Samling Global Limited
三林環球有限公司 *

Samling Global announces 2007/08 annual results

Rising operating costs reduce profitability

Demand from China and India remains strong

Hong Kong, 17 September 2008 – Samling Global Limited ("Samling Global" or "the Group", stock code: 3938), an integrated forest resource and wood products company, today announced its 2007/2008 annual results for the year ended 30 June 2008.

Financial Highlights of 2007/2008 Final Results
(in US$ '000)

- Turnover: US$545,288, *down 2.8%*
- Gross Profit: US$51,752, *down 65.6%*
- Profit attributable to shareholders: US$13,893, *down 85.9%*
- EBITDA: US$109,906, *down 44.1%*
- Earnings per share: US$0.32 cents, *down 94.7%*
- Proposed final dividend per share: 0.624 Hong Kong cents *(2006/07: 5.0 HK cents)*

Prospects

Commenting on the prospects of the Group, Chan Hua Eng, Chairman of Samling Global, said, "Rising raw material prices, and high energy and glue rates have led to cost increases for the Group's operations. The weakening US Dollar against the Malaysian Ringgit will add pressure to the Group's revenue and profits, while a softening world economy will have an impact on the demand of our products as development activities slow down."

The turnover of Samling Global is expected to remain steady. Recognising that margins will be under pressure from movement in foreign exchange rates and fluctuating costs and raw material prices, the Group will increase its effort to improve profit margins through price increase, cost control and active promotion of its products' branding. The Group will focus on producing higher value-added products to improve profit margins. It will continue to closely monitor various cost containment and productivity enhancement programmes that were implemented.

"The Group's successful acquisition of Brewster Pty Ltd ("Brewster") and the assets of Elegant Living group of companies ("Elegant") have enabled the Group to reach further down the supply chain and enlarge its distribution presence in Australia and the PRC. Samling Global will build on this presence by expanding and enhancing its product range to these two countries besides establishing closer rapport with the end customers," added Chan.

Brewster, which has distribution outlets in the major cities of Australia, will play an important role in the distribution of products from New Zealand in the future. This is attributed to the plans that are currently underway to build a new wood processing plant in our New Zealand operations. Brewster will also provide support for the Group's products from Malaysia and Guyana. In the PRC, the Group will now have access to 486 Elegant distribution outlets, with plans to further expand the number of outlets. The current main business of Elegant is flooring products and it is a market leader in China for hand-sculptured engineered flooring. Going forward, the Group, in addition to working towards capturing more market share in other flooring products, will also introduce the Group's other products for sale through these distribution channels. Elegant offers other synergistic advantages to the Group as it adds value to the plywood and logs it purchases from the Group's companies.

With the completion of the acquisition of Anhui Tongling Anlin Wood Plantation Co, Ltd ("Anhui Tongling") in China on 15 August 2008, the Group will also commence tree planting in the PRC. Anhui Tongling has a total land area of 3,079 hectares of which 1,037 hectares have been planted up. The Group will continue to consider proposals to increase its woodflow through the acquisition of new concessions and plantations that will strategically fit into the Group's overall plans.

The Group's investment in the palm oil associate is expected to contribute positively to the results of the Group even with Crude Palm Oil prices at lower levels in the coming financial year.

On the demand side, housing starts in Japan are showing signs of recovery after new housing regulations were confirmed and adopted. As plywood product inventories are progressively drawn down, signs are pointing toward an increase in demand and this bodes well for timber prices which have started to increase gradually.

Demand from our traditional markets of China and India will remain strong. As the level of affluence and urbanisation increases, China’s production of wood products has correspondingly risen to meet domestic demand. This strong level of demand from China has generally helped sustain overall export log prices achieved by the Group even with downward pressure on prices from other markets. The Group sold 31.1% of its log exports to China. Meanwhile, construction spending is on an upward trend in India. The Group has been actively promoting the harder species which are used for the flooring, furniture and construction industry which are sold at higher prices and accounts for 20.9% of the Group’s total log exports.

