SAMLING GLOBAL LIMITED

三林環球有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 3938)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

The Board of Directors ("the Board") of Samling Global Limited (the "Company") is pleased to announce the unaudited consolidated interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2010, together with the comparative figures for the corresponding period of 2009.

CONSOLIDATED INCOME STATEMENT
for the six months ended 31 December 2010 — unaudited
(Expressed in United States dollars)

		Six months ended 31 December	
		2010	2009
	Note	***$'000***	*$'000*
Revenue	*4*	**350,913**	268,986
Cost of sales		**(311,901)**	(236,503)
Gross profit		**39,012**	32,483
Other operating income		**5,318**	6,031
Distribution costs		**(12,181)**	(10,484)
Administrative expenses		**(21,450)**	(17,963)
Other operating expenses		**(46)**	(29)
Gain from changes in fair value of plantation assets less estimated point-of-sale costs		**12,377**	5,184
Profit from operations		**23,030**	15,222
Financial income		**14,674**	14,939
Financial expenses		**(7,746)**	(7,763)
Net financing income	*5*	**6,928**	7,176

* *for identification purposes only*

CONSOLIDATED INCOME STATEMENT
for the six months ended 31 December 2010 — unaudited (continued)
(Expressed in United States dollars)

		Six months ended 31 December	
		2010	2009
	Note	***$'000***	*$'000*
Share of profits less losses of associates		**12,141**	7,154
Share of profits less losses of jointly controlled entities		**129**	1,027
Profit before taxation	*6*	**42,228**	30,579
Income tax	*7*	**(6,783)**	(4,110)
Profit for the period		**35,445**	26,469
Attributable to:			
Equity shareholders of the Company		**23,212**	15,885
Non-controlling interests		**12,233**	10,584
Profit for the period		**35,445**	26,469
Earnings per share (US cent)	*9*		
Basic and diluted		**0.54**	0.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 December 2010 — unaudited
(Expressed in United States dollars)

	Six months ended 31 December	
	2010	2009
	$'000	*$'000*
Profit for the period	**35,445**	26,469
Other comprehensive income for the period (Note)		
Exchange difference on re-translation of financial statements of subsidiaries	**40,478**	22,914
Total comprehensive income for the period	**75,923**	49,383
Attributable to:		
Equity shareholders of the Company	**53,067**	30,289
Non-controlling interests	**22,856**	19,094
Total comprehensive income for the period	**75,923**	49,383

Note: The component of other comprehensive income does not have any significant tax effect for the six months ended 31 December 2010 and 2009.

CONSOLIDATED BALANCE SHEET
at 31 December 2010 — unaudited
(Expressed in United States dollars)

	Note	**At 31 December 2010** **$'000**	At 30 June 2010 $'000
Non-current assets			
Fixed assets	*10*		
— Investment properties		**22,824**	15,925
— Other property, plant and equipment		**387,113**	379,804
Construction in progress		**3,025**	13,696
Interests in leasehold land held under operating leases		**41,525**	35,035
Intangible assets		**41,693**	44,560
Plantation assets	*11*	**277,985**	239,263
Interests in associates		**118,058**	82,360
Interests in jointly controlled entities		**12,246**	13,494
Other investment		**—**	34
Deferred tax assets		**6,136**	6,103
Total non-current assets		**910,605**	830,274
Current assets			
Inventories	*12*	**155,905**	144,655
Trade and other receivables	*13*	**141,753**	122,235
Current tax recoverable		**17,052**	18,121
Cash and cash equivalents	*14*	**122,348**	163,854
Total current assets		**437,058**	448,865
Total assets		**1,347,663**	1,279,139

CONSOLIDATED BALANCE SHEET
at 31 December 2010 — unaudited (continued)
(Expressed in United States dollars)

	Note	At 31 December 2010 $'000	At 30 June 2010 $'000
Current liabilities			
Bank loans and overdrafts	*15*	**124,338**	112,008
Obligations under finance leases		**19,062**	21,979
Trade and other payables	*16*	**150,469**	152,969
Current tax payable		**4,012**	2,461
Total current liabilities		**297,881**	289,417
Net current assets		**139,177**	159,448
Total assets less current liabilities		**1,049,782**	989,722
Non-current liabilities			
Bank loans	*15*	**167,823**	176,493
Obligations under finance leases		**18,158**	23,685
Deferred tax liabilities		**58,964**	54,423
Total non-current liabilities		**244,945**	254,601
Total liabilities		**542,826**	544,018
Capital and reserves			
Share capital		**430,174**	430,174
Reserves		**183,377**	133,751
Total equity attributable to equity shareholders of the Company		**613,551**	563,925
Non-controlling interests		**191,286**	171,196
Total equity		**804,837**	735,121
Total liabilities and equity		**1,347,663**	1,279,139

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the period ended 31 December 2010
(Expressed in United States dollars)

		Six months ended 31 December	
		2010	2009
	Note	***$'000***	*$'000*
Operating profit before changes in working capital		**56,817**	54,270
Changes in working capital		**(29,754)**	(41,182)
Net cash generated from operations		**27,063**	13,088
Net income tax paid		**(1,648)**	(2,929)
Net cash generated from operating activities		**25,415**	10,159
Net cash used in investing activities		**(37,321)**	(33,992)
Net cash used in financing activities		**(33,192)**	(44,100)
Net decrease in cash and cash equivalents		**(45,098)**	(67,933)
Cash and cash equivalents at the beginning of the period		**139,998**	191,250
Effect of foreign exchange rate changes		**4,788**	4,817
Cash and cash equivalents at the end of the period	*14*	**99,688**	128,134

