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SAMLING GLOBAL LIMITED

三林環球有限公司*

(a company incorporated in Bermuda with limited liability)

(Stock Code: 3938)

CONTINUING CONNECTED TRANSACTIONS

Financial adviser to Samling Global Limited



CIMB Securities (HK) Limited

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board is set out on pages 5 to 19 of this circular and a letter from the Independent Board Committee is set out on page 20 of this circular. A letter from Quam Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 41 of this circular.

A notice convening the SGM of Samling Global Limited to be held at Concord Room I, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 16 November 2011 at 11:30 a.m. or as soon after the annual general meeting of Samling Global Limited to be held on Wednesday, 16 November 2011 at 10:30 a.m. shall have ended, is set out on pages 50 to 54 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you wish.

** for identification purposes only*

27 October 2011

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Amalania Koko”	Amalania Koko Berhad, a subsidiary of Glenealy
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Samling Global Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Connected Party(ies)”	(i) Sojitz Corporation; (ii) Hap Seng Auto; (iii) Hap Seng Fertilizers; and (iv) PT. Sasco Indonesia, being the connected person(s) engaging in the Continuing Connected Transactions of the Company as disclosed in the section of the Letter from the Board in this circular
“Continuing Connected Transactions”	the continuing connected transactions of the Company, details of which are disclosed in the section headed “Continuing Connected Transactions” of the Letter from the Board in this circular
“Director(s)”	the director(s) of the Company
“Foothill”	Foothill LVL & Plywood (Cangshan) Co., Ltd. (魯林木業(蒼山)有限公司), a company incorporated under the laws of the PRC on 26 November 2002, and a wholly-owned subsidiary of the Company
“Glenealy”	Glenealy Plantations (Malaya) Berhad, a company incorporated in Malaysia on 14 May 1959 and listed on the Malaysia Stock Exchange, in which Lingui held a 38.33% shareholding, and Samling Strategic held a 15.356% shareholding, as at the Latest Practicable Date
“Glenealy Group”	Glenealy and its subsidiaries
“Group”	the Company and its subsidiaries
“Hap Seng Auto”	Hap Seng Auto Sdn. Bhd. (formerly known as Si Khiong Industries Sdn. Bhd), a subsidiary of Hap Seng Consolidated Berhad, a company listed on the Malaysia Stock Exchange
“Hap Seng Fertilizers”	Hap Seng Fertilizers Sdn. Bhd., a subsidiary of Hap Seng Consolidated Berhad

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Independent Board Committee”	an independent committee of the Board comprising Fung Ka Pun, Tan Li Pin, Richard, David William Oskin and Amirsham A Aziz, all being the Independent non-executive Directors, formed to advise the respective independent Shareholders on the terms and agreements of the Continuing Connected Transactions, their respective revised annual caps (if any) and new annual caps contemplated thereunder
“Independent Shareholders”	together, (i) Independent Shareholders (Hap Seng Auto transaction); (ii) Independent Shareholders (Fertilizers transaction); (iii) Independent Shareholders (Sojitz transaction); and (iv) Independent Shareholders (Sojitz Housing transaction)
“Independent Shareholders (Hap Seng Auto transaction)” or “Independent Shareholders (Fertilizers transaction)”	Shareholders other than Tan Sri Datuk Seri Panglima Lau Cho Kun@ Lau Yu Chak, Yaw Chee Ming, Hap Seng Consolidated Berhad and its associates
“Independent Shareholders (Sojitz transaction)” or “Independent Shareholders (Sojitz Housing transaction)”	Shareholders other than Sojitz Corporation and its associates
“INED(s)”	the independent non-executive director(s) of the Company
“Kayuneka”	Kayuneka Sdn. Bhd., a subsidiary of the Company
“Latest Practicable Date”	21 October 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Lingui”	Lingui Developments Berhad, a company incorporated in Malaysia on 27 December 1967 and listed on the Malaysia Stock Exchange, in which the Company owned a 67.23% interest as at the Latest Practicable Date
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LVL”	laminated veneer lumber, an engineered wood products manufactured from veneers laminated together so that the grains of the veneers run parallel or overlap

DEFINITIONS

“Malaysia Stock Exchange”	Bursa Malaysia Securities Berhad
“Miri Parts Trading”	Miri Parts Trading Sdn. Bhd., a subsidiary of the Company
“Quam Capital”	Quam Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps
“Samling Housing”	Samling Housing Products Sdn. Bhd., a subsidiary of the Company
“Samling Plantation”	Samling Plantation Sdn. Bhd., a subsidiary of Glenealy
“Samling Plywood (Baramas)”	Samling Plywood (Baramas) Sdn. Bhd., a subsidiary of the Company
“Samling Plywood (Bintulu)”	Samling Plywood (Bintulu) Sdn. Bhd., a subsidiary of the Company
“Samling Plywood (Miri)”	Samling Plywood (Miri) Sdn. Bhd., a subsidiary of the Company
“Samling Strategic”	Samling Strategic Corporation Sdn. Bhd., a company incorporated under the laws of Malaysia, being wholly-owned by Yaw Holding Sdn. Bhd., which is a controlling shareholder of the Company
“SGM”	a special general meeting of the Company to be held at Concord Room I, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 16 November 2011 at 11:30 a.m. or as soon after the annual general meeting of the Company to be held on Wednesday, 16 November 2011 at 10:30 a.m. shall have ended, to consider and, if thought fit, approve the resolutions contained in the notice of the SGM which is set out on pages 50 to 54 of this circular, or any adjournment thereof
“Share(s)”	shares of US\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Sojitz Building”	Sojitz Building Materials Corporation, a subsidiary of Sojitz Corporation
“Sojitz Corporation”	Sojitz Corporation, a company listed on the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co., Ltd. As at the Latest Practicable Date, Sojitz Corporation owned a 14.9% interest in Samling Housing, a subsidiary of the Company

DEFINITIONS

“Sorvino”	Sorvino Holdings Sdn. Bhd., a subsidiary of the Company
“SST”	Syarikat Samling Timber Sdn. Bhd., a company incorporated under the laws of Malaysia on 26 October 1976 and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tamex Timber”	Tamex Timber Sdn. Bhd., a subsidiary of the Company
“Timor Enterprises”	Timor Enterprises Sdn. Bhd., a subsidiary of Glenealy
“Yaw Chee Ming”	director of the Company
“Yen”	Japanese Yen, the lawful currency of Japan
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

Unless otherwise stated, amounts in US\$ have been translated into HK\$ at the exchange rate of US\$1 to HK\$7.8, for illustration purposes only. No representation is made that any amounts in US\$ or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rate at all.

LETTER FROM THE BOARD



SAMLING GLOBAL LIMITED

三林環球有限公司*

(a company incorporated in Bermuda with limited liability)

(Stock Code: 3938)

Executive Director:

Yaw Chee Ming

Non-executive Director:

Chan Hua Eng (*Chairman*)

Independent Non-executive Directors:

Fung Ka Pun

Tan Li Pin, Richard

David William Oskin

Amirsham A Aziz

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

in Hong Kong:

Room 2205, 22nd Floor

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

27 October 2011

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 5 October 2011, the Group entered into various agreements with the Connected Parties in respect of the Continuing Connected Transactions. At the same time, the Company also proposes to revise the cap amounts for certain Continuing Connected Transactions and set new annual caps for the Continuing Connected Transactions. As the revised annual caps (if any) and the proposed new annual caps for the Continuing Connected Transactions exceed 5% of the applicable ratios (as defined in the Listing Rules), they are subject to reporting, announcement, annual review and their respective Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

** for identification purposes only*

LETTER FROM THE BOARD

The Company will seek the respective Independent Shareholders' approval for (i) the new agreements for the Continuing Connected Transactions; (ii) their respective revised annual caps (if any); and (iii) the new annual caps for the Continuing Connected Transactions at the SGM.

The primary purpose of this circular is to provide you with (1) further details of (i) the agreements for the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps; (ii) the recommendation of the Independent Board Committee to the respective Independent Shareholders on the terms of the new agreements for the Continuing Connected Transactions, and their respective revised annual caps (if any) and new annual caps; and (iii) the advice from the independent financial adviser to the Independent Board Committee and the respective Independent Shareholders in respect of the new agreements for the Continuing Connected Transactions, and their respective revised annual caps (if any) and new annual caps; and (2) notice of the SGM to approve, among other things, the agreements for the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps.

CONTINUING CONNECTED TRANSACTIONS

A. Sale of logs, plywood and LVL to Sojitz Corporation and its subsidiaries

Background

Reference is made to the Company's announcement dated 23 October 2008. On 21 October 2008, the Company and Sojitz Corporation entered into an agreement for the sale of logs, plywood and LVL by the Group to Sojitz Corporation and its subsidiaries with a term from 1 July 2009 to 30 June 2012. Sales of (i) logs by Kayuneka, (ii) plywood and other wood products by Samling Plywood (Miri), Samling Plywood (Baramas) and Samling Plywood (Bintulu) and (iii) LVL by Foothill, to Sojitz Corporation and its subsidiaries are based on prevailing market prices and on normal commercial terms.

For each of the two years ended 30 June 2011, the total sales of logs, plywood and LVL by the Group to Sojitz Corporation and its subsidiaries amounted to approximately US\$25.8 million (equivalent to approximately HK\$201.2 million) and US\$31.3 million (equivalent to approximately HK\$244.1 million) respectively. The annual caps for the above transactions amounted to US\$40.0 million (equivalent to approximately HK\$312.0 million) for the corresponding periods.

Revised Sojitz Cap for the year ending 30 June 2012

The total sales of logs, plywood and LVL by the Group to Sojitz Corporation and its subsidiaries amounted to approximately US\$3.2 million (equivalent to approximately HK\$25.0 million) for the two months ended 31 August 2011. It is expected that the sales and prices of plywood and LVL would increase resulting from reconstruction activities in earthquake and tsunami affected areas in Japan in 2011 and the annual cap for the total sale of logs, plywood and LVL of US\$40.0 million (equivalent to approximately HK\$312.0 million) for the year ending 30 June 2012 would need to be adjusted accordingly.

LETTER FROM THE BOARD

In this regard, the Directors believe that it is in the commercial interest of the Company to seek the approval by Independent Shareholders (Sojitz transaction) for the continuation of the continuing connected transaction up to the limits specified in the Revised Sojitz Cap (as defined below), with terms and conditions of the existing sales agreement dated 21 October 2008 remain unchanged.

The Directors proposed to revise the annual cap for the sale of logs, plywood and LVL for the year ending 30 June 2012 from US\$40.0 million (equivalent to approximately HK\$312.0 million) to US\$44.0 million (equivalent to approximately HK\$343.2 million) (the “Revised Sojitz Cap”), based on the estimated increase in sales volume and price of plywood and LVL resulting from reconstruction activities in earthquake and tsunami affected areas in Japan in 2011.

New agreement and the New Sojitz Caps

On 5 October 2011, the Company and Sojitz Corporation entered into a new agreement to extend the term of the existing agreement dated 21 October 2008 for three years from 1 July 2012 to 30 June 2015 for the sales of logs, plywood and LVL to Sojitz Corporation and its subsidiaries. Sales of logs, plywood and LVL are based on prevailing market prices and on normal commercial terms. Payment shall be made by Sojitz Corporation and its subsidiaries in accordance to the terms set out in the relevant sale contract which are on normal commercial terms.

The following table sets out the proposed aggregate amount of the sales of (i) logs by Kayuneka, (ii) plywood and other wood products by Samling Plywood (Miri), Samling Plywood (Baramas) and Samling Plywood (Bintulu), and (iii) LVL by Foothill, to Sojitz Corporation and its subsidiaries for the three years ending 30 June 2015 under the new agreement dated 5 October 2011 (the “New Sojitz Caps”):

For the year ending 30 June	New Sojitz Caps <i>(US\$ million)</i>
2013	44 (equivalent to approximately HK\$343.2 million)
2014	48 (equivalent to approximately HK\$374.4 million)
2015	53 (equivalent to approximately HK\$413.4 million)

The New Sojitz Caps have been determined by the executive Directors based on the (i) prevailing market price of logs, plywood and LVL; (ii) the expected demand for logs, plywood and LVL by Sojitz Corporation and its subsidiaries for the three years ending 30 June 2015, with reference to their demand for logs, plywood and LVL for the two years ended 30 June 2011 and the two months ended 31 August 2011 and reconstruction activities in earthquake and tsunami affected areas in Japan in 2011; and (iii) the expected stabilisation of price of logs, plywood and LVL for three years ending 30 June 2015.

Reasons for entering into the transactions

Sojitz Corporation and its subsidiaries are engaged, amongst others, in trading of plywood, logs, LVL and/or other wood products.

LETTER FROM THE BOARD

Sojitz Corporation has been a long term customer and business partner of the Group. The Directors are of the view that by selling the Group's products to Sojitz Corporation and its subsidiaries, the Group could obtain access to the logs, plywood and LVL market in Japan. Sales of logs, plywood and LVL are based on prevailing market prices and are on normal commercial terms. The Directors (excluding the INEDs whose views have been set out on page 20 of this circular) are of the view that the terms of the transactions contemplated under the new agreement for the sales of logs, plywood and LVL entered into between the Company and Sojitz Corporation are fair and reasonable and in the interests of the Shareholders as a whole.

