SAMLING GLOBAL LIMITED
三林環球有限公司*

(a company incorporated in Bermuda with limited liability)
Stock code : 3938

2011 ANNUAL REPORT

Maximising **Resources** Through **Integration**

* for identification purposes only

Contents

Cover Rationale

Our integrated business covers the entire timber supply chain, from the management and harvesting of forest resources to manufacturing, sales and distribution of timber and wood products. We are committed to maximising our timber resources and enchancing our operational efficiencies in leveraging on this business model.

About Us

We are a global integrated forest resources and wood products company.

Our operations are strategically located in Malaysia, the PRC, New Zealand, Australia and Guyana.

We have extensive forestry and management expertise with more than 40 years of track record.

More than 13,000 employees across its operations.

For the financial year under review, the Group recorded a

21.9%

increase in revenue to

US$729.0 million

compared to the preceding financial year, and a pre-tax profit of

US$57.8 million.

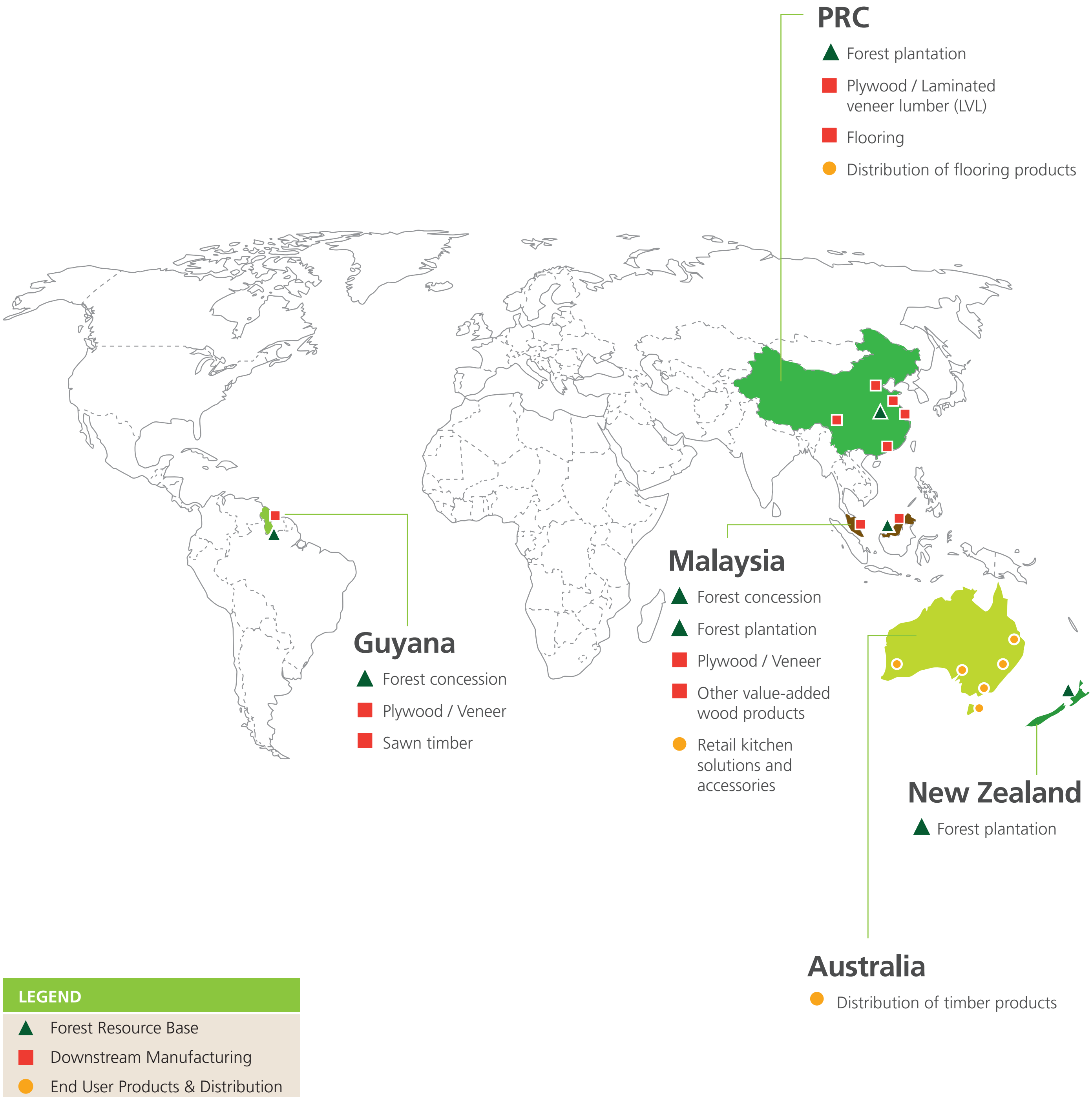
5th

ANNUAL GENERAL MEETING

Concord Room I, 8th Floor
Renaissance Harbour View Hotel
1 Harbour Road
Wanchai
Hong Kong
Wednesday, 16 November 2011
10.30 a.m.