The prospect of the timber prices is expected to remain positive with continued tight log supply and firm demand from the two major importing countries, China and India. Stiff competition from China is expected to be lower as its plywood exports are expected to further decline after the Chinese government reduced the export tax rebate to 5% in the preceding financial year. Russia, with its planned increase in export tax to 80% for logs or a minimum of Euro 50 per cubic metre (“m^3”) from 1 January 2009, is expected to have a significant effect on the market. It is anticipated that the price of Russian logs will increase as a result of this effect and it would cause buyers to shift to the sourcing from other markets, like New Zealand, where we have an operation.

Business Review

Logs

Log trading was a major contributor to turnover which accounted for approximately 31.9% for the financial year under review.

The Group sold 1,102,627 m^3 of hardwood logs and 236,265 m^3 of softwood logs, which were 3.1% lower and 162.1% higher respectively than the preceding financial year.

The decrease in the volume of hardwood logs extracted was principally due to adverse weather conditions in the Malaysian forests in the second quarter and partly due to the effects of the suspension of harvesting rights in certain third party areas in Guyana. The Group is currently harvesting wood from its own concession in Guyana. The average hardwood log export prices achieved for the financial year under review was US$172.1 per m^3, compared to US$168.7 per m^3 achieved in the preceding financial year.

The Group's maturing radiata pine tree plantations in New Zealand recorded an increase in the volume of softwood logs extracted in the financial year under review. The increase by 162.1% in volume sold as compared to the preceding financial year was the result of the gradual ramp up of production. In view of the current market situation, the New Zealand plantations have yet to maximise its production level as the planned harvesting schedule was deferred slightly in anticipation of higher selling prices from the higher Russian export tax. However, the Group's plans to ramp up the woodflows in New Zealand to a sustainable level of 800,000 m^3 is progressing with the necessary preparatory works especially road construction and infrastructural development. The average softwood log price of US$67.0 per m^3 achieved was 7.2% lower than that of the preceding financial year.

In the financial year under review, the Group expended US$10.9 million to maintain and expand its forest plantation areas in New Zealand and Malaysia. The New Zealand radiata pine plantation with a planted area of 25,842 hectares is a strategic long-term asset that will complement the Group's hardwood resource. In Malaysia, an additional 3,788 hectares were planted with acacia, khaya and rubberwood species in the financial year under review bringing the total planted area to 14,812hectares. This plantation wood resource will complement the sustainable wood resource from the natural forest in East Malaysia in the future.

Plywood and Veneer

Plywood and veneer were the largest contributors to the turnover for the financial year under review, accounting for 54.0% and 60.0% of total turnover respectively.

The Group sold 561,690 m^3 of plywood and 187,140 m^3 of veneer to external parties, sales of which were 8.7% lower and 16.0% higher respectively.

Export prices for both plywood and veneer recorded a decrease. This decrease in plywood prices was principally due to lower housing starts in Japan, a key market globally. Japan's housing starts were affected due to regulatory changes in the Housing Act which stalled building approvals. This resulted in a build-up of plywood product inventory which led to depressed plywood prices. The sub-prime mortgage issues in the US significantly weakened the US housing sector which also impacted other markets as well. The average export price for plywood was US$436.2 per m^3 and US$309.8 per m^3 for veneer, a decrease of 7.2% and 8.5% respectively.

In the financial year under review, the Group continues to focus on its operational efficiency to address rising cost of production. The Tebanyi co-generation plant which utilises wood waste as fuel for production of electricity has partially helped save diesel usage, the price of which has increased significantly. Another new co-generation plant is currently being constructed near the Layun veneer mill, and will also help to reduce diesel usage even further in the coming financial year.

Customers

China, India and Japan accounted for 31.1%, 20.9% and 9.5% respectively of the Group's total exported log sales for the financial year under review.

The major markets for plywood were Japan, South Korea, USA, Europe and China, accounting for 41.1%, 15.1%, 12.0%, 9.8% and 8.4% respectively of the Group's total exported plywood sales in the financial year under review.