As at the Latest Practicable Date, Sojitz Corporation, a company listed on the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co., Ltd., owned a 14.9% interest in Samling Housing, a subsidiary of the Company. Sojitz Corporation is therefore a connected person of the Company.

As certain applicable percentage ratios (as defined in the Listing Rules) derived from the New Sojitz Caps exceed 5%, the new agreement for the sale of logs, plywood and LVL by the Group to Sojitz Corporation and its subsidiaries, the Revised Sojitz Cap and the New Sojitz Caps are subject to the requirements of reporting, announcement, annual review and approval by Independent Shareholders (Sojitz transaction) under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, to the best of the Company's knowledge, information and belief after making reasonable enquiries, Sojitz Corporation and its associates did not have any shareholding in the Company. If Sojitz Corporation and its associates become interested in any Shares on or prior to the book close date on 10 November 2011 for the SGM, they will abstain from voting on the resolutions to be proposed at the SGM to approve the new agreement for the sale of logs, plywood and LVL by the Group to Sojitz Corporation and its subsidiaries, the Revised Sojitz Cap and the New Sojitz Caps.

None of the Directors has any material interest in the sale of logs, plywood and LVL by the Group to Sojitz Corporation and its subsidiaries and none of them has abstained from voting on the relevant board resolution to approve the new agreement, the Revised Sojitz Cap and the New Sojitz Caps.

B. Sale of housing products by Samling Housing to Sojitz Corporation

Background

Reference is made to the Company's announcement dated 23 October 2008. On 21 October 2008, the Company and Sojitz Corporation entered into an agreement with a term from 1 July 2009 to 30 June 2012 for the sale of housing products. Sales of housing products by Samling Housing, a subsidiary of the Company, to Sojitz Corporation and its subsidiaries (including, among others, Sojitz Building) are based on prevailing market prices and on normal commercial terms.

For each of the two years ended 30 June 2011, the total sales of housing products by the Group to Sojitz Corporation and its subsidiaries amounted to approximately US\$19.7 million (equivalent to approximately HK\$153.7 million) and US\$18.8 million (equivalent to approximately HK\$146.6 million) respectively. The annual caps for the above transactions amounted to US\$23 million (equivalent to approximately HK\$179.4 million) and US\$24 million (equivalent to approximately HK\$187.2 million) for the corresponding periods.

LETTER FROM THE BOARD

New agreement and the New Sojitz Housing Caps

On 5 October 2011, the Company and Sojitz Corporation entered into a new agreement to extend the term of the existing agreement dated 21 October 2008 for three years from 1 July 2012 to 30 June 2015 for the sale of housing products. Sales of housing products are based on prevailing market prices and on normal commercial terms. Payment for the sale of housing products shall be made by Sojitz Corporation and its subsidiaries in accordance to the terms set out in the relevant sale contract which are on normal commercial terms.

The following table sets out the proposed aggregate amount of the sales of housing products by Samling Housing to Sojitz Corporation and its subsidiaries for the three years ending 30 June 2015 under the new agreement dated 5 October 2011 (the “New Sojitz Housing Caps”):

For the year ending 30 June	New Sojitz Housing Caps <i>(US\$ million)</i>
2013	28 (equivalent to approximately HK\$218.4 million)
2014	33 (equivalent to approximately HK\$257.4 million)
2015	40 (equivalent to approximately HK\$312.0 million)

The New Sojitz Housing Caps have been determined by the executive Directors based on (i) the prevailing market price of the housing products; (ii) the estimated increase in price trend of the housing products primarily due to the strengthening Yen against US\$; and (iii) the expected demand for the Group’s housing products by Sojitz Corporation and its subsidiaries with reference to their demand for the two years ended 30 June 2011 and the two months ended 31 August 2011 and reconstruction activities in earthquake and tsunami affected areas in Japan in 2011.

Reasons for entering into the transactions

Sojitz Corporation has been a long term customer and business partner of the Group. The Directors are of the view that the Group could obtain access to the Japanese housing products market by selling the Group’s products to Sojitz Corporation and its subsidiaries. Sales of housing products by Samling Housing to Sojitz Corporation and its subsidiaries are based on prevailing market prices of the housing products and are on normal commercial terms. The Directors (excluding the INEDs whose views have been set out on page 20 of this circular) consider that the terms of the transactions contemplated under the new agreement for the sales of housing products entered into between the Company and Sojitz Corporation are fair and reasonable and in the interests of the Shareholders as a whole.

As explained above, Sojitz Corporation is a connected person of the Company.

As certain applicable percentage ratios (as defined in the Listing Rules) derived from the New Sojitz Housing Caps exceed 5%, the new agreement for the sale of housing products by Samling Housing to Sojitz Corporation (including its subsidiaries) and the New Sojitz Housing Caps are subject to the requirements of reporting, announcement, annual review and approval by Independent Shareholders (Sojitz Housing transaction) under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, to the best of the Company’s knowledge, information and belief after making reasonable enquiries, Sojitz Corporation and its associates did not have any

LETTER FROM THE BOARD

shareholding in the Company. If Sojitz Corporation and its associates become interested in any Shares on or prior to the book close date on 10 November 2011 for the SGM, they will abstain from voting at the resolutions to be proposed at the SGM to approve the new agreement for the sale of housing products by Samling Housing to Sojitz Corporation and its subsidiaries and the New Sojitz Housing Caps.

None of the Directors has any material interest in the sale of housing products by the Samling Housing to Sojitz Corporation and its subsidiaries and none of them has abstained from voting on the relevant board resolution to approve the new agreement and the New Sojitz Housing Caps.

C. Purchases of logging and motor vehicles and parts from Hap Seng Auto and its subsidiaries and trade-in of used logging vehicles to Hap Seng Auto and its subsidiaries

(a) *Purchases of logging and motor vehicles and parts from Hap Seng Auto and its subsidiaries (the “HSA Group”)*

Background

Reference is made to the Company’s announcement dated 23 October 2008. On 21 October 2008, SST, Tamex Timber, Miri Parts Trading and Sorvino (all are subsidiaries of the Company) entered into an agreement with Hap Seng Auto for the purchases of logging and motor vehicles and parts with a term from 1 July 2009 to 30 June 2012. Purchases of logging and motor vehicles and parts by SST, Tamex Timber, Miri Parts Trading and Sorvino are based on prevailing market prices and on normal commercial terms.

For each of the two years ended 30 June 2011, the total purchase of logging and motor vehicles and parts from the HSA Group by the Group amounted to approximately US\$5.8 million (equivalent to approximately HK\$45.2 million) and US\$4.2 million (equivalent to approximately HK\$32.8 million) respectively. The annual caps for the above transactions amounted to US\$14.5 million (equivalent to approximately HK\$113.1 million) for the corresponding periods.

Revised Hap Seng Auto Cap for the year ending 30 June 2012

The total purchase of logging and motor vehicles and parts from the HSA Group amounted to approximately US\$3.3 million (equivalent to approximately HK\$25.7 million) for the two months ended 31 August 2011. The Group has been delaying the purchase of logging vehicles for the past two years because of the global financial crisis resulting in lower purchases for the two years ended 30 June 2011. Due to ageing of the Group’s vehicles and the expected use of more Mercedes Benz original vehicle parts, the Group is expected to increase the purchase of more logging vehicles and parts from the HSA Group for the year ending 30 June 2012. Furthermore, the Group also expects more motor vehicles will be purchased during the year ending 30 June 2012 for operational usage. Hence the annual cap for the total purchase of logging and motor vehicles and parts from the HSA Group of US\$14.5 million (equivalent to approximately HK\$113.1 million) for the year ending 30 June 2012 would need to be adjusted accordingly.

LETTER FROM THE BOARD

In this regard, the Directors believe that it is in the commercial interest of the Company to seek the approval by Independent Shareholders (Hap Seng Auto transaction) for the continuation of the continuing connected transaction up to the limits specified in the Revised Hap Seng Auto Cap (as defined below), with terms and conditions of the existing purchase agreement dated 21 October 2008 remain unchanged.

The Directors proposed to revise the aggregate amount of the purchases by SST, Tamex Timber, Miri Parts Trading and Sorvino of logging and motor vehicles and parts from the HSA Group for the year ending 30 June 2012 from US\$14.5 million (equivalent to approximately HK\$113.1 million) to US\$28.1 million (equivalent to approximately HK\$219.2 million), (the “Revised Hap Seng Auto Cap”), based on the expected increase in purchase of logging and motor vehicles and parts.

New agreement and the New Hap Seng Auto Caps

On 5 October 2011, Hap Seng Auto entered into a new agreement with SST, Tamex Timber and Sorvino to extend the term for the existing agreement dated 21 October 2008 for the purchase of logging and motor vehicles and parts for three years from 1 July 2012 to 30 June 2015. Purchase of logging and motor vehicles and parts is based on prevailing market prices and on normal commercial terms. Payment for the purchases of logging and motor vehicles and parts shall be made by SST, Tamex Timber and Sorvino in accordance to the terms set out in the relevant purchase order and invoice which are on normal commercial terms.

The following table sets out the proposed aggregate amount of the purchases of logging and motor vehicles and parts for the three years ending 30 June 2015 under the new agreement dated 5 October 2011 (the “New Hap Seng Auto Caps”):

For the year ending 30 June	New Hap Seng Auto Caps (US\$ million)
2013	27.9 (equivalent to approximately HK\$217.6 million)
2014	27.9 (equivalent to approximately HK\$217.6 million)
2015	27.9 (equivalent to approximately HK\$217.6 million)

The New Hap Seng Auto Caps have been determined by the executive Directors with reference to (i) the prevailing market prices of the logging and motor vehicles and parts; (ii) the replacement plan for the Group’s vehicles fleets and the expected usage of vehicle parts; and (iii) the policy to purchase more original Mercedes Benz parts from the HSA Group instead of other brands from other suppliers.

LETTER FROM THE BOARD

Reasons for entering into the transactions

Hap Seng Auto is a distributor of Mercedes Benz logging trucks, motor vehicles and spare parts. Being involved in logging upstream operations, the Group requires such logging and motor vehicles and parts from the HSA Group. In addition, the purchase of logging and motor vehicles and parts by the Group is based on prevailing market prices and normal commercial terms. The Directors (excluding the INEDs whose views have been set out on page 20 of this circular) consider that the terms of the transactions contemplated under the new agreement for the purchases of logging and motor vehicles and parts entered into between SST, Tamex Timber, Sorvino and Hap Seng Auto are fair and reasonable and in the interests of the Shareholders as a whole.

(b) *Trade-in of used logging vehicles to Hap Seng Auto and its subsidiaries*

Background

Reference is made to the Company's announcement dated 23 October 2008. On 21 October 2008, Hap Seng Auto entered into an agreement with SST and Tamex Timber for the trade-in of used logging vehicles by the Group with a term from 1 July 2008 to 30 June 2011. Trade-in of used logging vehicles to the HSA Group is based on prevailing market prices and on normal commercial terms.

For each of the two years ended 30 June 2011, the total amount of trade-in of used logging vehicles to Hap Seng Auto amounted to approximately US\$221,000 (equivalent to approximately HK\$1.7 million) and nil respectively. The annual caps for the above transactions amounted to US\$2.5 million (equivalent to approximately HK\$19.5 million) for the corresponding periods. Due to economic crisis, the Group has delayed its purchase of logging vehicles and therefore the Group did not trade-in any used logging vehicles to HSA Group during the year ended 30 June 2011. Moreover, the Company did not trade-in any logging vehicles to HSA Group since 1 July 2011 up to the Latest Practicable Date.

New agreement and the New Hap Seng Trade-In Caps

On 5 October 2011, Hap Seng Auto entered into a new agreement with SST and Tamex Timber to extend the term of the existing agreement dated 21 October 2008 for three years from 1 July 2011 to 30 June 2014 for the trade-in of used logging vehicles which will be based on prevailing market prices and normal commercial terms. Payment for the trade-in of used logging vehicles will be deducted from the purchase of new logging vehicles from the HSA Group.

LETTER FROM THE BOARD

The following table sets out the proposed aggregate amount of the trade-in of used logging vehicles between Tamex Timber, SST and the HSA Group for the three years ending 30 June 2014 under the new agreement dated 5 October 2011 (the “New Hap Seng Trade-In Caps”):

For the year ending 30 June	New Hap Seng Trade-In Caps <i>(US\$ million)</i>
2012	4.0 (equivalent to approximately HK\$31.2 million)
2013	4.0 (equivalent to approximately HK\$31.2 million)
2014	4.0 (equivalent to approximately HK\$31.2 million)

The New Hap Seng Trade-In Caps have been determined by the executive Directors with reference to: (i) the prevailing market prices of the used logging vehicles; and (ii) the forecast vehicle replacement program of the Group, taking into account the vehicles depreciation policy of the Group.