WE ARE A GLOBAL INTEGRATED FOREST RESOURCES & WOOD PRODUCTS COMPANY

Large and strategically located resource base and operations



Corporate **Structure**

As at 30 September 2011

SAMLING GLOBAL LIMITED
(BERMUDA)
Investment holding

- **AUS** 100% AUSTRALIAN WOOD PANELS GROUP PTY. LTD. (formerly known as Brewster Pty. Ltd.) — Sale and distribution of building materials
- **USA** 100% SAMLING GLOBAL USA INC. — Sale of plywood and flooring products
- **BVI** 100% SAMLING CHINA INC. — Investment holding
  - **MLY** 100% AMBANG SETIA LABUAN LIMITED — Trading
  - **PRC** 100% RIVERSIDE PLYWOOD CORPORATION — Manufacture and sale of plywood and flooring products
    - 70.85% **PRC** SUZHOU TIMES FLOORING CO., LTD. — Manufacture and sale of flooring products (29.15% held directly by SAMLING CHINA INC.)
  - **MLY** 100% SAMLING CREDITS (LABUAN) LIMITED — Dormant
  - **PRC** 100% FOOTHILL LVL & PLYWOOD (CANGSHAN) CO., LTD. — Manufacture and sale of laminated veneer lumber
  - **HKG** 100% SAMLING TRADING CO. LIMITED (formerly known as Samling Tongling Co., Ltd.) — Trading
    - **MLY** 100% PERSADA TRADE LIMITED — Trading
  - **HKG** 100% SAMLING FOOTHILL CO., LTD. — Investment holding
    - 30% **IND** XYLOS ARTERIOS INDIA PVT. LTD. — Sale and distribution of wood products
  - **PRC** 100% RIVERSIDE FLOORING CORPORATION — Manufacture and sale of flooring products
  - **HKG** 100% SAMLING RIVERSIDE CO., LTD. — Sale of plywood and flooring products
- **BVI** 100% SAMLING TRADEMARK INC. — Ownership of trademark
- **BVI** 100% CARIBBEAN ESSKAY LIMITED — Investment holding
  - **GUY** 100% BARAMA COMPANY LIMITED — Extraction and sale of logs, manufacture and sale of plywood and sawn timber
    - **GUY** 100% BARAMA HOUSING INC. — Dormant
    - **GUY** 100% BARAMA BUCKHALL INC. — Manufacture and sale of sawn timber
- **BVI** 100% SGL TRADING INC. — Trading
- **BVI** 100% SAMLING MALAYSIA INC. — Investment holding
  - **MLY** 100% SAMLING LABUAN LIMITED — Investment holding
    - 70% **IND** XYLOS ARTERIOS INDIA PVT. LTD. — Sale and distribution of wood products
    - **UAE** 100% SGL PLANTATIONS HOLDING LIMITED — Investment holding
      - **INDO** 95% PT INTI AGRO MAKMUR — Plantation
      - **INDO** 95% PT ALAMANDA LESTARI ALAM — Plantation
    - **UAE** 100% SGL RESOURCES HOLDING LIMITED — Dormant
    - **BVI** 70% SAMLING ELEGANT LIVING GROUP CO., LTD. — Investment holding
      - **HKG** 100% SAMLING ELEGANT LIVING HOLDING (HONG KONG) LIMITED — Investment holding
        - **PRC** 100% BAROQUE TIMBER (ZHONGSHAN) CO., LTD. — Manufacture, sale and distribution of flooring products
          - **PRC** 100% SHANGHAI ELEGANT LIVING TIMBER PRODUCTS CO., LTD. — Trading of flooring products
      - **HKG** 100% SAMLING BAROQUE HOLDING (HONG KONG) LIMITED — Investment holding
        - **PRC** 100% BAROQUE TIMBER INDUSTRY (TIANJIN) CO., LTD. — Manufacture, sale and distribution of flooring products
      - **HKG** 100% SAMLING BAROQUE TRADING (HONG KONG) LIMITED — Investment holding
        - **PRC** 100% BAROQUE TIMBER INDUSTRY (SICHUAN) CO., LTD. — Manufacture and sale of flooring products
        - **PRC** 100% MUDANJIANG SAMLING ELEGANT LIVING MANUFACTURING CO., LTD. — Trading of flooring products
      - **MLY** 100% SAMLING ELEGANT LIVING TRADING (LABUAN) LIMITED — Trading of flooring products
  - **MLY** 67.23% LINGUI DEVELOPMENTS BERHAD — Malaysia listed and holding company of Malaysian and New Zealand companies
    - **MLY & NZ** MALAYSIAN AND NEW ZEALAND COMPANIES — Timber-related business and non-timber related business such as quarry and rubber retread operations
    - **MLY & INDO** 38.33% GLENEALY PLANTATIONS (MALAYA) BERHAD — Malaysia listed and engaged in investment holding, operation of oil palm plantations, oil mills and forest plantation
  - **MLY** 100% SYARIKAT SAMLING TIMBER SDN. BHD. — Timber-related business and holding company of Malaysian companies
    - **MLY** MALAYSIAN COMPANIES — Timber-related business
  - **BVI** 100% SAMLING NZ INC. — Dormant
- **PRC** 100% ANHUI TONGLING ANLIN WOOD PLANTATION CO., LTD. — Forest plantation
- **BVI** 30.67% STONE TAN CHINA HOLDING CORPORATION — Investment holding and provision of financial services
- **JPN** 100% SAMLING JAPAN CORPORATION — Market research and letting of industrial properties

