopted as the FRS 22 then does not provide any specific guidance on how the "reverse acquisition accounting" can be applied. The Company has decided to adopt "reverse acquisition accounting" for the financial period beginning on 1 January 2006 based on guidelines in the current FRS 103 – Business Combinations.

Hence, a retrospective adjustment was done to apply the principle of "reverse acquisition accounting" by adjusting the opening balances of goodwill arising on consolidation and shareholders' equity as at 1 January 2005. The effect of this change is a decrease in the amount of goodwill arising on consolidation, net assets and shareholders' equity, respectively, by US\$149,470,000 as at 31 December 2005.

Reverse acquisition accounting applies only in the consolidated financial statements. In the legal parent (i.e. the Company)'s separate financial statements, investment in the legal subsidiary (i.e. ASL) is accounted for at cost less impairment losses.

4. Adoption of the new/ revised Financial Reporting Standard ("FRS") and interpretation which have become effective from 1 January 2006

The Group has adopted the following new/ revised FRS and interpretation which came into effect on 1 January 2006:

- (a) FRS 19 (*revised*) – Employee Benefits
- (b) INT FRS 104, Determining Whether an Arrangement Contains a Lease

The adoption of this standard and interpretation does not have a material impact on the financial statements for the financial period under review.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Earnings per ordinary share of the Group based on net profit attributable to the equity holders of the Company:

- (i) Based on the weighted average number of shares (in US\$ cents)
- Weighted average number of shares
- (ii) On a fully diluted basis (in US\$ cents)
- Adjusted weighted average number of shares

Group	
Half year ended 30 Jun	
2006	2005 (restated)
0.04	0.01
1,968,780,501	1,818,217,168
0.04	0.01
2,098,554,740	1,940,309,535

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	Cents		Cents	
	30.06.06	31.12.05 (restated)	30.06.06	31.12.05
Net asset value per share (in US\$)	9.50	8.61	7.02	5.97

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

a. Group performance

Overview

The Group achieved turnover of US\$51.3m in 1H2006. The Group's profit attributable to shareholders of the Company in 1H2006 was US\$0.8m compared to US\$0.2m in 1H2005, which represents a 4-fold growth.

Revenue

The Group's revenue rose by more than 3-fold to US\$51.3m in 1H2006, from US\$16.3m in 1H2005. The increase was attributable to the following:

- i. pulp sales of US\$14.9m, a new stream of revenue from the Operational Management Arrangement ("OMA") with PT Kiani Kertas ("PT KK"); and
- ii. increase in revenue from construction projects by US\$20.4m. Progress billings were higher than that in 1H2005 as there were various newer projects in 1H2006, in contrast to more completing projects in 1H2005.

Gross profit

Gross profit margin surged to 14% in the current period, up by 9% from 5% in 1H2005. Similarly, gross profit increased significantly from US\$0.9m in 1H2005 to US\$7.2m in 1H2006, owing mainly to the new stream of revenue generated from pulp sales.

Selling and distribution expenses

Selling and distribution expenses escalated from US\$0.1m to US\$2.5m over the comparative period last year due primarily to pulp selling expenses of approximately US\$2.3m.

Administrative expenses

Administrative expenses increased by 60% from US\$2.0m in 1H2005 to US\$3.3m in 1H2006, mainly due to additional operational costs incurred for the OMA and higher personnel costs with expansion in the staff strength.

Other operating expenses

Other operating expenses increased considerably by US\$1.8m from US\$0.7m in 1H2005 to US\$2.5m in 1H2006 due to translation losses of approximately US\$0.9m (1H2005: gain of US\$0.1m) following the weakening of USD and pre-operating expenditure of US\$0.8m incurred in relation to the wood chip mill project.

Gain arising from increase in fair value less estimated point-of-sale costs of forest asset

Gain arising from increase in fair value less estimated point-of-sale costs of forest asset increased by 54%, from US\$3.5m to US\$5.3m over the previous corresponding period as a result of higher yield gain in growth of the forest asset, coupled with upward trend in plantation pulpwood price.

Finance costs

Finance costs went up notably from US\$0.2m in 1H2005 to US\$1.8m in 1H2006, largely accounted for by the US\$1.2m interest expense in relation to Series 3 Loan Note from Cornell.

b. Significant balance sheet movements

In addition to those described above, the following sets out major factors affecting assets and liabilities of the Group during the current financial period:

Forest asset

The forest asset recorded a net increase of US\$5.9m in the fair value less estimated point-of-sales costs of the forest asset since 31 December 2005. This was mainly due to the estimated increase of US\$5.3m in the fair value less estimated point-of-sale costs of the forest asset.

Property, plant and equipment

Property, plant and equipment increased by US\$19.4m from US\$14.3m as at 31 December 2005 to US\$33.7m as at 30 June 2006, due mainly to recognition of progress work done in relation to the construction of wood chip mill under the turnkey contract.

Trade and other receivables

Receivables went up by 34% from US\$44.9m as at 31 December 2005 to US\$60.0m as at 30 June 2006 primarily as a result of the following:

- i. advances of US\$10.4m to finance the OMA operational costs;
- ii. compensation of US\$2.0m in relation to acquisition of PT KK paid to Kingsclere upon the execution of the Rights Acquisition Agreement, as announced on SGXNET on 20 February 2006;
- iii. financial and legal advisory fees of US\$2.1m in relation to acquisition of PT KK;
- iv. additional receivables of US\$5.5m for construction projects; partially offset by
- v. receipts of US\$4.9m from previous receivables for pulp sales.