Reasons for entering into transactions

Hap Seng Auto is a distributor of Mercedes Benz logging trucks, motor vehicles and parts. The Group has been trading-in old logging vehicles to the HSA Group according to its vehicle replacement programme and the Group purchases new logging vehicles from the HSA Group as replacement. The trade-in of used logging vehicles is based on normal commercial terms with reference to prevailing market prices of the used logging vehicles. The Directors (excluding the INEDs whose views have been set out on page 20 of this circular) consider that the terms of the transactions contemplated under the new agreement for the trade-in of used logging vehicles entered into between SST, Tamex Timber and Hap Seng Auto are fair and reasonable and in the interests of the Shareholders as a whole.

Hap Seng Auto is a subsidiary of Hap Seng Consolidated Berhad, a company listed on the Malaysia Stock Exchange. Tan Sri Datuk Seri Panglima Lau Cho Kun@ Lau Yu Chak, who is the father in law of Yaw Chee Ming, a Director, is indirectly interested in more than 50% of Hap Seng Auto. Therefore, Hap Seng Auto is an associate of Yaw Chee Ming and thus a connected person of the Company.

As certain applicable percentage ratios (as defined in the Listing Rules) derived from the aggregate of the Revised Hap Seng Auto Cap, New Hap Seng Auto Caps and New Hap Seng Trade-In Caps exceed 5%, the new agreement for the purchase of logging and motor vehicles and parts by the Group from the HSA Group, the new agreement for trade-in of used logging vehicles by the Group to the HSA Group, the Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-In Caps are subject to requirements of reporting, announcement, annual review and approval by Independent Shareholders (Hap Seng Auto transaction) under Chapter 14A of the Listing Rules.

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Save for Yaw Chee Ming, none of the Directors has any material interest in the purchase of logging and motor vehicles by the Group from the HSA Group and the trade-in of used logging vehicles by the Group to the HSA Group. Yaw Chee Ming has abstained from voting on the relevant board resolution to approve the new agreements for the purchase of logging and motor vehicles by the Group from the HSA Group, the new agreement for trade-in of used logging vehicles by the Group to the HSA Group, the Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-In Caps. Further, Yaw Chee Ming (who held 2,340,930,260 Shares, representing 54.42% of the issued Share capital of the Company, as at the Latest Practicable Date) will abstain from voting on the relevant resolutions in the SGM. As at the Latest Practicable Date, to the best of the Company's knowledge, information and belief after making reasonable enquiries, none of Tan Sri Datuk Seri Panglima Lau Cho Kun@ Lau Yu Chak, Hap Seng Consolidated Berhad and its associates have any shareholding in the Company. If Tan Sri Datuk Seri Panglima Lau Cho Kun@ Lau Yu Chak, Hap Seng Consolidated Berhad and its associates become interested in any Shares on or prior to the book close date on 10 November 2011 for the SGM, they will abstain from voting on the relevant resolutions to be proposed at the SGM.

D. Sale of fertilizers and agro-chemicals

(a) Sale of fertilizers and agro-chemicals by Hap Seng Fertilizers

Background

Reference is made to the Company's announcement dated 23 October 2008. On 21 October 2008, Hap Seng Fertilizers entered into an agreement with Amalania Koko, Timor Enterprises and Samling Plantation (all are subsidiaries of Glenealy) for the sale of fertilizers and agro-chemical with a term from 1 July 2009 to 30 June 2012. Purchase of fertilizers and agro-chemicals from Hap Seng Fertilizers by the Group is based on prevailing market prices and on normal commercial terms.

For each of the two years ended 30 June 2011, the total purchase of fertilizers and agro-chemicals by Amalania Koko, Timor Enterprises and Samling Plantation from Hap Seng Fertilizers amounted to approximately US\$5.8 million (equivalent to approximately HK\$45.2 million) and US\$6.0 million (equivalent to approximately HK\$46.8 million) respectively. The annual caps for the above transactions amounted to US\$26.4 million (equivalent to approximately HK\$205.9 million) and US\$30.5 million (equivalent to approximately HK\$237.9 million) for the corresponding periods.

New agreement and the New Hap Seng Fertilizers Caps

On 5 October 2011, Amalania Koko, Timor Enterprises and Samling Plantation entered into a new agreement with Hap Seng Fertilizers to extend the term of the existing agreement dated 21 October 2008 for three years from 1 July 2012 to 30 June 2015 for the purchase of fertilizers and agro-chemicals which is based on prevailing market prices and on normal commercial terms. Payment for the purchase of fertilizers and agro-chemicals from Hap Seng Fertilizers shall be made by Amalania Koko, Timor Enterprises and Samling Plantation in accordance to the terms set out in the relevant contracts which are on normal commercial terms.

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The following table sets out the proposed aggregate amount of the purchase of fertilizers and agro-chemicals by Amalania Koko, Timor Enterprises and Samling Plantation from Hap Seng Fertilizers for the three years ending 30 June 2015 under the agreement dated 5 October 2011 (the “New Hap Seng Fertilizers Caps”):

For the year ending 30 June	New Hap Seng Fertilizers Caps <i>(US\$ million)</i>
2013	12 (equivalent to approximately HK\$93.6 million)
2014	14 (equivalent to approximately HK\$109.2 million)
2015	17 (equivalent to approximately HK\$132.6 million)

The New Hap Seng Fertilizers Caps have been determined by the executive Directors with reference to (i) the expected increase in oil palm plantation hectareage and usage of fertilizers and agro-chemicals in matured hectareage in the coming three years by Timor Enterprises, Amalania Koko and Samling Plantation; (ii) the prevailing market prices for fertilizers and agro-chemicals; and (iii) the expected increase in price of fertilizers and agro-chemicals.

Reasons for entering into the transactions

Hap Seng Fertilizers is engaged in the fertilizers and agro-chemicals business and sells fertilizers and agro-chemicals for the oil palm industry. The Glenealy Group purchases part of its fertilizers and agro-chemicals needs from Hap Seng Fertilizers based on the prevailing market prices and on normal commercial terms. The Directors (excluding the INEDs whose views have been set out on page 20 of this circular) consider that the terms of the transactions contemplated under the new agreement for the purchase of fertilizers and agro-chemicals entered into between Amalania Koko, Timor Enterprises, Samling Plantation and Hap Seng Fertilizers are fair and reasonable and in the interests of the Shareholders as a whole.

Reference is made to the section headed “Statutory and General Information” of the prospectus dated 23 February 2007 issued by the Company in respect of the treatment of Glenealy for the purpose of the Company’s compliance with the listing rules upon its listing on the Stock Exchange. At the time of the listing of the Company, Lingui held a 36.42% shareholding interest in Glenealy, an associate of the Group listed on the Malaysia Stock Exchange, whose principal business is the operation of oil palm plantations. Glenealy has been accounted for as an associated company of the Group under IFRS. The Stock Exchange has requested that, as a condition to the Company’s listing on the Stock Exchange, Glenealy be treated in a manner consistent with the regulation of subsidiaries of a listed group for the purposes of application of the Listing Rules to the Company. The Company, accordingly, treated Glenealy, the Company’s associated company, as if it were the Company’s subsidiary for the purpose of the Company’s compliance with Chapter 14A of the Listing Rules.

Hap Seng Fertilizers is a subsidiary of Hap Seng Consolidated Berhad. Tan Sri Datuk Seri Panglima Lau Cho Kun@ Lau Yu Chak, who is the father in law of Yaw Chee Ming, a Director, is indirectly interested in more than 50% of Hap Seng Fertilizers. Therefore Hap Seng Fertilizers is a connected person.

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(b) Sale of fertilizers and agro-chemicals by PT. Sasco Indonesia

Reference is made to the Company's announcement dated 6 October 2011 in relation to the Continuing Connected Transactions. Upon further consideration, given similar nature of the transactions, the Company considers that the transactions in relation to the sale of fertilizers and agro-chemicals by PT. Sasco Indonesia should be aggregated with the transactions in relation to the sale of fertilizers and agro-chemicals by Hap Seng Fertilizers as described in (a) above to determine in which category the aggregated transaction falls pursuant to the Listing Rules.

Background

On 5 October 2011, PT. Sasco Indonesia entered into a new agreement with PT. Tunas Borneo Plantations, PT. Abadi Borneo Plantations (both are subsidiaries of Glenealy) and SGL Plantations Holding Limited (a subsidiary of the Company) for three years from 1 July 2011 to 30 June 2014 for the purchase of fertilizers and agro-chemicals from PT. Sasco Indonesia which is based on prevailing market prices and on normal commercial terms. Payment terms will be determined after arm's length negotiation among PT. Tunas Borneo Plantations, PT. Abadi Borneo Plantations, SGL Plantations Holding Limited and PT. Sasco Indonesia and on normal commercial terms.

The following table sets out the proposed aggregate amount of the purchase of fertilizers and agro-chemicals by PT. Tunas Borneo Plantations, PT. Abadi Borneo Plantations and SGL Plantations Holding Limited from PT Sasco Indonesia for the three years ending 30 June 2014 under the agreement dated 5 October 2011 (the "PT Sasco Caps"):

For the year ending 30 June	PT Sasco Caps <i>(US\$' million)</i>
2012	2 (equivalent to approximately HK\$15.6 million)
2013	3 (equivalent to approximately HK\$23.4 million)
2014	5 (equivalent to approximately HK\$39 million)

The PT Sasco Caps have been determined by the executive Directors with reference to (i) the expected increase in oil palm plantation hectareage and usage of fertilizers and agro-chemical in matured hectareage in the coming three years by PT. Tunas Borneo Plantations, PT. Abadi Borneo Plantations and SGL Plantations Holding Limited; (ii) the prevailing market prices for fertilizers and agro-chemical; and (iii) the expected increase in price of fertilizers and agro-chemicals. Since 1 July 2011 up to the Latest Practicable Date, PT. Tunas Borneo Plantations, PT. Abadi Borneo Plantations and SGL Plantations Holding Limited did not purchase any fertilizers and agro-chemicals from PT. Sasco Indonesia.

LETTER FROM THE BOARD

Reasons for entering into the transactions

PT. Sasco Indonesia is engaged in the fertilizers and agro-chemicals business and sells fertilizers and agro-chemicals for the oil palm industry in Indonesia. The Group and Glenealy Group in Indonesia purchases fertilizers and agro-chemicals from PT. Sasco Indonesia to cope with their needs. Purchase of fertilizers and agro-chemicals is based on prevailing market prices and normal commercial terms. The Directors (excluding the INEDs whose views have been set out on page 20 of this circular) consider that the terms of the transactions contemplated under the new agreement for the purchase of fertilizers and agro-chemicals entered into between PT. Tunas Borneo Plantations, PT. Abadi Borneo Plantations, SGL Plantations Holding Limited and PT. Sasco Indonesia are fair and reasonable and in the interests of the Shareholders as a whole.

As explained before, Glenealy has been treated as the Company's connected person since the Company's listing on the Stock Exchange.

PT. Sasco Indonesia is a subsidiary of Hap Seng Consolidated Berhad. Tan Sri Datuk Seri Panglima Lau Cho Kun@ Lau Yu Chak, who is the father in law of Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 50% of PT. Sasco Indonesia. Therefore PT. Sasco Indonesia is a connected person.

As certain applicable percentage ratios (as defined in the Listing Rules) derived from the aggregation of the New Hap Seng Fertilizers Caps and the PT Sasco Caps exceed 5%, the new agreements for the purchase of fertilizers and agro-chemicals from Hap Seng Fertilizers and PT. Sasco Indonesia, respectively, by the Group together with the New Hap Seng Fertilizers Caps and the PT Sasco Caps are subject to the requirements of reporting, announcement, annual review and approval by Independent Shareholders (Fertilizers transaction) under Chapter 14A of the Listing Rules.

Save for Yaw Chee Ming, none of the Directors has any material interest in the purchase of fertilizers and agro-chemicals from Hap Seng Fertilizers and PT. Sasco Indonesia by the Group. Yaw Chee Ming has abstained from voting on the relevant board resolutions to approve the new agreements for the purchase of fertilizers and agro-chemicals from Hap Seng Fertilizers and PT. Sasco Indonesia, respectively, by the Group together with the New Hap Seng Fertilizers Caps and the PT Sasco Caps. Further, Yaw Chee Ming (who held 2,340,930,260 Shares, representing 54.42% of the issued Share capital of the Company, as at the Latest Practicable Date) will abstain from voting on the relevant resolutions in the SGM. As at the Latest Practicable Date, to the best of the Company's knowledge, information and belief after making reasonable enquiries, none of Tan Sri Datuk Seri Panglima Lau Cho Kun@ Lau Yu Chak, Hap Seng Consolidated Berhad and its associates have any shareholding in the Company. If Tan Sri Datuk Seri Panglima Lau Cho Kun@ Lau Yu Chak, Hap Seng Consolidated Berhad and its associates, become interested in any Shares on or prior to the book close date on 10 November 2011 for the SGM, they will abstain from voting on the relevant resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

SGM

It is proposed that the SGM be convened and held at Concord Room I, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchi, Hong Kong, on Wednesday, 16 November 2011 at 11:30 a.m. or as soon after the AGM of the Company convened at 10:30 a.m. on the same day, shall have ended to consider and, if thought fit, approve the agreements in respect of the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps. A notice of the SGM is set out on pages 50 to 54 of this circular. A form of proxy for use at the SGM is enclosed with this circular and is also published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.samling.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, the proposed resolutions put to the vote of the respective Independent Shareholders at the SGM will be taken by poll. The results of the voting at the SGM will be announced by the Company following the conclusion thereof.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Fung Ka Pun, Tan Li Pin, Richard, David William Oskin and Amirsham A Aziz has been formed to advise the Independent Shareholders in respect of the agreements in respect of the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps. Quam Capital has also been appointed as the independent financial adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps.