PLACE OF INCORPORATION

AUS	Australia
BVI	British Virgin Islands
GUY	Guyana
HKG	Hong Kong
IND	India
INDO	Indonesia
JPN	Japan
MLY	Malaysia
NZ	New Zealand
PRC	People's Republic of China
UAE	United Arab Emirates
USA	United State of America

Corporate **Structure**

As at 30 September 2011

LINGUI DEVELOPMENTS BERHAD (MALAYSIA) — Investment holding

- **MLY 47.5%** SEPANGAR CHEMICAL INDUSTRY SDN. BHD. — Manufacture and sale of formalin and various types of formaldehyde adhesive resins
- **MLY 100%** GRAND PARAGON SDN. BHD. — Investment holding
  - **MLY 50%** FOREMOST CREST SDN. BHD. — Manufacture and sale of door units
- **MLY 100%** SAMLING PLYWOOD (LAWAS) SDN. BHD. — Extraction and sale of logs
  - **MLY 100%** PROPEL FORMULA SDN. BHD. — Dormant
- **MLY 100%** SAMLING PLYWOOD (MIRI) SDN. BHD. — Manufacture and sale of plywood, extraction and sale of logs
  - **MLY 100%** FUJI MILESTONE SDN. BHD. — Dormant
- **MLY 100%** SAMLING PLYWOOD (BARAMAS) SDN. BHD. — Manufacture and sale of plywood and veneer, extraction and sale of logs
  - **MLY 100%** PROMINENT TARGET SDN. BHD. — Dormant
- **MLY 100%** SAMLING PLYWOOD (BINTULU) SDN. BHD. — Manufacture and sale of plywood and veneer, extraction and sale of logs
  - **MLY 100%** PLENITUDE SPECTRUM SDN. BHD. — Dormant
- **MLY 100%** LINGUI CORPORATION SDN. BHD. — Provision of management services
- **MLY 100%** STIGANG RESOURCES SDN. BHD. — Quarry licensee and operator
- **MLY 100%** TREEONE (MALAYSIA) SDN. BHD. — Investment holding
  - **MLY 30%** DAIKEN MIRI SDN. BHD. — Manufacture and sale of high and medium density fibreboard
  - **NZ 100%** TREEONE (NZ) LIMITED — Investment holding
    - **NZ 100%** HIKURANGI FOREST FARMS LIMITED — Forest plantation
      - **NZ 100%** TASMAN FORESTRY (GISBORNE) LIMITED — Dormant
      - **NZ 100%** EAST COAST FORESTS LIMITED — Dormant
        - **NZ 50%** EASTLAND DEBARKING LIMITED — Log debarking services
- **MLY 35%** SAMLING DORFOHORM SDN. BHD. — Investment holding and wood residual trading
  - **MLY 50%** MAGNA-FOREMOST SDN. BHD. — Manufacture and sale of fibreboard door facings
- **MLY 100%** TAMEX TIMBER SDN. BHD. — Contractor for timber extraction, riverine transportation services, spare parts, petrol, oil and lubricants traders, insurance agents and provision of repair services
  - **MLY 100%** TINJAR TRANSPORT SDN. BHD. — Riverine transportation services
  - **MLY 100%** MIRI PARTS TRADING SDN. BHD. — Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services
- **MLY 97%** TREEONE LOGISTICS SERVICES SDN. BHD. — Provision of logistic services
- **MLY 100%** AINOFURNISHING SDN. BHD. (formerly known as AinoKitchen (Malaysia) Sdn. Bhd.) — Kitchen, cookware, dining ware retail and tendering of kitchen products in housing development projects
  - **UAE 40%** AINOTECH MIDDLE EAST FZCO — Dormant
- **MLY 100%** SAMLING POWER SDN. BHD. — Operation of power generating facilities
- **MLY 100%** ALPENVIEW SDN. BHD. — Investment holding
  - **MLY 38.33% *** GLENEALY PLANTATIONS (MALAYA) BERHAD — Investment holding, operation of oil palm plantations, oil mills and forest plantation
- **MLY 100%** HOCK LEE PLANTATIONS SDN. BHD. — Investment holding
  - **MLY 100%** HOCK LEE ENTERPRISES (M) SDN. BHD. — Property investment and letting of industrial properties
  - **MLY 100%** HOCK LEE RUBBER PRODUCTS SDN. BHD. — Manufacture and sale of rubber retread compounds
- **MLY 100%** ANG CHENG HO QUARRY SDN. BHD. — Quarry licensee and operator
  - **MLY 100%** BUKIT PAREH QUARRY SDN. BHD. — Dormant