Notes

(Expressed in United States dollars unless otherwise indicated)

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 28 February 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the IASB. IFRSs include all applicable IFRS, IAS and related interpretations.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments, new standards and interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Improvements to IFRSs (2009)
- Improvements to IFRSs (2010)

The improvements to IFRSs (2009) and (2010) have no material impact on the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. INTERESTS IN ASSOCIATES

On 19 August 2010, the Group together with other companies, established Stone Tan China Holding Corporation ("Stone Tan"), to engage in the business of financial services. On 25 August 2010, the Group completed the subscription of the preferred shares in Stone Tan. The Group's contribution to set up the investment was $20,000,000, representing potential voting rights of 36.8% in Stone Tan. The investment was made via the subscription of 20,000,000 series A preferred shares of $0.00001 each. The Group can convert these preferred shares into ordinary shares of Stone Tan at its discretion. In addition, the Group has the option to redeem these preferred shares should Stone Tan fails to comply with certain terms and conditions as set out in the shareholders' agreement. This $20,000,000 was recognised as a loan receivable from associate as at 31 December 2010.

4. REVENUE

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

	Six months ended 31 December	
	2010	2009
	$'000	*$'000*
Sales of goods	**337,391**	248,325
Revenue from provision of services	**13,522**	20,661
	350,913	268,986

5. NET FINANCING INCOME

	Six months ended 31 December	
	2010	2009
	$'000	*$'000*
Interest on loans and overdrafts from banks and finance charges on obligations under finance leases wholly repayable within five years	**(10,096)**	(10,528)
Less: Borrowing costs capitalised into plantation assets	**3,108**	3,490
Interest expense	**(6,988)**	(7,038)
Net loss on changes in fair value of financial instruments	**(714)**	(671)
Foreign exchange losses	**(44)**	(54)
Financial expenses	**(7,746)**	(7,763)
Interest income	**1,516**	1,168
Foreign exchange gains	**13,158**	13,771
Financial income	**14,674**	14,939
	6,928	7,176

The borrowing costs have been capitalised at a rate of 3.40% to 7.31% (2009: 3.67% to 7.31%) per annum.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 31 December	
	2010	2009
	$'000	*$'000*
Depreciation	**31,270**	30,951
Less: Depreciation capitalised into plantation assets	**(442)**	(111)
	30,828	30,840
Amortisation of interests in leasehold land held under operating leases	**634**	555
Amortisation of intangible assets	**4,075**	3,789
Write-down of inventories	**273**	259

7. INCOME TAX

	Six months ended 31 December	
	2010	2009
	$'000	*$'000*
Current tax		
Provision for the period	**5,824**	3,233
Under-provision in respect of prior years	**190**	534
	6,014	3,767
Deferred tax		
Origination and reversal of temporary differences	**769**	343
	6,783	4,110

Notes:

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

(b) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the six months ended 31 December 2010 and 2009.

(c) The subsidiaries in Malaysia are liable to Malaysian income tax at a rate of 25% (2009: 25%).

(d) The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2009: 45%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the six months ended 31 December 2010 and 2009.

7. INCOME TAX (continued)

(e) The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 30% (2009: 30%). No provision for New Zealand income tax has been made as the subsidiaries sustained losses for taxation purposes for the six months ended 31 December 2010 and 2009. In May 2010, the New Zealand government announced a reduction in the income tax rate from 30% to 28% with effective from the year of assessment 2011/2012.

(f) The subsidiary in Australia is liable to Australian income tax at a rate of 30% (2009: 30%).

(g) The subsidiaries in the People's Republic of China ("PRC") are liable to the PRC income tax at a rate of 25% (2009: 25%), except for certain subsidiaries which are subject to a preferential tax rate of 11% for the year of assessment 2010 and a subsidiary which is exempted from the PRC income tax.

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2010 (six months ended 31 December 2009: $Nil).

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 31 December	
	2010	2009
	$'000	*$'000*
Final dividend in respect of the previous financial year of 0.080 US cents (six months ended 31 December 2009: 0.080 US cents) per share, approved and paid during the following interim period	**3,441**	3,441

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 31 December 2010 is based on the profit attributable to equity shareholders of the Company for the six months ended 31 December 2010 of $23,212,000 (six months ended 31 December 2009: $15,885,000) and 4,301,737,000 (2009: 4,301,737,000) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares during the six months ended 31 December 2010 and 2009. The diluted earnings per share is the same as the basic earnings per share.

10. FIXED ASSETS

(a) Acquisitions and disposals

During the six months ended 31 December 2010, the Group acquired fixed assets with an aggregate cost of $15,073,000 (six months ended 31 December 2009: $18,012,000). Items of fixed assets with an aggregate net book value of $764,000 were disposed of during the six months ended 31 December 2010 (six months ended 31 December 2009: $2,104,000), resulting in a gain on disposal of $296,000 (six months ended 31 December 2009: $907,000).