Cash on hand and at banks

Cash on hand and at banks reduced by 35% from US\$8.6m as at 31 December 2005 to US\$5.6m as at 30 June 2006, with the following contributing factors:

- i. repayment of loans due to financial institutions;
- ii. payments of transaction costs in connection with the acquisition of PT KK;
- iii. advances to finance the OMA operational costs;
- iv. costs incurred on pre-construction work relating to the wood chip mill;
- v. cash used for the Group's operations; offset by
- vi. collections of trade receivables from Construction and Property Development Division and pulp sales.

Construction work-in-progress/Construction progress billings in excess of costs

Progress billing in excess of costs climbed near to 3-fold from US\$2.5m as at 31 December 2005 to US\$7.3m as at 30 June 2006, owing to more progress billings for new construction projects.

Trade and other payables

Trade and other payables increased by 128% from US\$20.1m as at 31 December 2005 to US\$45.9m as at 30 June 2006, with the main contributors being:

- i. accruals of US\$18.8m for progress work done in relation to the wood chip mill;
- ii. advance of US\$4.0m from purchaser; and
- iii. accruals of professional fees in relation to acquisition of PT KK of approximately US\$1.4m.

Amounts due to financial institutions and long term loans

The reduction in amounts due to financial institutions and long term loans by 51% from US\$50.0m as at 31 December 2005 to US\$24.6m as at 30 June 2006 was due mainly to the following:

- i. repayment of loans amounted to US\$27.5m, including repayment of US\$26.3m Series Three Loan Note to Cornell through share borrowings from Tektronix; offset by
- ii. amortisation of transaction costs of US\$0.6m on loan in relation to the construction of wood chip mill; and
- iii. utilisation of project financing facility of US\$1.1m.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Forestry and Pulp Division

(a) Operational Management Arrangement (“OMA”) and Proposed Acquisition of PT Kiani Kertas

The Group has continued to manage the operations of PT Kiani Kertas’ (“PT KK”) pulp mill under the OMA with the company. PT KK owns a large-scale modern Indonesian pulp mill, with a designed capacity of 525,000 tonnes of high quality bleached hardwood kraft pulp (“BHKP”) per annum. The OMA is considered to be a valuable interim measure to get familiar with the pulp mill and to gain a thorough understanding of the mill prior to the Proposed Acquisition.

As announced on SGXNET on 20 February 2006, the Company has entered into a novation arrangement to acquire PT KK (“Proposed Acquisition”). The SGX had on 29 May 2006 granted an approval in-principle to the Company for the listing and quotation of convertible securities and shares to be issued. Subsequently on 21 July 2006, the SGX has provided its clearance of the circular for the Proposed Acquisition and its related financing plan.

Once the shareholders’ approval is obtained and the Company completes the transaction, PT KK will represent a strategic acquisition by the Group and immediately add to the Group’s platform in its vision to become a key player in the international pulp market ranging from forestry to pulp production.

The OMA will be terminated upon completion of the Proposed Acquisition.

(b) Wood Chip Mill Project

As announced on 24 December 2004, PT Mangium Anugerah Lestari (“PT MAL”), a wholly-owned subsidiary incorporated in Indonesia, entered into a turnkey contract with China National Machinery & Equipment Import & Export Corporation (“CMEC”) for the construction of a wood chip mill in South Kalimantan, Indonesia, with an annual production capacity of 700,000 bone-dry tonnes of wood chips. The total development cost of the wood chip mill amounts to US\$45 million.

Construction of the South Kalimantan wood chip mill began in 1H2005 and is expected to complete in 2H2006.

(c) Pulp Mill Project

As announced on 18 December 2002, PT Marga Buana Bumi Mulia (“PT MBBM”), a wholly-owned subsidiary incorporated in Indonesia, entered into a turnkey contract (“Contract”) with CMEC for the construction of the major part of a BHKP mill in South Kalimantan, Indonesia, with an annual production capacity of 600,000 tonnes of pulp for a consideration of up to US\$863 million.

Under the Contract, CMEC is responsible for financing 80% (“Supplier Credit”) of the total development cost of the pulp mill.

As informed by CMEC, the final approvals from the State Council and relevant authorities are in the process of being finalised.

As the pulp mill is not expected to commence operation in FY2006, the Directors do not expect significant results to be reported in the next reporting period.

Construction and Property Division

Singapore’s economy continues to grow at a moderate rate. The growth in the construction sector improved by 0.5% in 2Q2006 compared to 1Q2006. The outlook for the full year growth of the construction sector remains positive as the high-end luxury segment of property market is one of the potential growth drivers of the economy.

To maintain its competitiveness, the Group will continue to strengthen its position by securing more projects with greater emphasis on quality, safety and environment. Through working closely with marketing agents and adopting appropriate marketing and pricing strategies, the Group managed to sell off all the remaining units at The Mornington subsequent to the reporting period.

The Group managed to ride on the surge in demand for high-end property. It won three major contracts during the period – construction of Beauford Condominium worth S\$22.1m, IKEA's new warehouse-cum-retail building with a total contract sum of S\$39.1m and a HDB upgrading contract worth S\$22.7m. These new projects as well as the current projects on hand with a total contract sum of approximately S\$400m, are expected to contribute positively to the Group's results from FY2006 to FY2008. The Division's order book currently stands at approximately S\$200m.

11. Dividend

(a) Current Financial Period Reported On

Not applicable.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been proposed or declared.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2 & Q3 or Half Year Results)

- 13. Segmental revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year**

Not applicable.

- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable.

- 15. A breakdown of sales**

Not applicable.

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Not applicable.

BY ORDER OF THE BOARD

Sven Edstrom
Chairman and Acting Chief Executive Officer
11 August 2006