* 1.91% held by Lingui Developments Berhad

PLACE OF INCORPORATION	
MLY	Malaysia
NZ	New Zealand
UAE	United Arab Emirates

Corporate Structure
As at 30 September 2011

SYARIKAT SAMLING TIMBER SDN. BHD. (MALAYSIA)
Contractor for timber extraction, forest plantation and investment holding

- MLY 70% MAJULABA SDN. BHD. — Extraction and sale of logs
- MLY 70% DAYALABA SDN. BHD. — Extraction and sale of logs
- MLY 100% MERAWA SDN. BHD. — Extraction and sale of logs
- MLY 100% KTN TIMOR SDN. BHD. — Extraction and sale of logs
- MLY 100% RAVENSCOURT SDN. BHD. — Extraction and sale of logs
- MLY 100% SYARIKAT RELOH SDN. BHD. — Extraction and sale of logs
- MLY 100% S.I.F MANAGEMENT SDN. BHD. — Extraction and sale of logs, manufacture and sale of veneer
- MLY 100% SORVINO HOLDINGS SDN. BHD. — Provision of machinery repairs and re-conditioning services
- MLY 100% SERTAMA SDN. BHD. — Extraction and sale of logs
- MLY 100% SAMLING REFORESTATION (BINTULU) SDN. BHD. — Extraction and sale of logs
- MLY 56.1% SAMLING HOUSING PRODUCTS SDN. BHD. — Manufacture and sale of housing products
  - MLY 100% SAMLING CHIPBOARD SDN. BHD. — Manufacture and sale of particle board
- MLY 100% SAMLING FLOORING PRODUCTS SDN. BHD. — Manufacture and sale of flooring products, veneer and plywood
- MLY 65% SAMLING DORFOHOM SDN. BHD. — Investment holding and wood residual trading
  - MLY 70% SAMLING MANUFACTURING PLANTATION SDN. BHD. — Dormant
  - MLY 50% MAGNA-FOREMOST SDN. BHD. — Manufacture and sale of fibreboard door facings
- MLY 100% KAYUNEKA SDN. BHD. — Agent for sale of logs
- MLY 100% BEDIANEKA SDN. BHD. — Trading of logs
- MLY 100% SAMLING RESOURCES SDN. BHD. — Rental of equipment
  - MLY 49% SAMLING-PDT RESOURCES SDN. BHD. — Dormant
- MLY 100% SAMLING WOOD INDUSTRIES SDN. BHD. — Extraction and sale of logs
  - MLY 40% RIMALCO SDN. BHD. — Manufacture and sale of sawn timber

PLACE OF INCORPORATION	
MLY	Malaysia

Corporate **Information**

BOARD OF DIRECTORS

Chan Hua Eng
Chairman

Fung Ka Pun
Deputy Chairman

Yaw Chee Ming
Chief Executive Officer

David William Oskin
Director

Tan Li Pin, Richard
Director

Amirsham A Aziz
Director
(Appointed on 18 July 2011)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE

Wisma Samling
Lot 296
Jalan Temenggong Datuk Oyong Lawai Jau
98000 Miri
Sarawak
Malaysia

PLACE OF BUSINESS IN HONG KONG

Room 2205, 22nd Floor, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong
Tel: +852 2500 3099

CORPORATE COMMUNICATIONS AND INVESTOR RELATIONS

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enquiry@samling.com
Tel: +852 2500 3099 (Hong Kong)
+603 2382 3999 (Malaysia)

STOCK CODE

Hong Kong Stock Exchange 3938

WEBSITE

www.samling.com

COMPANY SECRETARY

Tan Choo Lye
(LL.B. (Hons.) London, Barrister-at-law
(Lincoln's Inn))

AUDITORS

KPMG

LEGAL ADVISERS

Allen and Overy (Hong Kong)
Conyers Dill & Pearman (Bermuda)
Kadir, Andri & Partners (Malaysia)
Kirkpatrick & Lockhart Preston Gates Ellis
(Hong Kong)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
65 Front Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel: +852 2862 8555

PRINCIPAL BANKERS

AmBank Berhad
ANZ Investment Bank
CIMB Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
The Bank of Nova Scotia Berhad
The Bank of Tokyo – Mitsubishi UFJ, Ltd.