RECOMMENDATION

The Directors (excluding the INEDs whose opinions have been set out on page 20 of this circular) consider that the terms of the transactions pursuant to the agreements in respect of the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps to be fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its shareholders as a whole. Accordingly, the Directors (excluding the INEDs whose opinions have been set out on page 20 of this circular) recommend that all Independent Shareholders to vote in favour of the ordinary resolutions set out in the notice of the SGM.

LETTER FROM THE BOARD

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 20 of this circular which contains its view on the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps. Your attention is also drawn to the letter of advice from Quam Capital on pages 21 to 41 which contains its opinion in respect of the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps.

By order of the Board of
Samling Global Limited
Chan Hua Eng
Chairman

LETTER FROM INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps, which has been prepared for the purpose of inclusion in this circular.



SAMLING GLOBAL LIMITED

三林環球有限公司*

(a company incorporated in Bermuda with limited liability)

(Stock Code: 3938)

27 October 2011

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 27 October 2011 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders whether the terms and conditions of the Continuing Connected Transactions (including, among others, the respective revised annual caps (if any) and new annual caps) are on normal commercial terms, in the usual and ordinary course of business and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Quam Capital, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps as set out on pages 21 to 41 of the Circular, and the letter from the Board set out on pages 5 to 19 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Quam Capital as stated in its letter of advice, we consider that the terms and conditions of the Continuing Connected Transactions (including, among others, their respective revised annual caps (if any) and new annual caps) are on normal commercial terms, in the usual and ordinary course of business and are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend that all Independent Shareholders to vote in favour of the ordinary resolutions set out in the notice of the SGM.

Yours faithfully,
Fung Ka Pun
Tan Li Pin, Richard
David William Oskin
Amirsham A Aziz
Independent Board Committee

** for identification purposes only*

LETTER FROM QUAM CAPITAL

The following is the full text of the letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and their respective revised annual caps (if any) and new annual caps.



Quam Capital Limited

A Member of The Quam Group

27 October 2011

*To the Independent Board Committee
and the Independent Shareholders*

Samling Global Limited
Room 2205, 22nd Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Agreements (as defined in the paragraph below) and the revised annual caps (if any) and new annual caps in relation to the Continuing Connected Transactions (the “Annual Cap(s)”). Details of the terms of the Agreements (as defined in the paragraph below) are set out in the “Letter from the Board” (the “Letter from the Board”) contained in the circular issued by the Company to the Shareholders dated 27 October 2011 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

On 5 October 2011, the Group entered into various agreements with certain connected persons of the Company in respect of the Continuing Connected Transactions for a term of three years (the “Agreement(s)”). The transactions contemplated under the Agreements will constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and are subject to the approval of the Independent Shareholders at the SGM by way of poll.

Messrs. Fung Ka Pun, Tan Li Pin, Richard, David William Oskin and Amirsham A Aziz, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the transactions contemplated under the Agreements are conducted within the Group’s ordinary and usual course of business based on normal commercial terms; and their respective terms and conditions together with the revised Annual Caps (if any) and new Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and to advise the Independent Shareholders as to whether to vote in favour of

LETTER FROM QUAM CAPITAL

the Agreements and the adoption of the revised Annual Caps (if any) and new Annual Caps at the SGM. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

Quam Capital Limited is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give independent advice in respect of the Continuing Connected Transactions and the respective revised Annual Caps (if any) and new Annual Caps.

In formulating our recommendation, we have relied on the information and facts supplied by the Group and its advisers, and the opinions expressed by and the representations of the Directors and management of the Group. We have assumed that all the information and representations contained or referred to in the Circular were true and accurate in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time that they were made and continue to be true as at the date thereof. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group and the Directors have confirmed to us that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement in the Circular misleading.

We consider that we have reviewed the relevant information currently available to us to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group and the counterparties to the Continuing Connected Transactions as detailed in the Letter from the Board or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the entering into of the Agreements and the revised Annual Caps (if any) and new Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for entering the Agreements

- (a) *Sale of logs, plywood and LVL to the Sojitz Corporation and its subsidiaries (the "Sojitz Transactions") and sale of housing products by Samling Housing to Sojitz Corporation and its subsidiaries (including, among others, Sojitz Building) (the "Sojitz Housing Transactions")*

- (i) *Reasons for the Sojitz Transactions and the Sojitz Housing Transactions*

The Group is principally engaged in sale of timber logs from concession and tree plantation areas, manufacture and sale of plywood and veneer, provision of upstream support, manufacture and sale of timber related products. We were advised by the management of the Group that the Group distributes its products to over 30 countries in the world.

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Sojitz Corporation, a company listed on the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co., Ltd., owns 14.9% interest in Samling Housing, a subsidiary of the Company. One of the principal activities of Sojitz Corporation and its subsidiaries are trading of plywood, logs, LVL and/or other wood products.

As stated in the Letter from the Board, the Directors are of the view that by selling the Group's products to Sojitz Corporation and its subsidiaries (including Sojitz Building) (the "Sojitz Companies"), the Group could obtain access to the logs, plywood, LVL and housing products markets in Japan. Based on our discussions with the management of the Group, we noted that the Sojitz Companies have been a long-term customer and business partner of the Group, and the Group has established long-term business relationships with its major Japanese customers (including the Sojitz Companies) in relation to its wood and housing products related businesses. We also understand that it is the belief of the Directors that such business model is beneficial to both the Company and the Shareholders, in view of its cost effectiveness in terms of savings in the distribution costs and advertising and promotion expenses in Japan; and the benefits derived by capitalising on the local expertise and well-established client base of the Sojitz Companies.

According to the annual report for the year ended 30 June 2011 of the Company (the "2011 Annual Report"), it is noted that the revenue of the Group derived from Japan increased by approximately 31.2% from approximately US\$99.6 million to US\$130.7 million, which accounted for approximately 16.7% and 17.9% of the total revenue of the Group for the two years ended 30 June 2010 and 2011 respectively. In particular, as advised by management of the Group, sale of logs, plywood, LVL and housing products in Japan through the Sojitz Companies contributed approximately 45.6% and 38.3% of the Group's segmental revenue from Japan for the two years ended 30 June 2010 and 2011, respectively. Given the track record, it is beneficial to the Group to maintain its strong ties with the Sojitz Companies considering that the Sojitz Companies will continue to be one of the main contributors to the Group's future earnings.

Considering the Group's business nature and the principal activities of the Sojitz Companies as discussed above, it is reasonable to expect that the Sojitz Transactions and the Sojitz Housing Transactions will continue to take place on a regular and frequent basis in the Group's ordinary and usual course of business in future.

(ii) *The revised Annual Cap for the year ending 30 June 2012 in respect of the Sojitz Transactions (the "Revised Sojitz Cap"), and the new Annual Caps for the three years ending 30 June 2015 in respect of the Sojitz Transactions (the "New Sojitz Caps") and the Sojitz Housing Transactions (the "New Sojitz Housing Caps")*

It is noted that the existing agreement in relation to the Sojitz Transactions and the Sojitz Housing Transactions will expire on 30 June 2012 and can be renewed for a further three years upon expiry, subject to the Listing Rules and any applicable laws

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and regulations. Accordingly, upon approval of the Independent Shareholders, the new Agreement in relation to the Sojitz Transactions and the Sojitz Housing Transactions will be effective for a term from 1 July 2012 to 30 June 2015.

As stated in the announcement of the Company dated 23 October 2008 (the “2008 Announcement”), the Annual Cap in respect of the Sojitz Transactions for the year ending 30 June 2012 amounted to US\$40 million. Considering that the sales of plywood and LVL is expected to increase resulting from reconstruction activities in earthquake and tsunami affected areas in Japan in 2011, the Directors anticipate that there would be deviations in the expected sales of the plywood, log and LVL to the Sojitz Companies for the year ending 30 June 2012, from what they originally envisaged.

Given the aforesaid and for reasons discussed in subsection (i) above, we are of the view that the adoption of the Revised Sojitz Cap, the New Sojitz Caps and the New Sojitz Housing Caps are essential for the Group’s continued business operation and development.

(iii) *Conclusion*

Based on the foregoing, we are of the view that it is beneficial to the Group to enter into the Agreement in respect of the Sojitz Transactions and the Sojitz Housing Transactions and to adopt the Revised Sojitz Cap, the New Sojitz Caps and the New Sojitz Housing Caps. This would help facilitate the smooth operation and future development of the Group’s business in the Japanese market, and the Sojitz Transactions and the Sojitz Housing Transactions together with the adoption of the Revised Sojitz Cap, the New Sojitz Caps and the New Sojitz Housing Caps are conducted in the ordinary and usual course of the Group’s business; in the interests of both the Company and the Shareholders as a whole in that respect.

(b) *Purchase of logging and motor vehicles and parts from Hap Seng Auto and its subsidiaries (the “Hap Seng Auto Transactions”) and trade-in of used logging vehicles to Hap Seng Auto and its subsidiaries (the “Hap Seng Auto Trade-in Transactions”)*

(i) *Reasons for the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions*

As advised by the management of the Group, heavy equipment is extensively required by the Group for extraction of logs, road and bridge construction and the transportation of logs, and motor vehicles are required for the operational usage. It is noted that the Group has been procuring Mercedes Benz logging and motor vehicles and the related spare parts from Hap Seng Auto and its subsidiaries (the “HSA Group”) for transportation of logs and the operational usage. Hap Seng Auto is a subsidiary of Hap Seng Consolidated Berhad., a company listed on the Malaysia Stock Exchange, and is a distributor of Mercedes Benz vehicles in Malaysia.

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We were advised that it would be cost effective for the Group to replace old logging vehicles when they reach the estimated useful life of 7 years taking into account their declining productivity and rising running cost. According to the vehicle replacement programme of the Group, new logging vehicles will be purchased or traded-in with the HSA Group to replace logging vehicles at around 7 years old; while the related original Mercedes Benz spare parts will be mainly purchased from the HSA Group on a regular basis for repair and maintenance of logging vehicles less than 7 years old considering the satisfactory and reliable quality of Mercedes Benz original spare parts sourced from the HSA Group as compared to spare parts from other independent suppliers. With the aforesaid vehicle replacement programme, the net cash outflow for purchasing the new logging vehicles will be reduced after taking into account the trade-in of used logging vehicles with the HSA Group.

In light of the above and after considering (1) the view of the Directors on the technical soundness and satisfactory quality of Mercedes Benz logging and motor vehicles and original Mercedes Benz spare parts; (2) the cost savings from the trade-in arrangement; (3) the declining productivity and efficiency of logging vehicles at around the estimated useful life of 7 years old; and (4) the necessities of logging and motor vehicles and spare parts for transportation of logs and operational usage, we concur with the Directors' view that the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions are beneficial to the Group.

Given the above, the Group's business nature and the principal activities of Hap Seng Auto, it is reasonable to expect that the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions will continue to take place on a regular and frequent basis in the Group's ordinary and usual course of business in future.

(ii) *The revised Annual Cap for the year ending 30 June 2012 in respect of the Hap Seng Auto Transactions (the "Revised Hap Seng Auto Cap"), the new Annual Caps for the three years ending 30 June 2015 in respect of the Hap Seng Auto Transactions (the "New Hap Seng Auto Caps") and the new Annual Caps for the three years ending 30 June 2014 in respect of the Hap Seng Auto Trade-in Transactions (the "New Hap Seng Trade-in Caps")*

It is noted that the existing agreements in relation to the Hap Seng Auto Transactions will expire on 30 June 2012 and the Hap Seng Auto Trade-in Transactions expired on 30 June 2011. We were advised that there was no transaction in respect of the Hap Seng Auto Trade-in Transactions since 1 July 2011 up to the Latest Practicable Date. The existing agreements can be renewed for a further three years upon expiry, subject to the Listing Rules and any applicable laws and regulations. Accordingly, it is proposed to seek approval from the Independent Shareholders for entering into new Agreements with the respective counterparties in respect of (1) the Hap Seng Auto Transactions for a term from 1 July 2012 to 30 June 2015; and (2) the Hap Seng Auto Trade-in Transactions for a term from 1 July 2011 to 30 June 2014.

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As stated in the 2008 Announcement, the existing Annual Cap in respect of the Hap Seng Auto Transactions for the year ending 30 June 2012 amounted to US\$14.5 million. As advised by the Directors, given the ageing of the Group's vehicles and that the Group has changed its policy to procure more Mercedes Benz original parts from the HSA Group instead of other suppliers, the Directors anticipate that there would be deviations in the expected purchase of the vehicles and related parts for the year ending 30 June 2012, from what they originally envisaged.

Given the aforesaid and for reasons discussed above, we believe that the adoption of the Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-in Caps are essential for the Group's continued business development and improvement in efficiency and productivity of the logs production and operational usage.