(b) Certain fixed assets and interests in leasehold land held under operating leases are pledged to banks for certain banking facilities granted to the Group as disclosed in note 15.

11. PLANTATION ASSETS

Included in additions to the Group's plantation assets for the six months ended 31 December 2010 are interest capitalised of $3,108,000 (six months ended 31 December 2009: $3,490,000) and depreciation of fixed assets of $442,000 (six months ended 31 December 2009: $111,000).

A significant portion of trees in New Zealand are planted on freehold forest and a small portion on leasehold forest with a term of 79 years, expiring in 2060. The Group has been granted 7 (2009: 7) plantation licences for a gross area of approximately 458,000 (2009: 458,000) hectares in Malaysia. The licences are granted for 60 years, the earliest of which expires in December 2058. The Group was granted the plantation rights to a total land area of 3,079 hectares in the PRC, expiring in 2066.

The Group's plantation assets in Malaysia and the PRC were independently valued by Pöyry Forest Industry Pte Ltd ("Pöyry") while the plantation assets in New Zealand were independently valued by Chandler Fraser Keating Limited ("CFK"). In view of the non-availability of market value for tree plantation in New Zealand, Malaysia and the PRC, both Pöyry and CFK have applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at the rate of 10.2% (2009: 10.2%) for plantation assets in Malaysia, 10% (2009: 10%) for plantation assets in the PRC and 7.25% (2009: 7.25%) for plantation assets in New Zealand to arrive at the fair value of the plantation assets.

The discount rate used in the valuation of the plantation assets in New Zealand as at each balance sheet date was determined by reference to discount rates published by public entities and government agencies in New Zealand, weighted average cost of capital analysis, internal rate of return analysis, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions mainly in New Zealand over a period of time, with more weight given to the implied discount rate.

The principal valuation methodology and assumptions adopted in the valuation of the plantation assets in New Zealand are as follows:

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

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

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

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

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

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

In the absence of forest sales transactions in Malaysia, the discount rate used in Malaysia was based on the weighted average cost of capital which recognises the weighted average cost of debt funded capital and equity capital. The discount rate used in the valuation of the plantation assets in the PRC was based on an average discount rate adopted by entities with plantation assets in Asia-Pacific region.

Certain plantation assets are pledged to banks for certain banking facilities granted to the Group as disclosed in note 15.

12. INVENTORIES

During the six months ended 31 December 2010, $273,000 (six months ended 31 December 2009: $259,000) has been recognised as an expense in the income statement, to write-down the inventories to net realisable value.

13. TRADE AND OTHER RECEIVABLES

	At 31 December 2010 $'000	At 30 June 2010 $'000
Trade receivables	**71,997**	66,385
Prepayments, deposits and other receivables	**53,642**	44,150
Loans to third parties	**16,114**	11,700
	141,753	122,235

Included in the Group's trade receivables are amounts due from associates, jointly controlled entities and related parties of $4,440,000 (30 June 2010: $4,658,000), $593,000 (30 June 2010: $756,000) and $878,000 (30 June 2010: $915,000) respectively, as at 31 December 2010.

Included in the Group's loans to third parties were:

(i) A loan of $9,000,000 (30 June 2010: $9,000,000) disbursed to a third party in connection with a proposed acquisition of coal mining business in Indonesia. The Group elected to terminate this proposed acquisition in April 2010 and in accordance with the sale and purchase agreement and convertible loan agreement in place, the loan of $9,000,000 shall then be repaid to the Group in full by 19 November 2010 or the commercial operation of the coal mine in Indonesia, whichever occurs earlier. On 17 December 2010, the Group had entered into an agreement to revise the repayment term of the above loan where the loan shall be fully repaid within a period of 24 months from the date of agreement. During the repayment period, the borrower shall pay to the Group every month at a minimum of $300,000. The loan is unsecured and bears interest at 6% per annum;

(ii) A loan of $Nil (30 June 2010: $2,700,000) which is unsecured, interest bearing at 5.5% per annum and was due for repayment in April 2010. The amount was subsequently repaid to the Group in August 2010; and

(iii) Two loans totalling $7,114,000 were disbursed to two third parties during the six months ended 31 December 2010 in connection with certain proposed business acquisitions. As at 31 December 2010, the loans are unsecured and interest free. These loans are convertible into shares of certain designated companies as set out in the loan agreements. These loans are repayable by the borrowers at the request of the Group, which will be at the time that the Group decides not to proceed with the proposed business acquisitions. The loans shall carry interest at 6% per annum since then. Subject to the fulfilment of certain terms and conditions as set out in the loan agreements, loans of $6,173,000 will be further disbursed to the above mentioned third parties.