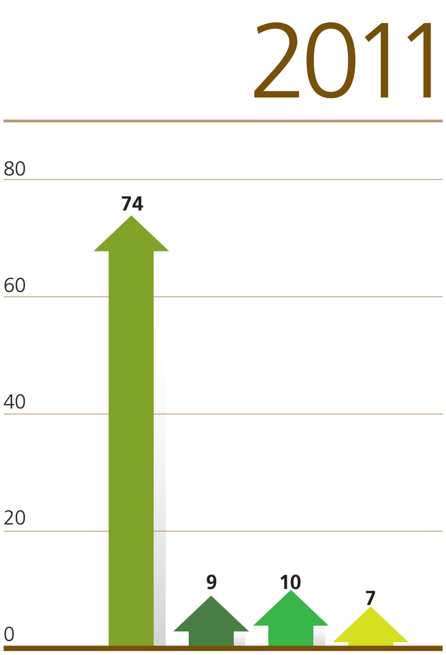
Financial **Highlights**

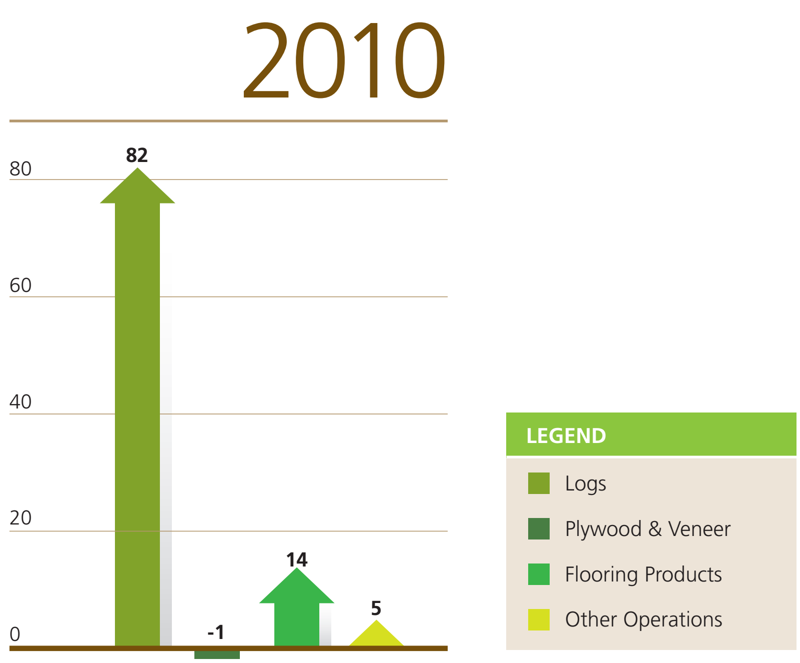
	For the year ended 30 June				
	2011 US$'000	**2010** US$'000	**2009** US$'000	**2008** US$'000	**2007** US$'000
Revenue	**729,047**	598,248	478,960	545,293	561,223
Profit/(loss) before taxation	**57,777**	29,060	(38,394)	27,636	147,358
Profit/(loss) attributable to equity shareholders	**20,746**	12,645	(37,447)	14,035	98,491
EBITDA (i)	**105,185**	94,238	52,596	110,044	196,673
Total equity attributable to equity shareholders	**625,531**	563,925	518,526	597,890	600,115
Total assets	**1,388,629**	1,279,139	1,244,036	1,357,344	1,316,965
Earnings/(loss) per share (US cent)	**0.48**	0.29	(0.87)	0.33	6.03
Gearing ratio (%) (ii)	**23.7%**	26.1%	29.7%	28.7%	28.3%

(i) EBITDA is equal to earnings/(loss) before net financing costs, tax, depreciation, amortisation and gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs.

(ii) Gearing ratio is derived by dividing the total borrowings by total assets.

EBITDA Contribution in Percentage (%) by Segment





Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Samling Global Limited ("the Group"), I am pleased to present the Annual Report for the financial year ended 30 June 2011.