(iii) *Conclusion*

Based on the foregoing, we are of the view that it is beneficial to the Group to enter into the Agreements in respect of the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions and to adopt the Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-in Caps, as that would help facilitate the smooth operation of the logs transportation and improve operational efficiency. Also, the entering into of the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions together with the adoption of the Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-in Caps are conducted in the ordinary and usual course of the Group's business; and in the interests of both the Company and the Shareholders as a whole in that respect.

(c) ***Purchase of fertilizers and agro-chemicals from Hap Seng Fertilizers (the "Hap Seng Fertilizers Transactions") and from PT. Sasco Indonesia (the "PT. Sasco Fertilizers Transactions")***

(i) *Reasons for the Hap Seng Fertilizers Transactions and the PT. Sasco Fertilizers Transactions*

As stated in the Letter from the Board, both Hap Seng Fertilizers and PT. Sasco Indonesia are engaged in the trading of fertilizers and agro-chemicals business and sells fertilizers and agro-chemicals for the oil palm industry. Amalania Koko, Timor Enterprises and Samling Plantation, subsidiaries of Glenealy which in turn is an associate of the Company, and PT. Tunas Borneo Plantations and PT. Abadi Borneo Plantations, both are subsidiaries of Glenealy, and SGL Plantations Holding Limited, a subsidiary of the Company purchase fertilizers and agro-chemicals from Hap Seng Fertilizers and PT. Sasco Indonesia from time to time for their oil palm plantations businesses respectively.

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We were advised that Hap Seng Fertilizers has engaged in the fertilizers and agro-chemicals business for over 30 years and is one of the main supplier of fertilizers and agro-chemicals for the respective oil palm plantations businesses of Amalania Koko, Timor Enterprises and Samling Plantation. We were also advised that the Group will continue to purchase fertilizers and agro-chemicals from Hap Seng Fertilizers, given (1) the high quality of its products; (2) that it is relatively cost effective to procure from Hap Seng Fertilizers in view of the long-term business relationship; and (3) that the fertilizers and agro-chemicals are purchased at prevailing market prices. In light of the above, we concur with the Directors' view that the Hap Seng Fertilizers Transactions are beneficial to the Group.

We were advised that PT. Sasco Indonesia has engaged in the fertilizers and agro-chemicals business and sells fertilizers and agro-chemicals for the oil palm industry in Indonesia for since 2004. Considering (1) the reliability of quality and delivery of products by PT. Sasco Indonesia as compared with independent local suppliers; (2) that the fertilizers and agro-chemicals will be purchased at prevailing market prices; (3) the plantation area in Indonesia is new area for oil palm plantation with an estimated plantation area of approximately 19,000 hectares; and (4) the fertilizers supplied by PT. Sasco Indonesia could fit the plantation needs of PT. Tunas Borneo Plantations, PT. Abadi Borneo Plantations and SGL Plantations Holding Limited, we concur with the Directors' view that the PT. Sasco Fertilizers Transactions are beneficial to the Group.

Furthermore, given the Group's business nature and the principal activities of Hap Seng Fertilizers and PT. Sasco Indonesia, it is reasonable to expect that the Hap Seng Fertilizers Transactions and the PT. Sasco Fertilizers Transactions will continue to take place on a regular and frequent basis in the Group's ordinary and usual course of business in future.

- (ii) *The Annual Caps for the three years ending 30 June 2015 in respect of the Hap Seng Fertilizers Transactions (the "New Hap Seng Fertilizers Caps") and the Annual Caps for the three years ending 30 June 2014 in respect of the PT. Sasco Fertilizers Transactions (the "PT Sasco Caps")*

It is noted that the existing agreement in relation to the Hap Seng Fertilizers Transactions will expire on 30 June 2012. The existing agreement can be renewed for a further three years upon expiry, subject to the Listing Rules and any applicable laws and regulations. It is further noted that the Agreement in relation to the PT. Sasco Fertilizers Transactions was entered on 5 October 2011 for a term of three years ending 30 June 2014. Accordingly, it is proposed to seek approval from the Independent Shareholders for entering into the Agreements with the respective counterparties in respect of the Hap Seng Fertilizers Transactions and the PT. Sasco Fertilizers Transactions for a term from 1 July 2012 to 30 June 2015 and 1 July 2011 to 30 June 2014 respectively together with the adoption of the New Hap Seng Fertilisers Caps and the PT Sasco Caps.

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Given the aforesaid and for reasons discussed above, we believe that the adoption of the New Hap Seng Fertilizers Caps and the PT Sasco Caps are essential for the Group's continued business development and to fully capitalise the growth potential in the Group's oil palm plantation businesses.

(iii) *Conclusion*

Based on the foregoing, we are of the view that it is beneficial to the Group to enter into the Agreements in respect of the Hap Seng Fertilizers Transactions and the PT. Sasco Fertilizers Transactions and to adopt the New Hap Seng Fertilizers Caps and the PT Sasco Caps, as that would help facilitate the smooth operation and future development of the Group's oil palm plantation business. Also they are conducted in the ordinary and usual course of the Group's business; and in the interests of both the Company and the Shareholders as a whole in that respect.

2. Principal terms of the Agreements

Set out below are the nature and the principal terms of the Agreements:

(a) *Sojitz Transactions and Sojitz Housing Transactions*

(i) *Nature of the transactions*

Pursuant to the Agreement in respect of the Sojitz Transactions and the Sojitz Housing Transactions, the Group agrees to supply timber logs, plywood, LVL and housing products to the Sojitz Companies on a regular basis commencing from 1 July 2012 and expiring on 30 June 2015.

(ii) *Pricing basis*

We were advised that save for the expiry date, the terms specified in the relevant Agreement are the same as compared to the existing agreement entered between the Company and Sojitz Corporation. The term of the existing agreement will expire on 30 June 2012.

The selling prices of the timber logs, plywood, LVL and housing products shall be determined on normal commercial terms with reference to the prevailing market prices and arrived at after arm's length negotiation from time to time. We have reviewed the selling prices of certain logs, plywood and LVL contained in the recent invoices issued to the Sojitz Companies and independent third parties, and noted that the unit selling prices of the logs, plywood and LVL offered to the Sojitz Companies specified in the relevant invoices are no less favourable to those set out in the invoices issued to the independent third parties.

The management of the Group advised that due to the unique and specific nature of the housing products, the Group had not in the past conducted any transactions similar to the Sojitz Housing Transactions with other independent third parties. As such, there are no independent relevant transactions available for direct comparison for the

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Sojitz Housing Transactions. Notwithstanding this, in order to assess the reasonableness of the selling prices of housing products supplied to the Sojitz Companies, we have reviewed the gross profit margin of similar transactions undertaken by a company listed on the Kuala Lumpur Stock Exchange, namely HeveaBoard Berhad (“HeveaBoard”), which is principally engaged in manufacturing and sale of particleboards and other panel boards and manufacturing, trading, distributing and marketing ready-to-assemble furniture. Products of HeveaBoard are also exported directly overseas. Under our review, it is noted that HeveaBoard recorded a gross margin of approximately 7.0% for the six months ended 30 June 2011 based on its second quarterly results announcement for the six months ended 30 June 2011. The management of the Group have confirmed to us that the Group’s gross profit margin derived from the sales of housing products to the Sojitz Companies for the year ended 30 June 2011 and the two months ended 31 August 2011 respectively were in excess of 7.0%.

In view of the above, we consider that the respective pricing basis of the Sojitz Transactions and the Sojitz Housing Transactions is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

(b) *Hap Seng Auto Transactions and Hap Seng Auto Trade-in Transactions*

(i) Nature of the transactions

Pursuant to the Agreement in respect of the Hap Seng Auto Transactions, Tamex Timber, SST and Sorvino agree to purchase Mercedes Benz logging and motor vehicles and parts from the HSA Group on a regular basis commencing from 1 July 2012 and expiring on 30 June 2015.

Pursuant to the Agreement in respect of the Hap Seng Auto Trade-in Transactions, the HSA Group agree to trade in the used logging vehicles from Tamex Timber and SST in relation to their purchase of new vehicles pursuant to the Hap Seng Auto Transactions on a regular basis commencing from 1 July 2011 and expiring on 30 June 2014.

(ii) Pricing basis

We were advised that save for the expiry dates, the terms specified in the Agreements in respect of the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions are the same as compared to the respective existing and previous agreements. The term of the existing and previous agreements in respect of the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions will expire on 30 June 2012 and expired on 30 June 2011 respectively.

Pursuant to the Agreement in respect of the Hap Seng Auto Transactions, the selling prices of the logging and motor vehicles and related parts shall be determined on normal commercial terms with reference to the prevailing market prices and arrived at after arm’s length negotiation from time to time. We have reviewed the selling prices of the same model of vehicle contained in the recent invoices issued by the HSA Group to

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Tamex Timber, Miri Parts Trading and SST and independent third parties, and noted that the unit selling prices of vehicles specified in the relevant invoices are no less favourable than those set out in the invoices issued to the independent third parties.

The management of the Group advised that as at the Latest Practicable Date, the Group had not in the past conducted any transactions similar to the Hap Seng Auto Trade-in Transactions with other independent third parties as the used logging vehicles were originally procured from the HSA Group. As such, there are no independent relevant transactions available for direct comparison for the Hap Seng Auto Trade-in Transactions. We were advised that logging vehicles with age of around 7 years old will be traded-in to the HSA Group according to the Group's forecast vehicle replacement program, after taking into account the efficiency and running cost of the logging vehicles and the respective depreciation policy. We were also advised that the aforesaid 7 years are within range of the useful life of logging vehicles of the Group. As a result, the majority of the Group's used logging vehicles to be traded-in will have a nil net book value. We were advised that as estimated by the Directors, the Group's used logging vehicles can be sold at around 48% of their original purchase cost for certain model of logging vehicles. The Directors considered that the Group will benefit from the Hap Seng Auto Trade-in Transactions in view of the estimated selling prices and the net book values of the Group's used logging vehicles.

In view of the above, we consider that the respective pricing basis of the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

(c) *Hap Seng Fertilizers Transactions and PT. Sasco Fertilizers Transactions*

(i) *Nature of the transactions*

Pursuant to the Agreement in respect of the Hap Seng Fertilizers Transactions, Amalania Koko, Timor Enterprises and Samling Plantation agree to purchase the fertilizers and agro-chemicals from Hap Seng Fertilizers on a regular basis commencing from 1 July 2012 and expiring on 30 June 2015.

Pursuant to the Agreement in respect of the PT. Sasco Fertilizers Transactions, PT. Tunas Borneo Plantations, PT. Abadi Borneo Plantations and SGL Plantations Holding Limited agree to purchase the fertilizers and agro-chemicals from PT. Sasco Indonesia on a regular basis commencing from 1 July 2011 and expiring on 30 June 2014.

(ii) *Pricing basis*

We were advised that save for the expiry date, the terms specified in the Agreement in respect of the Hap Seng Fertilizers Transactions are the same as compared to those set out in the relevant existing agreement. The term of the existing agreement will expire on 30 June 2012.

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The selling prices of the fertilizers and agro-chemicals in respect of both the Hap Seng Fertilizers Transactions and the PT. Sasco Fertilizers Transactions shall be determined on normal commercial terms with reference to the prevailing market prices and arrived at after arm's length negotiation from time to time. We have reviewed the selling prices of certain fertilizers and agro-chemicals contained in the quotations issued to the Amalania Koko, Timor Enterprises and Samling Plantation from Hap Seng Fertilizers and from independent third parties, and noted that the unit selling prices of the fertilizers and agro-chemicals specified in the relevant invoices are no less favourable than those set out in the quotations from the independent third parties. As confirmed by the management of the Group, there was no historical transaction in respect of the PT. Sasco Fertilizers Transactions up to the Latest Practicable Date. Notwithstanding the above, the selling prices of the fertilizers and agro-chemicals in respect of the PT. Sasco Fertilizers Transactions will be determined on normal commercial terms with reference to the prevailing market prices pursuant to the term of the relevant Agreement, which is no less favourable than those offered by the independent third parties in this regard.

In view of the above, we consider that the respective pricing basis of each of the Hap Seng Fertilizers Transactions and the PT. Sasco Fertilizers Transactions is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

3. Requirements of the Listing Rules

For each financial year of the Company during the terms of each of the agreements related to the Continuing Connected Transactions, the subject transactions will be subject to review by the independent non-executive Directors and the Company's auditors as required by the provisions of Rules 14A.37 and 14A.38 of the Listing Rules respectively. The independent non-executive Directors must confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:

- in the ordinary and usual course of business of the Company;
- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, the Listing Rules require that the Company's auditors must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company), confirming that the Continuing Connected Transactions:

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- have received the approval of the Board;
- are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services of services by the Company;
- have been entered into in accordance with the relevant agreement governing the transactions; and
- have not exceeded the cap disclosed in its previous announcement.

It was stated in the 2011 Annual Report that, pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors have confirmed that for the year ended 30 June 2011, each of the Continuing Connected Transactions has been entered into (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms; (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditors of the Company have performed a review of the Continuing Connected Transactions for the financial year ended 30 June 2011 and have confirmed that the Continuing Connected Transactions were conducted in the manner stated in Rule 14A.38 of the Listing Rules.