13. TRADE AND OTHER RECEIVABLES (continued)

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

An ageing analysis of trade receivables is as follows:

	At 31 December 2010 *$'000*	At 30 June 2010 *$'000*
Within 30 days	**48,062**	36,226
31–60 days	**8,366**	9,604
61–90 days	**3,404**	4,634
91–180 days	**4,908**	9,161
181–365 days	**3,943**	4,360
1–2 years	**1,647**	1,278
Over 2 years	**1,667**	1,122
	71,997	66,385

14. CASH AND CASH EQUIVALENTS

	At 31 December 2010 *$'000*	At 30 June 2010 *$'000*
Deposits with banks and other financial institutions	**81,218**	121,647
Cash at bank and in hand	**41,130**	42,207
Cash and cash equivalents in the balance sheet	**122,348**	163,854
Bank overdrafts *(note 15)*	**(14,510)**	(16,500)
Secured deposits with banks and other financial institutions	**(8,150)**	(7,356)
Cash and cash equivalents in the consolidated cash flow statement	**99,688**	139,998

15. BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts were repayable as follows:

	At 31 December 2010 $'000	At 30 June 2010 $'000
Within 1 year or on demand	**124,338**	112,008
After 1 year but within 2 years	**32,416**	29,626
After 2 years but within 5 years	**135,407**	146,867
	167,823	176,493
	292,161	288,501

The bank loans and overdrafts were secured as follows:

	At 31 December 2010 $'000	At 30 June 2010 $'000
Overdrafts *(note 14)*		
— unsecured	**13,291**	11,410
— secured	**1,219**	5,090
	14,510	16,500
Bank loans		
— unsecured	**146,831**	152,231
— secured	**130,820**	119,770
	277,651	272,001
	292,161	288,501

15. BANK LOANS AND OVERDRAFTS (continued)

The carrying values of assets secured for bank loans and overdrafts were as follows:

	At 31 December 2010 *$'000*	At 30 June 2010 $'000
Fixed assets	**54,301**	56,992
Interests in leasehold land held under operating leases	**12,492**	12,101
Plantation assets	**252,785**	220,495
Cash and cash equivalents	**8,150**	7,356
	327,728	296,944

At 31 December 2010, a bank loan of the Group amounting to $40,000,000 (30 June 2010: $45,000,000) was secured by the Group's shares in Lingui Developments Berhad.

The banking facilities of the Group amounting to $335,434,000 (30 June 2010: $331,001,000) were utilised to the extent of $292,161,000 (30 June 2010: $288,501,000) as at 31 December 2010.

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

16. TRADE AND OTHER PAYABLES

	At 31 December 2010 *$'000*	At 30 June 2010 *$'000*
Trade payables	**70,316**	69,529
Other payables	**28,883**	33,110
Accrued expenses	**37,346**	37,332
Derivative financial instruments	**13,924**	12,998
	150,469	152,969

Included in the Group's trade payables are amounts due to associates, jointly controlled entities and related parties of $344,000 (30 June 2010: $1,435,000), $25,000 (30 June 2010: $30,000) and $2,786,000 (30 June 2010: $4,299,000) respectively, as at 31 December 2010.

16. TRADE AND OTHER PAYABLES (continued)

An ageing analysis of trade payables is as follows:

	At 31 December 2010 *$'000*	At 30 June 2010 *$'000*
Within 30 days	**26,638**	29,469
31–60 days	**12,073**	10,757
61–90 days	**6,326**	7,046
91–180 days	**9,419**	9,179
181–365 days	**12,129**	10,333
1–2 years	**3,308**	2,670
Over 2 years	**423**	75
	70,316	69,529

17. CONTINGENT LIABILITIES

Further to the disclosures made in the 2010 Annual Report, the updated status of the legal claims stated therein is as follows:

i. Legal claims from inhabitants of longhouses

(a) In 2007, a subsidiary of the Group, Merawa Sdn. Bhd. ("Merawa"), together with the Director of Forests and the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses and settlements situated on timber concessions held by Merawa. The action commenced in 2007 and the plaintiffs are claiming various reliefs including a declaration that they have native customary rights over claimed land located within the relevant timber concession areas. Merawa denied the claim and also counterclaimed for damages, costs, interest and/or other relief. As at 31 December 2010, the above proceeding remained pending before the Malaysian courts.

(b) Two of the Group's subsidiaries, Samling Plywood (Lawas) Sdn. Bhd. ("Samling Plywood Lawas") and Samling Reforestation (Bintulu) Sdn. Bhd. ("Samling Reforestation") have been served with the following two writs of summons on 15 December 2009:

- Samling Plywood Lawas and Samling Reforestation together with the Director of Forests and State of Government of Sarawak are jointly named as defendants by certain families of the village communities of Long Pakan and Long Lilim and all residents proprietors, occupiers, holders and claimants of native customary rights land at and around Long Pakan and Long Lilim, Baram, Sarawak as the plaintiffs (collectively, "Plaintiff A"). Plaintiff A are claiming for various orders, reliefs and damages including declarations that issuance of the timber licence and licence for planted forests by the Director of Forests, Sarawak to Samling Plywood Lawas and Samling Reforestation respectively which overlap Plaintiff A's claimed areas are unlawful, unconstitutional, null and void.

17. CONTINGENT LIABILITIES (continued)

(b) • Samling Plywood Lawas together with the Director of Forests and State of Government of Sarawak are jointly named as defendants by certain families of the village communities of Ba Abang, Long Item and Long Kawi and all residents proprietors, occupiers, holders and claimants of native customary rights land at and around Kampung Ba Abang, Long Item and Long Kawi, Baram, Sarawak as the plaintiffs (collectively, "Plaintiff B"). Plaintiff B are claiming for various orders, reliefs and damages including declarations that issuance of the timber licence by the Director of Forests, Sarawak to Samling Plywood Lawas which overlap Plaintiff B's claimed areas are unlawful, unconstitutional, null and void.