BUSINESS REVIEW

The financial year under review has been one of ups and downs. The recovery from the unprecedented global recession that followed the September 2008 financial crisis had gathered strength, supported by increased fiscal spending and stimulus packages implemented by various governments. Whilst the dynamics of recovery appear well established and has spread from developing countries to high-income economies, significant challenges and risks remained especially from events that occurred in the second half of the financial year. Political tensions in oil producing regions in the Middle-East and North Africa have once again pushed oil prices to levels where further increases could significantly curb economic growth. The devastating effect of the earthquake and tsunami on the Japanese economy, with supply disruptions weighing heavily on industrial production, and consumer sentiment and spending had dampened the rate of recovery. Further, towards the end of the financial year, with sovereign debts issues starting to be of greater concern in the United States ("US") and Europe coupled with inflationary pressures, the economic outlook generally began to look more uncertain.

Besides operating under uncertain economic conditions, managing movements in foreign exchange rates compounded the many issues businesses need to grapple with. The strengthening of the Malaysian Ringgit against the US Dollars had an impact on the results of the Group as a major component of the Group's cost is denominated in Malaysian Ringgit.

The Group was fortunate that its key export markets of the People's Republic of China ("PRC") and India, recorded exceptional economic growth, augmented by a strong housing and infrastructure sector. As a result, these countries were the key contributors to profits for the financial year under review, principally from logs and flooring products sales. With the Japanese economy remaining lacklustre, plywood demand was generally soft in the first three quarters of the financial year with prices spiking sharply only in the fourth quarter after the earthquake.

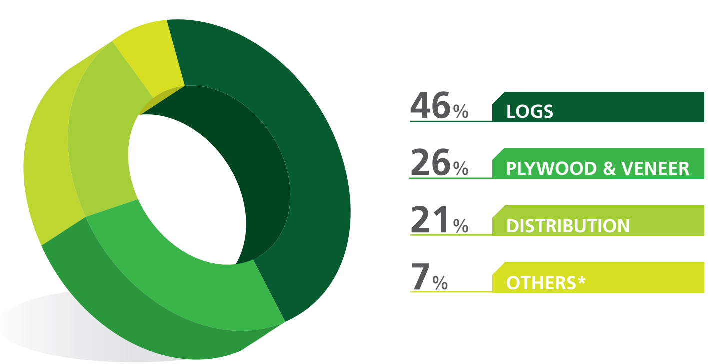
For the financial year under review, we are pleased to announce that the Group achieved a profit before taxation of US$57.8 million which was 98.8% higher than that of the preceding financial year. Cash flow generated from operations also improved to US$88.2 million compared to US$67.7 million achieved in the preceding financial year.

Logs Segment

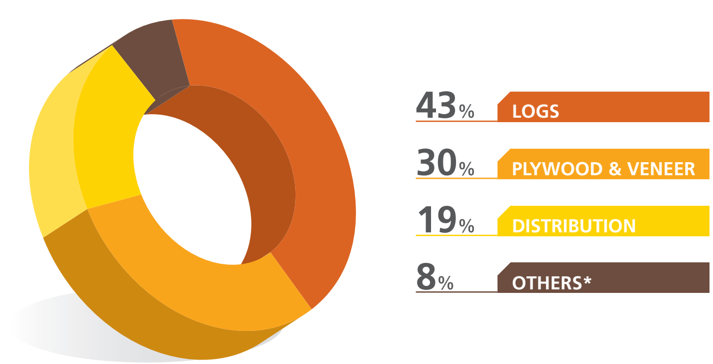
Logs segment which reported an operating profit of US$34.1 million was the main profit contributor to the Group's results. India and

Breakdown of Revenue by Product

2011
US$**729 mil**



2010
US$**598 mil**



** OTHERS – housing products, sawn timber, granite aggregates and rubber retread compound* the PRC remained the Group's key markets for logs with revenues from these countries accounting for about 64.2% of the Group's total log export revenue. India's demand for the harder wood species remained robust, driven by rapid urbanisation and a growing middle class population. Demand for both hardwood and softwood logs from the PRC remained firm as its economic growth remained strong notably in the housing and infrastructure sector notwithstanding its Central Government's implementation of various measures to curb the overheating of its economy and to contain inflationary pressures.

Plywood and Veneer Segment

In the absence of concrete leads from Japan, the plywood market remained generally soft in the financial year under review. It was only after the Japanese earthquake in March 2011 that demand and prices suddenly spiked, being more of a knee jerk reaction to the uncertainty over the requirements for reconstruction activities. However, plywood prices tapered off towards the end of the financial year under review as it became clear that reconstruction activities may take much longer. The Group's total export volumes to Japan accounted for 60.1% of the Group's total plywood export sales. The demand for veneer generally parallels the trend of demand for plywood which was generally soft in the financial year under review.