Given the above, we are of the opinion that there will be sufficient procedures and arrangements in place to ensure that the Continuing Connected Transactions will be conducted on terms that are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned.

4. The Annual Caps

(a) *The Revised Sojitz Cap, the New Sojitz Caps and the New Sojitz Housing Caps*

(i) *The historical record of the transaction value of the Sojitz Transactions and the Sojitz Housing Transactions*

Set out below are details of the actual transacted value of the Sojitz Transactions and the Sojitz Housing Transactions for each of the three years ended 30 June 2011 and the two months ended 31 August 2011 respectively; and the comparison of the transacted value with the relevant Annual Caps for the three years ended 30 June 2011 respectively (the “Sojitz Utilisation Rate”):

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Table One

	For the year ended 30 June			For the two months ended
	2009	2010	2011	31 August 2011
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Sojitz Transactions	23.8	25.8	31.3	3.2
<i>Sojitz Utilisation Rate:</i>	<i>38.4%</i>	<i>64.5%</i>	<i>78.3%</i>	<i>Note</i>
Sojitz Housing Transactions	17.9	19.7	18.8	3.9
<i>Sojitz Utilisation Rate:</i>	<i>89.5%</i>	<i>85.6%</i>	<i>78.3%</i>	<i>Note</i>

Note: Due to the seasonal factors in the respective markets of the Sojitz Companies, we do not consider it appropriate to estimate the Sojitz Utilisation Rate for the year ending 30 June 2012 by annualising the actual transacted value for the two months ended 31 August 2011, as such estimates may not be accurately reflective of the actual Sojitz Utilisation Rate.

As illustrated above in Table One, it is noted that the transacted value of the Sojitz Transactions evidenced an increasing trend for the three years ended 30 June 2011; while the transacted amounts of the Sojitz Housing Transactions remained steady ranging from approximately US\$17.9 million to US\$19.7 million.

Based on our discussion with the management of the Group, the relatively low Sojitz Utilisation Rate for the year ended 30 June 2009 for the Sojitz Transactions was mainly due to the decrease in purchase orders on logs, plywood and LVL from the Sojitz Companies, given the impact of the financial crisis in Japan's economy.

Save as discussed above, we are of the view that the generally high Sojitz Utilisation Rate for the Sojitz Transactions and the Sojitz Housing Transactions, to a very large extent, is reflective of the market expertise of the Group and its perceptive operational planning and projections related thereto.

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- (ii) *The bases of determination of the Revised Sojitz Cap, the New Sojitz Caps and the New Sojitz Housing Caps*

The following table sets out the details of the Revised Sojitz Cap, the New Sojitz Caps and the New Sojitz Housing Caps:

Table Two

	The Revised Sojitz Cap* <i>US\$ million</i>	The New Sojitz Caps and the New Sojitz Housing Caps <i>US\$ million</i>
(1) Sojitz Transactions	2012: 44.0 (40.0)	2013: 44.0 2014: 48.0 2015: 53.0
(2) Sojitz Housing Transactions	n.a.	2013: 28.0 2014: 33.0 2015: 40.0

* The figure in parenthesis denotes the existing Annual Cap in respect of the Sojitz Transactions for the year ending 30 June 2012.

It is noted that the Revised Sojitz Cap increased by 10% as compared to the relevant existing Annual Cap. We have discussed with the management of the Group regarding the underlying assumptions and bases that have been taken into account by the Directors in determining the Revised Sojitz Cap, the New Sojitz Caps and the New Sojitz Housing Caps. We noted that the Directors have principally taken into account (1) the expected stable increase in demand for logs, plywood and LVL and housing products in Japan for the four years ending 30 June 2015; (2) the prevailing market prices of logs, plywood and LVL; (3) the expected increase in selling prices for housing products during the three years ending 30 June 2015; and (4) the estimated increasing price trend of the housing products in Japan.

In our assessment of the reasonableness and fairness of the Revised Sojitz Cap, the New Sojitz Caps and the New Sojitz Housing Caps, we have reviewed the respective sales projections for sale of logs, plywood and LVL for the four years ending 30 June 2015 and for sale of housing products to the Sojitz Companies for the three years ending 30 June 2015 and the underlying bases and assumptions related thereto as detailed above. We concur with the Directors' view that it will be fair and reasonable and in the interests of both the Company and the Shareholders to set the Revised Sojitz Cap, the New Sojitz Caps and the New Sojitz Housing Caps at the proposed levels, after taking into consideration the following:

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- that, as advised by the management of the Group, the sales volume of logs, plywood and LVL and housing products in the Japanese market by the Sojitz Companies is expected to increase following the reconstruction activities in earthquake and tsunami affected areas in Japan in 2011;
- that the revenue of the Group derived from Japan increased by approximately 31.2% from approximately US\$99.6 million to US\$130.7 million for the year ended 30 June 2011 and that the transacted value of the Sojitz Transactions and the Sojitz Housing Transactions in aggregate increased by an average of approximately 9.6% per annum for the two years ended 30 June 2011;
- the expected stable selling prices for logs, plywood and LVL in Japan, given that Japan's consumer price index decreased by approximately 1.4% and 0.7% in 2009 and 2010 respectively;
- the expected significant increase in sale of housing products for the three years ending 30 June 2015, given (1) the expansion plan of the Group to introduce new products with higher selling prices; (2) the enduring marketing effort by the Sojitz Companies to explore new customers in Japan; and (3) the expected strengthening of Japanese Yen against US\$ as certain sales to the Sojitz Companies are denominated in Japanese Yen; and
- that the respective pricing basis of the Sojitz Transactions and the Sojitz Housing Transactions is considered to be fair and reasonable as discussed in section (2)(a)(ii) above.

(iii) *Conclusion*

Based on the factors and reasons discussed above, we are of the view that the Revised Sojitz Cap, the New Sojitz Caps and the New Sojitz Housing Caps are set by the Directors after careful and due consideration and are fair and reasonable so far as the Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

(b) *The Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-in Caps*

(i) *The historical record of the transaction value of the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions*

Set out below are details of the actual transacted value of the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions for the three years ended 30 June 2011 and the two months ended 31 August 2011; and the comparison of the transacted value with the relevant Annual Caps for the three years ended 30 June 2011 respectively (the "Hap Seng Auto Utilisation Rate"):

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Table Three

	For the year ended 30 June			For the two months ended
	2009	2010	2011	31 August 2011
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Hap Seng Auto Transactions	7.2	5.8	4.2	3.3
<i>Hap Seng Auto Utilisation</i>				
<i>Rate:</i>	<i>37.9%</i>	<i>40.0%</i>	<i>29.0%</i>	<i>Note</i>
Hap Seng Auto Trade-in Transactions	—	0.2	—	—
<i>Hap Seng Auto Utilisation</i>				
<i>Rate:</i>	<i>n.a.</i>	<i>8.0%</i>	<i>n.a.</i>	<i>n.a.</i>

Note: Due to the irregular pattern in the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions, we do not consider it appropriate to estimate the Hap Seng Auto Utilisation Rate for the year ending 30 June 2012 by annualising the actual transacted value for the two months ended 31 August 2011, as such estimates may not be accurately reflective of the actual Hap Seng Auto Utilisation Rate.

As illustrated above in Table Three, it is noted that the transacted value of the Hap Seng Auto Transactions decreased gradually from approximately US\$7.2 million to US\$4.2 million for the three years ended 30 June 2011 and there was no transaction for the Hap Seng Auto Trade-in Transactions for the years ended 30 June 2009 and 2011 and for the two months ended 31 August 2011.

We were advised that the Group has been delaying its purchases and trade-in of logging vehicles for the past two years because of the global financial crisis resulting in less purchases and trade-in activities. This has also contributed to the relatively low Hap Seng Auto Utilisation Rate for such years.

(ii) *The bases of determination of the Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-in Caps*

The following table sets out the details of the Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-in Caps:

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Table Four

	The Revised Hap Seng Auto Cap* <i>US\$ million</i>	The New Hap Seng Auto Caps and the New Hap Seng Trade-in Caps <i>US\$ million</i>
(1) Hap Seng Auto Transactions	2012: 28.1 (14.5)	2013: 27.9 2014: 27.9 2015: 27.9
(2) Hap Seng Auto Trade-in Transactions	n.a.	2012: 4.0 2013: 4.0 2014: 4.0

* The figure in parenthesis denotes the existing Annual Cap in respect of the Hap Seng Auto Transactions for the year ending 30 June 2012.

We have discussed with the management of the Group regarding the underlying assumptions and bases that have been taken into account by the Directors in determining the Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-in Caps. We noted that the Directors have principally taken into account (1) the respective projections in the number of logging and motor vehicles and parts to be purchased during the four years ending 30 June 2015 (the “Hap Seng Auto Projections”); (2) the projections in the number of logging vehicles to be traded-in by the Group during the three years ending 30 June 2014; (3) the forecast vehicle replacement program of the Group (the “Vehicle Replacement Program”), taking into account the depreciation policy of the Group; (4) the ages and net book values of the Group’s existing logging vehicles; and (5) the prevailing market prices of the new and used logging and motor vehicles and parts.

In our assessment of the reasonableness and fairness of the Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-in Caps, we have reviewed the Hap Seng Auto Projections and the Vehicle Replacement Program and the underlying reasons related thereto. We concur with the Directors’ view that it will be fair and reasonable and in the interests of both the Company and the Shareholders to set the Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-in Caps respectively at the proposed levels, after taking into consideration the following:

- that the Hap Seng Auto Trade-in Transactions will commence after approval by the Independent Shareholders during the year ending 30 June 2012;

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- that according to the Vehicle Replacement Program, the Group's logging vehicles aged over 7 years will be replaced by new Mercedes Benz logging vehicles, considering the productivity and the operating cost of such old-aged logging vehicles;
- the useful life of logging vehicles of 7 years according to the depreciation policy adopted by the Group;
- that the number of logging and motor vehicles to be purchased and/or to be traded-in are in accordance with the Vehicle Replacement Program, given that currently over 90 logging vehicles had ages over 7 years and more motor vehicles are required during the year ending 30 June 2012 for operational usage;
- that the purchases of parts from the HSA Group will significantly increase given that (1) the Group has changed its policy of buying more original Mercedes Benz parts from the HSA Group instead of other suppliers to enhance the quality of parts and productivity of vehicles; and (2) the Group has purchased parts from other suppliers of about US\$13 million for the year ended 30 June 2011; and
- that the respective pricing basis of the Hap Seng Auto Transactions and the Hap Seng Auto Trade-in Transactions is considered to be fair and reasonable as discussed in section (2)(b)(ii) above.

(iii) *Conclusion*

Based on the factors and reasons discussed above, we are of the view that the Revised Hap Seng Auto Cap, the New Hap Seng Auto Caps and the New Hap Seng Trade-in Caps were set by the Directors after due and careful consideration and are fair and reasonable so far as the Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

(c) *The New Hap Seng Fertilizers Caps and the PT Sasco Caps*

(i) *The historical record of the transaction value of the Hap Seng Fertilizers Transactions*

Set out below are details of the actual transacted value of the Hap Seng Fertilizers Transactions for the three years ended 30 June 2011 and the two months ended 31 August 2011; and the comparison of the transacted value with the relevant Annual Caps for the three years ended 30 June 2011 (the "Hap Seng Fertilizers Utilisation Rate"):

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Table Five

	For the year ended 30 June			For the two months ended 31 August
	2009	2010	2011	2011
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Hap Seng Fertilizers Transactions	7.3	5.8	6.0	0.6
<i>Hap Seng Fertilizers Utilisation Rate:</i>	<i>53.3%</i>	<i>22.0%</i>	<i>19.7%</i>	<i>Note</i>

Note: Due to the seasonal factors in the Hap Seng Fertilizers Transactions, we do not consider it appropriate to estimate the Hap Seng Fertilizers Utilisation Rate for the year ending 30 June 2012 by annualising the actual transacted value for the two months ended 31 August 2011, as such estimates may not be accurately reflective of the actual Hap Seng Fertilizers Utilisation Rate.

As illustrated above in Table Five, it is noted that the transacted value of the Hap Seng Fertilizers Transactions remained steady during the three years ended 30 June 2011, ranging from approximately US\$5.8 million to US\$7.3 million. We were advised that the Group has been purchasing from other suppliers on a tender basis, which also contributed to the relatively low Hap Seng Fertilizers Utilisation Rate for such years.

(ii) *The bases of determination of the New Hap Seng Fertilizers Caps and the PT Sasco Caps*

The following table sets out the details of the New Hap Seng Fertilizers Caps and the PT Sasco Caps:

Table Six

	The New Hap Seng Fertilizers Caps and the PT Sasco Caps <i>US\$ million</i>
Hap Seng Fertilizers Transactions	2013: 12.0 2014: 14.0 2015: 17.0
PT. Sasco Fertilizers Transactions	2012: 2.0 2013: 3.0 2014: 5.0

LETTER FROM QUAM CAPITAL

We have discussed with the management of the Group regarding the underlying assumptions and bases that have been taken into account by the Directors in determining the New Hap Seng Fertilizers Caps and the PT Sasco Caps. We noted that the Directors have principally taken into account (1) the projected matured oil palm plantation areas in Sabah and Sarawak (in respect of the Hap Seng Fertilizers Transactions) and Indonesia (in respect of the PT. Sasco Fertilizers Transactions) and usage rate of fertilizers and agro-chemicals by the Group (the “Oil Palm Plantation Plan”); and (2) the expected increasing trend in the purchase prices of fertilizers and agro-chemicals.