As at 31 December 2010, the Company has made applications to strike out the two writs of summons and awaiting hearing and decision from the court.

(c) On 21 December 2010, Samling Plywood (Miri) Sdn. Bhd. ("Samling Plywood Miri"), another subsidiary of the Group, together with the Director of Forests, Sarawak and State of Government of Sarawak are being jointly sued by certain families of the village communities of Ba Jawi and all residents proprietors, occupiers, holders and claimants of native customary rights land at and around Ba Jawi, Upper Baram, Sarawak. The plaintiffs are claiming for various orders, reliefs and damages including declarations that issuance of the timber licence by the Director of Forests, Sarawak to Samling Plywood Miri which overlap the plaintiffs' claimed areas are unlawful, improper, unconstitutional, null and void. As at 31 December 2010, the proceeding remained pending before the Malaysian courts.

The timber licence and the licence for planted forest held by Merawa, Samling Plywood Lawas, Samling Plywood Miri and Samling Reforestation respectively have been issued by governmental authorities in Sarawak.

ii. Contingent consideration in respect of business combination

With respect to the acquisition of the business of Elegant Living (Hong Kong) Limited, Elegant Living International Holdings Limited and New Elegant Living Timber Manufacturing (Zhongshan) Co., Ltd. in 2008, the contingent consideration of $8,300,000 previously recognised as payables was paid during the year ended 30 June 2010. The Group may be required to pay additional contingent consideration of up to $17,400,000 if certain terms and conditions as set out in the sale and purchase agreement are met. On 28 January 2011, the Company had entered into a supplemental agreement with the vendors to amend the basis of calculation for the deferred consideration. Based on information available as at 28 January 2011, the management has estimated that contingent consideration of $6,200,000 may be required. The contingent consideration will be re-estimated as at 30 June 2011 and the amount will be recognised in the financial statements for the year ending 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Financial Highlights

Segment Revenue	Logs*	Plywood and veneer	Upstream support	Flooring products	Other operations	Eliminations	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the six months ended 31 December 2010							
External customers	146,415	87,875	13,522	44,421	58,680	—	350,913
Inter-segment revenue	34,425	13,184	109,737	4,964	3,457	(165,767)	—
Total revenue	180,840	101,059	123,259	49,385	62,137	(165,767)	350,913
For the six months ended 31 December 2009							
External customers	85,951	84,373	20,661	24,894	53,107	—	268,986
Inter-segment revenue	33,059	11,633	82,350	1,278	3,197	(131,517)	—
Total revenue	119,010	96,006	103,011	26,172	56,304	(131,517)	268,986
Segment Gross Profit							
For the six months ended 31 December 2010							
Gross profit/(loss)	23,958	(2,533)	(1,902)	8,652	10,837	—	39,012
Gross profit/(loss) margin (%)	13.2	(2.5)	(1.5)	17.5	17.4	—	11.1
Percentage of segment contribution (%)	61.4	(6.5)	(4.9)	22.2	27.8	—	100.0
For the six months ended 31 December 2009							
Gross profit	8,505	332	7,774	6,621	9,251	—	32,483
Gross profit margin (%)	7.1	0.3	7.5	25.3	16.4	—	12.1
Percentage of segment contribution (%)	26.2	1.0	23.9	20.4	28.5	—	100.0

* *Logs comprise hardwood and softwood logs*

Profit Attributable to Equity Shareholders of the Company

	Six months ended 31 December	
	2010	2009
	US$'000	*US$'000*
Gross profit	**39,012**	32,483
Other expenses net of other income before gain/loss from changes in fair value of plantation assets less estimated point-of-sale costs	**(28,359)**	(22,445)
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	**12,377**	5,184
Profit from operations	**23,030**	15,222
Net financing income	**6,928**	7,176
Share of profits less losses of associates and jointly controlled entities	**12,270**	8,181
Profit before taxation	**42,228**	30,579
Income tax	**(6,783)**	(4,110)
Profit for the period	**35,445**	26,469
Non-controlling interests	**(12,233)**	(10,584)
Profit attributable to equity shareholders of the Company	**23,212**	15,885

Review of Group Results

The financial period under review was generally one of renewed optimism as the world's major economies, spurred by various stimulus packages, were on a recovery path, albeit a slow and arduous one. The growing economies of China and India were the key markets for the Group in the financial period under review, especially for logs which recorded increased sales volume and selling prices. As a result, revenue achieved of US$350.9 million was 30.5% higher than that of the corresponding preceding financial period and correspondingly, gross profit also improved by 20.1% compared to the corresponding preceding financial period.

Review of Group Results (continued)

After recognising a gain of US$12.4 million from changes in fair value of plantation assets less estimated point-of-sale costs, profit from operations was US$23.0 million, an increase of US$7.8 million from the US$15.2 million recorded in the corresponding preceding financial period. The increase was due to higher *radiata pine* prices at the end of the financial period compared to previous financial year end. With higher crude palm oil prices, contribution from the Group's share of profits less losses of associates in the oil palm plantation business was higher at US$11.7 million compared to US$6.5 million in the corresponding preceding financial period. These positive factors enabled the Group to achieve a profit before taxation of US$42.2 million, an improvement of US$11.6 million compared to the corresponding preceding financial period. After accounting for non-controlling interests of US$12.2 million, profit attributable to equity shareholders of the Company was US$23.2 million, compared to US$15.9 million in the corresponding preceding financial period. In terms of operating profit before changes in working capital, the Group achieved US$56.8 million which was 4.7% higher than that of the corresponding preceding financial period.