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About Samling Global Limited

Samling Global Limited is a well established, integrated forest resource and wood products company. Based in Malaysia, the Group has established an international presence with strategically located operations in Malaysia, China, New Zealand, Australia and Guyana.

The Company's business is divided into upstream and downstream timber operations. The upstream operations comprise timber harvesting and management of natural forest concessions in Malaysia and Guyana as well as tree plantations in New Zealand and Malaysia. The downstream operations comprise manufacturing, marketing and distribution of wood products including plywood, veneer, sawn timber and other value-added products.

*for identification purpose

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Consolidated income statement

For the year ended 30 June 2008

(expressed in United States Dollars)

	2008	2007
	US$'000	US$'000
Turnover	545,288	561,223
Cost of sales	(493,536)	(410,834)
Gross profit	51,752	150,389
Other operating income	7,635	5,927
Distribution costs	(10,417)	(6,527)
Administrative expenses	(29,686)	(27,502)
Other operating expenses	(170)	(140)
(Loss) /gain from changes in fair value of plantation assets less estimated point-of-sale costs	(3,040)	3,508
Profit from operations	16,074	125,655
Financial income	10,010	30,929
Financial expenses	(19,893)	(18,948)
Net financing (costs) / income	(9,883)	11,981
Share of profits less losses of associates	19,539	7,760
Share of profits less losses of jointly controlled entities	1,762	1,905
Profit before taxation	27,492	147,301
Income tax	(1,521)	(16,420)
Profit for the year	25,971	130,881

Consolidated income statement

For the year ended 30 June 2008 (continued)

(expressed in United States Dollars)

	2008	**2007**
	US$'000	**US$'000**
Attributable to:		
Equity holders of the Company	13,893	98,430
Minority interests	12,078	32,451
Profit for the year	25,971	130,881
Dividend attributable to the year:		
Final dividend proposed after the balance sheet date	3,441	27,574
Earnings per share (US cents)		
- Basic	0.32	6.03

Consolidatedd balance sheet

At 30 June 2008

(expressed in United States Dollars)

	2008	2007
	US$'000	US$'000
Non-current assets		
Property, plant and equipment, net		
- Investment properties	10,322	9,940
- Other property, plant and equipment	428,022	415,246
Construction in progress	9,153	5,480
Lease prepayments	27,939	27,172
Intangible assets	32,725	29,616
Plantation assets	238,066	226,050
Interest in associates	75,372	54,675
Interest in jointly controlled entities	14,887	14,592
Other investment	34	32
Deferred tax assets	5,853	3,578
Total non-current assets	842,373	786,381
Current assets		
Inventories	139,000	110,512
Trade and other receivables	79,794	78,603
Current tax recoverable	19,395	12,013
Cash and cash equivalents	273,309	326,542
Total current assets	511,498	527,670
Total assets	1,353,871	1,314,051

Consolidated balance sheet
At 30 June 2008 (continued)
(expressed in United States Dollars)

	2008	2007
	US$'000	US$'000
Current liabilities		
Bank overdrafts, loans and borrowings	120,829	103,782
Finance lease liabilities	32,510	29,222
Bonds	-	43,422
Trade and other payables	131,558	114,802
Current tax payable	261	2,632
Total current liabilities	285,158	293,860
Net current assets	226,340	233,810
Total assets less current liabilities	1,068,713	1,020,191
Non-current liabilities		
Bank loans and borrowings	179,209	132,797
Finance lease liabilities	57,120	63,590
Deferred tax liabilities	54,534	59,015
Total non-current liabilities	290,863	255,402
Total liabilities	576,021	549,262
Equity		
Share capital	430,174	430,174
Reserves	165,940	168,601
Equity attributable to equity holders of the Company	596,114	598,775
Minority interests	181,736	166,014
Total equity	777,850	764,789
Total liabilities and equity	1,353,871	1,314,051