In our assessment of the reasonableness and fairness of the New Hap Seng Fertilizers Caps and the PT Sasco Caps, we have reviewed the Oil Palm Plantation Plan and the underlying reasons related thereto. We concur with the Directors’ view that it will be fair and reasonable and in the interests of both the Company and the Shareholders to set the New Hap Seng Fertilizers Caps and the PT Sasco Caps respectively at the proposed levels, after taking into consideration the following:

- that the demand for fertilizers in Sabah will remain stable given that (1) the small increase in matured oil palm plantation areas in Sabah by approximately 3% to 6% per annum up to 2013; and (2) as advised by the management of the Group, the replanted areas of Amalania Koko will mature during the year ended 30 June 2013 according to the Oil Palm Plantation Plan;
- the significant increase in demand for fertilizers in Sarawak given that (1) the estimated matured oil palm plantation areas in Sarawak increase by approximately 21.4% per annum for the three years ending 30 June 2015; and (2) significant amount of new planting areas in Sarawak will mature in 2013 to 2015 according to the Oil Palm Plantation Plan;
- the increase in demand for fertilizers in Indonesia given that (1) certain planting area in Indonesia have commenced plantation in late 2011; and (2) the oil palm plantation areas in Indonesia will continue to become matured gradually starting from second half of 2013;
- the fairly stable ratio of fertilizers usage per matured hectare in Sabah and Sarawak ranging from 0.8 and 1.0 for the three years ending 30 June 2015, which is relatively higher than those in Indonesia given that, as advised by the management of the Group, the planting area in Sabah and Sarawak are older estate and therefore require more fertilizers for oil palm plantation;
- the expected increase in the purchase prices of fertilizers and agro-chemicals of approximately 10% per annum, given the significant increase in prices of fuels, lubricant, fertilizers, chemicals and other operational costs;
- the expected purchase prices of fertilizers and agro-chemicals in Indonesia are higher than those in Sabah and Sarawak taking into account, among others, the higher transportation costs in view of the relatively poorer infrastructure network in Indonesia; and

LETTER FROM QUAM CAPITAL

- that the respective purchase prices of the fertilizers and agro-chemicals are considered to be fair and reasonable and in the interests of the Company and the Shareholders as a whole as discussed in section (2)(c)(ii) above.

(iii) *Conclusion*

Based on the factors and reasons discussed above, we are of the view that the New Hap Seng Fertilizers Caps and the PT Sasco Caps were set by the Directors after due and careful consideration and are fair and reasonable so far as the Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the nature of the Continuing Connected Transactions and the reasons for entering the Agreements as discussed in section (1) above;
- that the Continuing Connected Transactions will be conducted on normal commercial terms;
- that the respective pricing basis as provided under each of the Continuing Connected Transactions is fair and reasonable;
- the control and review procedures and arrangements in place to safeguard the interests of the Company and the Shareholders in relation to the Continuing Connected Transactions; and
- that the revised Annual Caps (if any) and new Annual Caps in respect of the respective Continuing Connected Transactions have been set by the Directors, after careful and due considerations, at a level which will be in the interests of both the Company and the Shareholders as a whole,

we consider that the Agreements have been entered into within the ordinary and usual course of business of the Group based on normal commercial terms and their respective terms and conditions together with the revised Annual Caps (if any) and new Annual Caps in respect of the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Agreements and the adoption of the revised Annual Caps (if any) and new Annual Caps in respect of the Continuing Connected Transactions.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Richard D. Winter
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors in the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Interests and short positions in the shares, underlying shares and debentures of the Company, subsidiaries, and the associated corporations

Name of Director	Interests in the Company, subsidiary or associated corporation	Number and Class of Shares/ Equity Interest Held	Capacity/Nature of Interest	Long/ Short position	Approximate Percentage of Shareholding in Such Class of Shares (%)
Chan Hua Eng	Lingui	394,623 ordinary shares ⁽¹⁾	Beneficial owner/ Interest in a controlled corporation	Long	0.06%
	Glenealy	32,000 ordinary shares ⁽²⁾	Interest in a controlled corporation	Long	0.03%
	the Company	4,000,000 ordinary shares ⁽³⁾	Interest in a controlled corporation	Long	0.09%

Name of Director	Interests in the Company, subsidiary or associated corporation	Number and Class of Shares/ Equity Interest Held	Capacity/Nature of Interest	Long/ Short position	Approximate Percentage of Shareholding in Such Class of Shares (%)
Yaw Chee Ming	Yaw Holding Sdn. Bhd. (“Yaw Holding”)	30,937 ordinary shares	Beneficial owner	Long	39.60%
		2,500 preference shares	Beneficial owner	Long	50%
	Samling Strategic	75,000,000 ordinary shares ⁽⁴⁾	Interest in a controlled corporation	Long	100%
		1,497,021 redeemable preference shares ⁽⁴⁾	Interest in a controlled corporation	Long	100%
		3,122,467 Class A redeemable preference shares ⁽⁵⁾	Interest in a controlled corporation	Long	100%
		4,102,879 Class B redeemable preference shares ⁽⁵⁾	Interest in a controlled corporation	Long	100%
		100,000 Class C redeemable preference shares ⁽⁶⁾	Interest in a controlled corporation	Long	100%
		950,000 Class D redeemable preference shares ⁽⁵⁾	Interest in a controlled corporation	Long	100%
	the Company	2,340,930,260 ordinary shares ^{(4), (7)}	Interest in a controlled corporation	Long	54.42%
	Lingui	443,473,768 ordinary shares ⁽⁸⁾	Interest in a controlled corporation	Long	67.23%
	Glenealy	61,248,522 ordinary shares ⁽⁸⁾	Interest in a controlled corporation	Long	53.68%
	Strategic Corporation Sdn. Bhd. (“Strategic Corporation”)	17,040,000 ordinary shares ⁽⁹⁾	Beneficial owner/ Interest in a controlled corporation	Long	71%
	TSTC Sdn. Bhd. (“TSTC”)	6,125,000 ordinary shares ⁽¹⁰⁾	Interest in a controlled corporation	Long	100%
Tan Li Pin, Richard	the Company	1,800,000 ordinary shares ⁽¹¹⁾	Interest in a controlled corporation	Long	0.04%

Notes:

- (1) (i) Chan Hua Eng is directly interested in 58,333 ordinary shares in Lingui.
- (ii) Chan Hua Eng is deemed interested in 336,290 ordinary shares of Lingui since he and his spouse are each interested in 25% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turn holds 336,290 ordinary shares of Lingui.

- (2) Chan Hua Eng is deemed interested in 32,000 ordinary shares of Glenealy since he and his spouse are each interested in 25% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turn holds 32,000 ordinary shares of Glenealy.
- (3) Chan Hua Eng is deemed interested in 4,000,000 ordinary shares of the Company since he is interested in 25% of the issued share capital of Tysim Holdings Limited, which in turn holds 4,000,000 ordinary shares of the Company.
- (4) Yaw Chee Ming is interested in approximately 39.60% of the issued share capital of Yaw Holding, which in turn is interested in all the ordinary shares and redeemable preference shares of Samling Strategic. Yaw Chee Ming is therefore deemed interested in all the shares held by Samling Strategic. Samling Strategic in turn holds 2,320,290,260 ordinary shares of the Company.
- (5) Samling Strategic and Yaw Holding hold approximately 45% and 25% of Perdana Parkcity Sdn. Bhd. (“Perdana Parkcity”), respectively. Yaw Holding holds 100% of Truman Holdings Sdn. Bhd. (“Truman Holdings”) and 100% of Eternal Grand Sdn. Bhd. (“Eternal Grand”). Accordingly, by virtue of note (4) above, Yaw Chee Ming is deemed interested in the 3,122,467 Class A redeemable preference shares of Samling Strategic held by Yaw Holding Nominee Sdn. Bhd. (“Yaw Holding Nominee”) in favour of Truman Holdings and 4,102,879 Class B redeemable preference shares of Samling Strategic held by Yaw Holding Nominee in favour of Eternal Grand, and the 950,000 Class D redeemable preference shares of Samling Strategic held by Perdana Parkcity.
- (6) Yaw Holding holds 100% of Samling Mewah Sdn. Bhd. (“Samling Mewah”). Accordingly, by virtue of note (4) above, Yaw Chee Ming is deemed interested in the 100,000 Class C redeemable preference shares of Samling Strategic held by Samling Mewah.
- (7) Yaw Chee Ming is deemed interested in 20,640,000 ordinary shares of the Company since he is interested in 100% of the issued share capital of Growtrade Investments Limited, which in turn holds 20,640,000 ordinary shares of the Company.
- (8)
 - (i) The Company holds 100% of Samling Malaysia Inc., which in turn holds 67.23% of Lingui, which, in turn, holds 38.33% of Glenealy. Yaw Chee Ming is therefore deemed interested in all the ordinary shares of Lingui held by Samling Malaysia Inc. and in all the ordinary shares of Glenealy held by Lingui; and
 - (ii) Samling Strategic holds 15.356% of Glenealy. By virtue of note (4) above, Yaw Chee Ming is deemed interested in the 17,520,000 ordinary shares of Glenealy held by Samling Strategic. By virtue of note (8)(i) above, Yaw Chee Ming is also deemed interested in 43,728,522 ordinary shares of Glenealy held by Lingui.
- (9) Samling Strategic holds 71% of Strategic Corporation. By virtue of note (4) above, Yaw Chee Ming is deemed interested in the 17,039,998 ordinary shares of Strategic Corporation held by Samling Strategic. Additionally, Yaw Chee Ming is directly interested in 2 ordinary shares of Strategic Corporation.
- (10)
 - (i) Strategic Corporation holds 50.61% of TSTC. By virtue of notes (4) and (9) above, Yaw Chee Ming is deemed interested in the 3,100,000 ordinary shares of TSTC held by Strategic Corporation; and
 - (ii) Yaw Chee Ming and his spouse are each interested in 50% of Loyal Avenue (M) Sdn. Bhd., which in turn holds 49.39% of TSTC. Yaw Chee Ming is therefore, deemed interested in the 3,025,000 ordinary shares of TSTC held by Loyal Avenue (M) Sdn. Bhd..
- (11) Tan Li Pin, Richard is a director of Pacific Millennium Investment Corporation, which in turn is interested in 1,800,000 ordinary shares of the Company. Tan Li Pin, Richard is therefore deemed interested in all the ordinary shares in the Company held by Pacific Millennium Investment Corporation.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive had any interests or short positions in the shares, underlying shares or debentures of the Company, subsidiaries or associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7

and 8 of Part XV of the SFO, or required to be recorded pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests and short positions of substantial shareholders and other shareholders with notifiable interests in the shares and underlying shares of the Company

As at the Latest Practicable Date, the interests and short positions of substantial shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register of interests required to be kept under section 336 of the SFO were as follows:

(i) Long positions of substantial shareholders who were entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company

Name	Capacity/Nature of Interest	Number of Ordinary Shares of US\$0.10 each	Approximate Percentage of Shareholdings
Yaw Chee Ming ⁽¹⁾	Interest of a controlled corporation	2,340,930,260	54.42%
Tan Sri Yaw Teck Seng ⁽²⁾	Beneficial owner/Interest of a controlled corporation	2,592,291,280	60.26%
Yaw Holding ⁽³⁾	Interest of a controlled corporation	2,320,290,260	53.94%
Samling Strategic	Beneficial owner	2,320,290,260	53.94%

Notes:

- (1) Yaw Chee Ming is interested in approximately 39.6% of the issued share capital of Yaw Holding, which owns the entire issued ordinary share capital of Samling Strategic and is deemed interested in all the shares owned by Samling Strategic. Additionally, he is also interested in 20,640,000 ordinary shares of the Company since he is interested in 100% of the issued share capital of Growtrade Investments Limited, which in turn holds 20,640,000 ordinary shares of the Company.
- (2) Tan Sri Yaw Teck Seng is interested in approximately 39.6% of the issued share capital of Yaw Holding, which owns the entire issued ordinary share capital of Samling Strategic and is deemed interested in all the shares owned by Samling Strategic. Tan Sri Yaw Teck Seng also owns 99.9% of the issued share capital of Samling International Limited ("SIL") and is deemed interested in 203,764,310 ordinary shares in the Company, representing approximately 4.74% of the Company's issued share capital, owned by SIL. The 203,764,310 ordinary shares in the Company owned by SIL have been pledged as security for a term loan facility of US\$11,240,000 granted by Maybank International (L) Ltd to Yaw Chee Ming. Tan Sri Yaw Teck Seng is also directly beneficially interested in 68,236,710 shares in the Company, representing approximately 1.59% of the Company's issued share capital and such numbers of shares have been pledged as security for a term loan facility of US\$11,240,000 granted by Maybank International (L) Ltd to Yaw Chee Ming.
- (3) Yaw Holding is interested in the entire issued ordinary share capital of Samling Strategic and is deemed interested in all the shares owned by Samling Strategic.