Review of Business Segment Results

Log Trading

Log trading, a major business segment, accounted for approximately 41.7% and 32.0% of total revenue for the financial period under review and the corresponding preceding financial period respectively. The following table shows selected operating and financial data with respect to sales volume, weighted average prices and revenue of logs sold, including inter-segment sales.

	Six months ended 31 December 2010			Six months ended 31 December 2009		
	Sales Volume	**Weighted Average**	**Revenue**	Sales Volume	Weighted Average	Revenue
	m³	***US$/m³***	***US$'000***	*m³*	*US$/m³*	*US$'000*
Hardwood logs — export sales	**443,048**	**187.53**	**83,085**	392,027	149.13	58,464
Hardwood logs — local sales	**403,240**	**94.26**	**38,008**	166,036	73.94	12,276
Softwood logs — export sales	**224,268**	**95.35**	**21,383**	183,312	68.84	12,620
Softwood logs — local sales	**35,347**	**111.44**	**3,939**	27,037	95.83	2,591
Total external log sales	**1,105,903**	**132.39**	**146,415**	768,412	111.86	85,951
Internal log sales(i)	**337,273**	**102.07**	**34,425**	357,704	92.42	33,059
Total log sales	**1,443,176**	**125.31**	**180,840**	1,126,116	105.68	119,010

(i) Internal log sales do not include logs consumed by the downstream mills where the mill and forest concession from which the logs were extracted are held by the same company.

Review of Business Segment Results (continued)

Log Trading (continued)

India remains a key log export market for the Group. With an increasingly affluent population and rapid urbanisation, India is boosting its demand for harder log species. As these harder species are generally higher priced, the Group placed special attention to ensure that this premium market's demand is met. For the financial period under review, sales to India accounted for 39.0% of the Group's total hardwood log export sales.

During the financial period under review, China's demand for logs remained strong, supported by surging demand in its domestic housing market. The Group sold 20.1% of its hardwood log exports to China. Meanwhile, in Japan, with new housing starts picking up, demand for logs has increased marginally. The Group sold 11.7% of its hardwood log exports to Japan, generally at premium prices as the Japanese market typically sources for the best quality logs for its domestic consumption.

In line with the maturity profile of our New Zealand forest, the Group ramped up its softwood log production to 260,000 m^3 in the financial period under review, 44,000 m^3 above that of the corresponding preceding financial period. 64.1% of its export sales volume was to China, which due to its strong demand also caused prices to move up.

Due to inclement weather conditions in the last three months of the financial period under review, the volume of hardwood logs available for sale from Sarawak, Malaysia during this period was affected, as log extraction operations were hampered by the wet conditions in the operating areas. This supply shortage has also caused hardwood log prices to increase.

Review of Business Segment Results (continued)

Plywood and Veneer

Plywood and veneer contributed 25.0% to the Group's total revenue for the financial period under review. The following table shows selected operating and financial data with respect to sales volumes, weighted average price and revenue of plywood and veneer sold, including inter-segment sales.

Plywood

	Six months ended 31 December 2010			Six months ended 31 December 2009		
	Sales Volume	**Weighted Average**	**Revenue**	Sales Volume	Weighted Average	Revenue
	m^3	***US\$/m^3***	***US\$'000***	*m^3*	*US\$/m^3*	*US\$'000*
Plywood — export sales	**129,340**	**471.82**	**61,025**	150,709	412.86	62,222
Plywood — local sales	**19,128**	**403.60**	**7,720**	18,189	375.45	6,829
Total external plywood sales	**148,468**	**463.03**	**68,745**	168,898	408.83	69,051
Internal plywood sales	**10,599**	**709.88**	**7,524**	9,984	646.13	6,451
Total plywood sales	**159,067**	**479.48**	**76,269**	178,882	422.08	75,502

Veneer

	Six months ended 31 December 2010			Six months ended 31 December 2009		
	Sales Volume	**Weighted Average**	**Revenue**	Sales Volume	Weighted Average	Revenue
	m^3	***US\$/m^3***	***US\$'000***	*m^3*	*US\$/m^3*	*US\$'000*
Veneer — export sales	**29,842**	**304.70**	**9,093**	21,092	313.67	6,616
Veneer — local sales	**37,749**	**265.89**	**10,037**	34,878	249.61	8,706
Total external veneer sales	**67,591**	**283.03**	**19,130**	55,970	273.75	15,322
Internal veneer sales	**16,031**	**353.07**	**5,660**	16,253	318.83	5,182
Total veneer sales	**83,622**	**296.45**	**24,790**	72,223	283.90	20,504

Review of Business Segment Results (continued)

Plywood and Veneer (continued)

The Group's plywood segment had to operate under challenging trading conditions due to the lack of fresh leads from Japan, the key market for the Group's plywood exports. Although housing starts improved in 2010 from the record lows in year 2009, the impact was not fully felt as buyers only returned to the markets towards the end of the financial period under review after the drawdown of existing stocks to meet increased housing starts requirements. Although Japan's demand was relatively low, the Group managed to sell 80,800 m^3 of plywood to Japan. To mitigate the depressed demand from Japan, the Group shifted focus to other markets, including Australia which fetches higher prices. Although the volume sold was lower, the Group managed to achieve higher export plywood prices of US$471.8 per m^3 that was 14.3% higher compared to the corresponding preceding financial period, principally due to higher sales of niche plywood products and a recovery in prices in the later part of the financial period.