Flooring Products Segment

The Group's PRC-based Elegant Living companies improved on its flooring sales revenue by 49.7% in the financial year under review compared to the preceding financial year. Besides capitalising on the still strong demand for flooring products by the housing sector, the Group also expanded its marketing presence, principally in the Western region of the PRC, through the

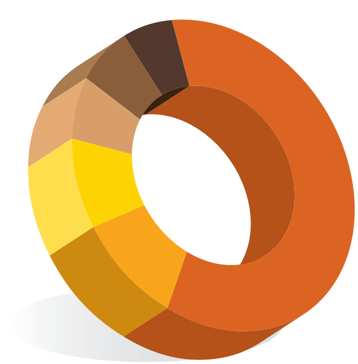
With 3.6 million hectares of forests, **Samling is one of the largest natural forest concessionaires** among listed timber companies in Asia.

Breakdown of Revenue by Market

Log Export 2011

32% THE PRC
32% INDIA
12% TAIWAN
10% KOREA
9% JAPAN
5% OTHERS

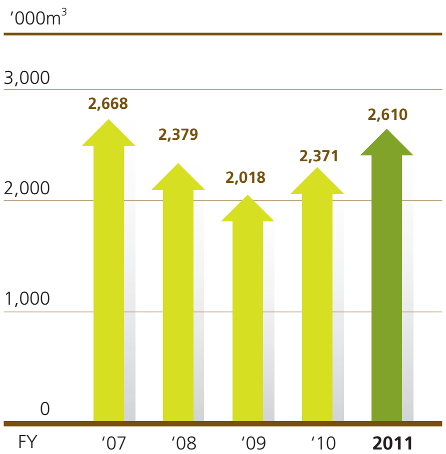
Plywood & Veneer Export 2011



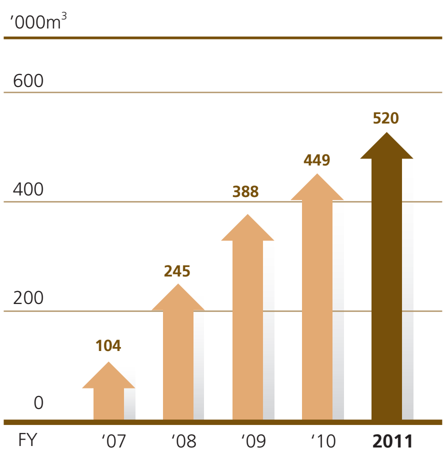
60% JAPAN
11% TAIWAN
9% NORTH AMERICA
7% KOREA
7% OTHER ASIA PACIFIC
6% OTHERS

Log Production

Hardwood Logs



Softwood Logs



opening of more distribution outlets to capture market share. Besides introducing higher valued flooring products to cater for the needs of more affluent customers, new designs were also added to expand the product range. The new laminate plant in Chengdu which was commissioned in November 2009 helped in increasing production capacity to meet the improving sales.

PROSPECTS AND FUTURE PLANS

Demand Drivers

The performance of the Group in the current financial year will depend much on recovery in Japan with the post-earthquake reconstruction activities and the continued strong demand of logs from the PRC and India.

When Japan's major reconstruction activities in areas affected by the earthquake and tsunami commences, it will require substantial volume of timber. Its effect on the timber demand and prices will much depend on the rate of reconstruction and if it is over a relative shorter duration, the impact will be more pronounced.

The PRC will continue to be a large importer for wood products globally. The Group experienced strong demand for its logs and flooring products from the PRC in the financial year under review and this is expected to continue in the current financial year, though it may be at a lower level.

The rising level of affluence of the PRC's large population is expected to provide the impetus for the economy to remain relatively robust. To manage overheating in the housing sector, the Chinese government's tightening of credit, implementation of house purchase restrictions and planned construction of 36 million units of affordable housing will have an impact on demand but the extent of it will depend much on the resilience of this sector. India, with its growing economy, will continue to be a key buyer for the harder log species to meet the increasing demand for better housing as the population's standard of living improves. It is currently still forecasting relatively strong GDP growth, though reduced from earlier projections before the current economic situation set in.

Supply Drivers

In terms of logs supply, it has generally increased especially with the spike in prices after the Japanese tsunami. However, we expect log supplies to be constrained in the long term as more government policies are introduced to limit the commercialisation of natural standing timber. The supply dynamics has seen Russian logs making a comeback especially to the PRC, competing with other exporting countries for market share. This situation may change further, depending on any future changes to be made to the Russian log export taxes with its admission to the World Trade Organization ("WTO"). For plywood, although Indonesia is currently not much of a threat, the PRC's plywood exports will continue to compete for market share.