(ii) Long positions of other substantial shareholders with notifiable interests

Name	Capacity/Nature of Interest	Number of Ordinary Shares of US\$0.10 each	Approximate Percentage of Shareholdings
Ahmad bin Su'ut ⁽¹⁾	Interest of a controlled corporation	225,592,070	5.24%
Tapah Plantation Sdn. Bhd. ("Tapah")	Beneficial owner	225,592,070	5.24%

Note:

- (1) Ahmad bin Su'ut is interested in 99.998% of the issued share capital of Tapah and is deemed interested in all the shares owned by Tapah.

Save as disclosed above, as at the Latest Practicable Date, no other person had any interests or short positions in the shares and underlying shares of the Company which are required to be recorded pursuant to section 336 of the SFO.

(c) Interest in shares and underlying shares of the Company held by the companies in which the Directors or proposed Director is a director or employee

As at the Latest Practicable Date, the Directors or the proposed Directors who were a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

Name of Director	Name of the company	Capacity in such company	Number of Shares	Approximately percentage of the issued share capital of the Company as at the Latest Practicable Date
Chan Hua Eng	Tysim Holdings Limited	Director	4,000,000 ordinary shares	0.09%
Yaw Chee Ming	Growtrade Investments Limited	Director	20,640,000 ordinary shares	0.48%
	Samling Strategic	Director	2,320,290,260 ordinary shares	53.94%
Tan Li Pin, Richard	Pacific Millennium Investment Corporation	Director	1,800,000 ordinary shares	0.04%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Director who was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTEREST

During the financial year ended 30 June 2011, the following Director has interest in the following businesses which are considered to compete or likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as Directors to represent the interest of the Company and/or the Group pursuant to the Listing Rules:

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of Interest of the Director in the Entity
	Name of Entity	Description of Business	
Yaw Chee Ming	Grand Perfect Sdn. Bhd.	Contractor for reforestation projects	Indirect interest in shares
	Hormat Saga Sdn. Bhd.	Timber licence holder with rights to extract and sell timber	Indirect interest in shares
	Adat Mayang Sdn. Bhd.	Trading of timber logs	Indirect interest in shares
	Anhui Hualin Woodbased Panel Co., Ltd.	Manufacture and sale of medium density fibreboard	Indirect interest in shares
	Qianshan Hualin Woodworking Corporation	Manufacture and sale of fingerjoint timber	Indirect interest in shares
	Premier Woodworking (Anqing) Corporation	Manufacture and sale of flooring, treadmill panel and flush doors	Indirect interest in shares
	Interwil Holdings (Proprietary) Limited	Trading of timber products in South Africa	Indirect interest in shares

Yaw Chee Ming is indirectly interested in the above mentioned companies through his holding in Samling Strategic. Yaw Chee Ming has no involvement in the day-to-day management or affairs of Samling Strategic and will only be involved in the affairs of Samling Strategic when it comes to making key decisions regarding its affairs. Also, a non-competition agreement with the Company was entered into at the time of listing of the Company, details of which are disclosed in the prospectus of the Company dated 23 February 2007. The Directors are of the view that the Company is capable of carrying on its business independently as required under Rule 8.10(1)(a)(iii) of the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. INTERESTS IN ASSETS AND/OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 30 June 2011, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Company.

5. DIRECTORS' SERVICE CONTRACTS

Yaw Chee Ming entered into a service contract with the Company for an unspecified term commencing on 1 July 2006. The service contract is determinable by the Company within 1 year by giving not less than twelve (12) months' written notice or payment in lieu. The Board shall, where necessary, recommend for shareholders' approval, payment of such ex-gratia payment as it deems fit, taking into account the contribution made by the Directors to the Company.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2011, the date to which the latest published audited financial statements of the Company were made up.

7 EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Quam Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Quam Capital:

- (a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 30 June 2011, the date to which the latest audited financial statements of the Group was made up; and

- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

8. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is situated at Room 2205, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Tan Choo Lye, (LL.B. (Hons.) London, Barrister-at-law (Lincoln's Inn)).
- (c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 2205, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including 16 November 2011:

- (a) the letter from the Independent Board Committee to the Shareholders, the text of which is set out on page 20 of this circular;
- (b) the letter from Quam Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 41 of this circular;
- (c) the written consent from Quam Capital referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix;
- (d) agreements in relation to the Continuing Connected Transactions;
- (e) this circular; and
- (f) the service contract referred to in the paragraph headed "Directors' Service Contracts" in this Appendix.

NOTICE OF SPECIAL GENERAL MEETING



SAMLING GLOBAL LIMITED

三林環球有限公司*

(a company incorporated in Bermuda with limited liability)

(Stock Code: 3938)

NOTICE IS HEREBY GIVEN that a special general meeting of Samling Global Limited (the “**Company**”) will be held at Concord Room I, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 16 November 2011 at 11:30 a.m. or as soon after the annual general meeting of Samling Global Limited convened at 10:30 a.m. on the same day shall have ended for the following purposes:

1. **THAT** (1) the revision of the cap on the aggregate amount of sales of logs by Kayuneka Sdn. Bhd., plywood and other wood products by Samling Plywood (Miri) Sdn. Bhd., Samling Plywood (Baramas) Sdn. Bhd. and Samling Plywood (Bintulu) Sdn. Bhd., and laminated veneer lumber by Footbill LVL & Plywood (Cangshan) Co., Ltd., all being subsidiaries of the Company, to Sojitz Corporation and its subsidiaries for the financial year ending 30 June 2012 from US\$40 million to US\$44 million, (2) the agreement for the sale of logs, plywood and laminated veneer lumber dated 5 October 2011 between the Company and Sojitz Corporation for a term commencing from 1 July 2012 to 30 June 2015, being a non-exempt continuing connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange Limited, and (3) the following caps on the aggregate amount of sales of logs by Kayuneka Sdn. Bhd., plywood and other wood products by Samling Plywood (Miri) Sdn. Bhd., Samling Plywood (Baramas) Sdn. Bhd., and Samling Plywood (Bintulu) Sdn., Bhd, and laminated veneer lumber by Foothill LVL & Plywood (Cangshan) Co., Ltd., all being subsidiaries of the Company, to Sojitz Corporation and its subsidiaries for the three years ending 30 June 2013, 2014 and 2015, being:

For the year ending 30 June	New Sojitz Caps (US\$)
2013	44 million
2014	48 million
2015	53 million

be and is hereby approved in all respects;

* for identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

2. **THAT** (1) the agreement for the sale of housing products by Samling Housing Products Sdn. Bhd., a subsidiary of the Company (“**Samling Housing**”), to Sojitz Corporation and its subsidiaries dated 5 October 2011 between the Company and Sojitz Corporation for a term commencing from 1 July 2012 to 30 June 2015, being a non-exempt continuing connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange Limited, and (2) the following caps on the aggregate amount of sale of housing products by Samling Housing to Sojitz Corporation and its subsidiaries for the three years ending 30 June 2013, 2014 and 2015, being:

For the year ending 30 June	New Sojitz Housing Caps <i>(US\$)</i>
2013	28 million
2014	33 million
2015	40 million

be and is hereby approved in all respects;

3. **THAT** (1) the revision of the cap on the aggregate amount of purchase of logging and motor vehicles and parts by Syarikat Samling Timber Sdn. Bhd., Tamex Timber Sdn. Bhd., Miri Parts Trading Sdn. Bhd., and Sorvino Holdings Sdn. Bhd., all being subsidiaries of the Company, from Hap Seng Auto Sdn. Bhd. (“**Hap Seng Auto**”), a subsidiary of Hap Seng Consolidated Berhad, and its subsidiaries for the financial year ending 30 June 2012 from US\$14.5 million to US\$28.1 million, (2) the agreement dated 5 October 2011 for the purchase of logging and motor vehicles and parts by Syarikat Samling Timber Sdn. Bhd., Tamex Timber Sdn. Bhd. and Sorvino Holdings Sdn. Bhd., all being subsidiaries of the Company (collectively, the “**Samling Subsidiaries**”), from Hap Seng Auto and its subsidiaries as vendor for a term commencing from 1 July 2012 to 30 June 2015, being a non-exempt continuing connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange Limited, and (3) the following caps on the aggregate amount of purchase of logging and motor vehicles and parts by the Samling Subsidiaries from Hap Seng Auto and its subsidiaries for the three years ending 30 June 2013, 2014 and 2015, being:

For the year ending 30 June	New Hap Seng Auto Caps <i>(US\$)</i>
2013	27.9 million
2014	27.9 million
2015	27.9 million

be and is hereby approved in all respects;

NOTICE OF SPECIAL GENERAL MEETING

4. **THAT** (1) the agreement dated 5 October 2011 for the trade-in of used logging vehicles by Syarikat Samling Timber Sdn. Bhd. (“**SST**”) and Tamex Timber Sdn. Bhd. (“**Tamex Timber**”), all being subsidiaries of the Company, to Hap Seng Auto Sdn. Bhd. (“**Hap Seng Auto**”), a subsidiary of Hap Seng Consolidated Berhad, and its subsidiaries for a term commencing from 1 July 2011 to 30 June 2014, being a non-exempt continuing connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange Limited, and (2) the following caps on the aggregate trade-in value of used logging vehicles by SST and Tamex Timber to Hap Seng Auto and its subsidiaries for the three years ending 30 June 2012, 2013 and 2014, being:

For the year ending 30 June	New Hap Seng Trade-In Caps <i>(US\$)</i>
2012	4.0 million
2013	4.0 million
2014	4.0 million

be and is hereby approved in all respects;

5. **THAT** (1) the agreement dated 5 October 2011 for the purchase of fertilizers and agro-chemicals from Hap Seng Fertilizers Sdn. Bhd. (“**Hap Seng Fertilizers**”), a subsidiary of Hap Seng Consolidated Berhad, by Amalania Koko Berhad, Timor Enterprises Sdn. Bhd. and Samling Plantation Sdn. Bhd., all being subsidiaries of Glenealy Plantations (Malaya) Berhad (collectively, the “**Glenealy Subsidiaries**”) for a term commencing from 1 July 2012 to 30 June 2015, being a non-exempt continuing connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange Limited, and (2) the following caps on the aggregate amount of sale of fertilizers and agro-chemicals by Hap Seng Fertilizers to the Glenealy Subsidiaries for the three years ending 30 June 2013, 2014 and 2015, being:

For the year ending 30 June	New Hap Seng Fertilizers Caps <i>(US\$)</i>
2013	12 million
2014	14 million
2015	17 million

be and is hereby approved in all respects;

NOTICE OF SPECIAL GENERAL MEETING

6. **THAT** (1) the agreement dated 5 October 2011 for the purchase of fertilizers and agro-chemicals from PT. Sasco Indonesia (“**PT. Sasco**”) by PT. Tunas Borneo Plantations (“**PT. Tunas**”), PT. Abadi Borneo Plantations (“**PT. Abadi**”) (both are subsidiaries of Glenealy) and SGL Plantations Holding Limited (“**SGL**”) (a subsidiary of the Company) for a term commencing from 1 July 2011 to 30 June 2014, being a non-exempt continuing connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange Limited, and (2) the following caps on the aggregate amount of sale of fertilizers and agro-chemicals by PT. Sasco to PT. Tunas, PT. Abadi and SGL for the three years ending 30 June 2012, 2013 and 2014, being:

For the year ending 30 June	PT Sasco Caps <i>(US\$)</i>
2012	2 million
2013	3 million
2014	5 million

be and is hereby approved in all respects; and

7. **THAT** the directors of the Company be and are hereby authorised to do all such acts, deeds and things and to negotiate, finalise and/or sign, all such documents as they shall, in their absolute discretion, deem fit in order to effect and complete the foregoing approved resolutions numbered 1, 2, 3, 4, 5 and 6 and to comply with any requirements of any regulatory authority in connection therewith, including but not limited to The Stock Exchange of Hong Kong Limited.

On Behalf of the Board
Chan Hua Eng
Chairman

Hong Kong, 27 October 2011

Notes:

- (a) In order to determine members who are entitled to attend the special general meeting, the register of members will be closed from Thursday, 10 November 2011 to Wednesday, 16 November 2011, both days inclusive, during which period no transfer of shares can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 9 November 2011.
- (b) A member entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote on his behalf. A proxy needs not be a member of the Company. To be valid, a proxy form must be lodged at the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
- (c) A member who is a corporation may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the meeting and exercise the same powers on its behalf as if it were an individual member of the Company.

NOTICE OF SPECIAL GENERAL MEETING

- (d) Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

As at the date of this notice, the board of directors of Samling Global Limited comprises the following directors:

Executive Director

Yaw Chee Ming

Non-executive Director

Chan Hua Eng (*Chairman*)

Independent Non-executive Directors

Fung Ka Pun

Tan Li Pin, Richard

David William Oskin

Amirsham A Aziz