Although demand for veneer usually correlate with plywood's, increased veneer sales were recorded during the financial period under review compared to the corresponding preceding financial period. This was mainly due to better margins for veneer, with plywood producers increasing their veneer purchases towards the later part of the financial period when log supplies were in shortage due to adverse weather conditions in Sarawak, Malaysia. The Group strived to maximise returns by focusing on producing more face and back veneer which give better margins.

The negative gross profit margin of 2.5% recorded during the financial period under review was primarily due to higher production cost per m^3 as fixed and semi-fixed costs were allocated over lower production volumes. Due to the negative gross profit margin, emphasis was placed on the cash cost of production to ensure that on cash cost basis, gross profit for this segment remain positive.

Upstream Support

The upstream support operations encompass the extraction of logs from forests, the logistics of transporting the extracted logs from the forests by road and riverine systems either for sale or to the downstream mills for further processing, the central purchasing of parts and the reconditioning and the repairs of the Group's equipment fleet.

As the upstream support services involve a large fleet of machineries and vehicles operating at the forest resource areas, controlling operating costs and increasing productivity are of paramount importance. For the financial period under review, the Group took the opportunity to undertake major repairs and maintenance of more logging equipment when the equipment was not operating due to inclement weather conditions. The impact of higher repair and maintenance costs coupled with higher diesel prices has caused production cost per m^3 to increase. As a consequence, upstream support services recorded a gross loss of US$1.9 million compared to a gross profit of US$7.8 million achieved in the corresponding preceding financial period.

Review of Business Segment Results (continued)

Flooring Products

Although the export of flooring products to the US has slowed down, the China domestic market remains strong, riding on the still buoyant housing sector. For the financial period under review, the Group achieved revenue of US$44.4 million, an improvement of 78.4% over that of the corresponding preceding financial period. The new Chengdu laminated flooring plant operated by the Elegant Living group was a key contributor to this increase in revenue. In terms of gross profits, the Elegant Living group achieved US$9.2 million which were partially offset by losses incurred by a new flooring factory operated by another subsidiary in China as it strives to adjust its production to meet the required standard.

Other Operations

Other operations mainly comprise the operations of housing products, chipboard, wood chip processing and selling and distribution of building materials. These operations are efforts by the Group to move further downstream into selling more value added products, using either the Group's primary product of plywood or wood waste from the plywood operations as production input. This segment also includes quarry operations, rubber retread compound and property investment operations.

Revenue from other operations increased by US$5.6 million, or approximately 10.5%, to US$58.7 million in the financial period under review from US$53.1 million in the corresponding preceding financial period. This increase was primarily due to the higher sales by the distribution company in Australia and the housing products division. In term of gross profit, other operations achieved US$10.8 million which was 17.1% higher than the corresponding preceding financial period.

Net Financing Income

The Group recorded a net financing income of US$6.9 million compared to US$7.2 million in the corresponding preceding financial period. The net financing income was principally due to the recognition of unrealised foreign exchange gain of US$13.2 million on US Dollar denominated loans by a foreign subsidiary in New Zealand and unrealised gain arising from foreign currency deposits.

Share of Profits less Losses of Associates

The Group recognised a profit of US$12.1 million as share of profits less losses of associates compared to a profit of US$7.2 million in the corresponding preceding financial period. The higher profit was primarily attributable to the effects of gain from the changes in fair value of oil palm plantation assets less estimated point-of-sale costs recognised by the associate involved in oil palm plantations due to higher crude palm oil prices.

Review of Business Segment Results (continued)

Share of Profits less Losses of Jointly Controlled Entities

The Group recognised a profit of US$0.1 million as net share of profits less losses of jointly controlled entities compared to a profit of US$1.0 million in the corresponding preceding financial period. This decrease was primarily attributable to a decrease in the net profits of the door facing manufacturing joint venture, Magna-Foremost Sdn. Bhd. due to slowdown in demand which affected sales.

Income Tax

With the higher profit achieved during the financial period under review, the taxation charge of US$6.8 million was higher as compared to US$4.1 million in the corresponding preceding financial period.

Liquidity and Financial Resources

As at 31 December 2010, the Group's cash and bank balances amounted to US$122.3 million compared to US$163.9 million as at 30 June 2010.

The gearing ratio was 24.4% and 26.1% as at 31 December 2010 and 30 June 2010, respectively. The gearing ratio is derived by dividing the total of bank overdrafts, loans and obligations under finance leases by total assets. The gearing ratio remained relatively stable in the financial period under review compared to 30 June 2010.

Available facilities that were not drawn down as at 31 December 2010 amounted to US$43.3 million compared to US$42.5 million as at 30 June 2010. At 31 December 2010, the Group has outstanding indebtedness of US$329.4 million compared to US$334.2 million as at 30 June 2010. Of the US$329.4 million of indebtedness, US$143.4 million is repayable within one year with the balance of US$186.0 million having a maturity of more than one year as presented below:

	US$ million
Within one year	143.4
After one year but within two years	42.4
After two years but within five years	143.6
Total	329.4

	US$ million
Secured	169.3
Unsecured	160.1
Total	329.4

The indebtedness carry interest rates ranging from 2.2% to 11.5%.

Employees

As at 31 December 2010, the Group employed a total of 11,281 employees. Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual evaluation.

Pursuant to the written resolutions passed by the shareholders of the Company on 2 February 2007 and the directors on 4 February 2007, the Company has conditionally adopted a share option scheme. As at 31 December 2010, there were no options granted to any employees.

Prospects and Future Plans

The Group experienced strong demand for logs from China and India in the first half of the financial year and this is expected to continue in the second half. China's economic growth, supported by rising levels of affluence of its large population, is expected to remain robust even with the tightening of lending policies to the housing sector. China's reported fourth quarter expansion of 9.8% in gross domestic product from a year earlier, after a 9.6% increase in the third quarter, defied Beijing's repeated attempts to put the brakes on and rein in inflation. With strong growth projections, China will continue to be a key market for the Group's logs. On a similar note, India's 2010/2011 economic gross domestic product growth is also expected to surpass that of the previous year and this augurs well for log exports to India. The increase in number of vessels calling at Indian ports will also help contribute to higher export log volumes.

For the plywood sector, in spite of a generally subdued Japan market, the gradual improvement in housing starts with buyers coming back into the market to replenish depleting stocks will optimistically see plywood demand and prices improving in coming months.

As the Ringgit has continued to strengthen against the US Dollar, any further appreciation of the Ringgit against the US Dollar will have a negative impact on the Group's margins as cost will increase unless the US Dollar selling prices of the Group's products increase in tandem. Hedging measures have been taken to partly manage this foreign exchange risk.

Faced with the intensively competitive and volatile environment and constant pressure on its margins, the Group strives to work on improving operational efficiency by enhancing the productivity of its workforce and its equipment fleet whilst keeping a tight rein over cost. The performance of the Group in the current financial year will depend much on recovery in Japan as well as the US and the continued strong demand of logs from China and India.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2010. Accordingly, no disclosure of the Register of Members of the Company is proposed.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 25 August 2010, the Company completed the subscription of series A preferred shares in Stone Tan for a cash consideration of US$20.0 million which represent approximately 36.8% of voting rights in Stone Tan.

Other than the above, the Group had no material acquisition or disposal of subsidiaries and associated companies during the financial period ended 31 December 2010.

Purchase, Sale or Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the financial period ended 31 December 2010.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Compliance with the Code on Corporate Governance Practices

The Board is committed to maintaining its high standards of corporate governance based on its established corporate governance practices in accordance with the code provisions of corporate governance contained in the Code on Corporate Governance Practices ("the CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Board is accountable to the Company's shareholders for good governance in directing and controlling the businesses of the Group.

The Company has, throughout the six months period ended 31 December 2010, complied with the code provisions and most of the recommended best practices in the CG Code except for Code Provision A.4.1 in respect of the specific term of non-executive directors. The Code Provision A.4.1 has been met by the bye-laws requiring that in each annual general meeting of the Company, one-third of the directors retire from office by rotation so that every director shall be subject to retirement of at least once in every three years.

The Board had received assurance from the Audit Committee that the system of internal control and internal audit function has been operating effectively during the period. The audit committee has reviewed the Group's unaudited interim financial statements for the six months period ended 31 December 2010.

The Audit Committee, Remuneration Committee, Nomination Committee and Independent Non-Executive Directors ("INED") Committee continued to discharge their duties and responsibilities in accordance with the authorities specified in its terms of reference, which are made available on the Company's website at *www.samling.com*.

Compliance with the Code on Corporate Governance Practices (continued)

In accordance with the arrangements disclosed in the Prospectus, the INED Committee is required to review whether or not to exercise any of the call options granted to the Company in respect of the Remaining Businesses held by the Controlling Shareholders of the Company under the call options agreement on a quarterly basis.

The INED Committee has reviewed the relevant information up to or as at 21 February 2011, and has decided not to exercise any of the call options granted to the Company under the call options agreement.

In accordance with the arrangements disclosed in the Prospectus, the INED is required to review whether or not to pursue or decline any investment or other commercial opportunity referred to the Company by the Controlling Shareholders of the Company under the non-competition agreement entered into between the Company and the Controlling Shareholders. No such investment or other commercial opportunity has been referred to the Company by the Controlling Shareholders of the Company for consideration by the INED Committee.

Directors' Securities Transactions

The Board has adopted a Code of Conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code (Appendix 10 to the Listing Rules). Having made specific enquiries to all Directors, they confirmed their compliance with the standards set out in the Model Code throughout the six months period ended 31 December 2010.

Publication of Interim Results and Interim Report

This results announcement is available for viewing at the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and at the website of the Company at www.samling.com. The interim report will be dispatched to shareholders and published on the above websites as soon as practicable.

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

Hong Kong, 28 February 2011

At the date of this announcement, the board of directors of Samling Global Limited comprises the following directors:

Executive Director
Yaw Chee Ming

Non-Executive Director
Chan Hua Eng

Independent Non-Executive Directors
David William Oskin
Tan Li Pin, Richard
Fung Ka Pun