The Group will continue to strengthen its core timber businesses, **focusing on maximising the utilisation of its timber resources in the most efficient manner and enhancing its distribution network.** Being an integrated group, it has the ability to direct its resource to the business sector that maximises returns.

Flooring Products Manufacturing Facilities and Distribution Outlets in the PRC

Business Strategies

The Group will continue to strengthen its core timber businesses, focusing on maximising the utilisation of its timber resources in the most efficient manner and enhancing its distribution network. Being an integrated group, it has the ability to direct its resource to the business sector that maximises returns.

Operationally, the Group will continue to work on improving efficiency and the productivity of its workforce and of its plant and machinery, besides keeping a tight control over the cash cost of production. New factory equipment using the latest technologies will be acquired to increase the level of mechanisation of the production process. This will at the same time enhance the Group's product range as well as improving wood recovery. The programme for the replacement of logging equipment with new ones will be on-going to ensure that the Group has a relatively young and efficient fleet. To further boost the productivity of the workforce, incentive schemes are implemented to reward workers who meet or exceed an agreed performance indicator.

The Group will continue to build on and enlarge its distribution presence in Australia through Australian Wood Panels Group Pty. Ltd. and in the PRC through the Elegant Living group of companies. Through these companies, the Group is able to distribute its wood products to a wider market besides being able to reach further down the supply chain to be closer to the end users. The Group's offices in India and Japan have also helped the Group to be able to respond faster to customer requirements in these countries.

Continue Building Resources

The Group has recognised the importance of forest plantation resource and maintaining a sustainable woodflow to meet the future requirements of downstream processing activities as an important part of the Group's strategic plan. This woodflow supply will be both from the natural forest as well as planted forest.

Recognising that the cost of extracting timber from the natural forest in concession areas, which currently produce about 2.6 million cubic meters ("m^3") per annum, may become more expensive in the future, with extraction taking place in deeper areas of the forest, the Group has to date planted 45,655 hectares of plantation forest in New Zealand, Malaysia and the PRC. The plantation forest in New Zealand with about 25,246 hectares planted will be able to produce a sustained production of about 800,000 m^3 per annum in about 2 years time. This will supplement the woodflow from the natural forest.

The Group will continue to source for new concessions and plantations that will strategically fit into the Group's overall growth plans and provide the Group with synergistic advantages.

Sustainable Forest Management and Voluntary Certification

As a long term responsible forest manager, the Group will continue to subscribe to the principles of sustainable forest management and the importance of products manufactured from legal timber sources. The Group's integrated operations enable the systematic tracking of the flow of wood from the forests to the manufactured products.

Over the years, the Group's extensive efforts in obtaining voluntary certification in forest management, chain-of-custody and

Forty years ago, all our forests were natural forests. Today, we are shifting towards plantation forests, which account for all our acreage in New Zealand and the PRC, with a growing footprint in Malaysia. **This is our way forward.**

product and quality management systems from internationally-recognised certification schemes underscores its commitment to promote sustainable use of natural resources and wood products.

CORPORATE GOVERNANCE

The Board is committed to achieving and maintaining high standards of corporate governance in managing the business and affairs of the Group. It is guided by principles and best practices of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These practices are instilled throughout the Group's operations. These are further described in the Corporate Governance Report found on pages 38 to 44.

HUMAN RESOURCE DEVELOPMENT

The Group recognises that human capital is an essential element to the Group's growth and success. To attract and retain diverse talent, besides having a market driven remuneration scheme, much emphasis is also placed on career development. This is achieved through proper succession planning which is complemented by identified training programmes; both in-house training programmes and external professional courses. Also, the safety of our people is a priority. Safe work practices and behaviour in the workplace are greatly emphasised and is a commitment the Group pledges to safeguard.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises its responsibility and commitment to corporate social responsibility ("CSR") as an integral part of its business. It conducts its business in a balanced and sustainable manner with respect for the interests of stakeholders and the communities where the Group operate in. The Group's corporate responsibility, designed to provide long-term benefits to our stakeholders, is focused on the areas of community development, education, conducive workplace and environment and humanitarian relief. Over the years, the Group has made much progress in the CSR initiatives in development work with communities within the Group's operation areas. The Group's commitment to CSR will always be an integral part of its business.

DIVIDENDS

The Directors recommend the payment of a final dividend of 1.00 HK cents (equivalent to approximately 0.128 US cents) per share amounting to HK$43.0 million in respect of the financial year ended 30 June 2011 to shareholders whose names appear on the Register of Members of the Company on 30 November 2011. The proposed final dividend will be paid on 19 December 2011 following approval of the shareholders at the forthcoming Annual General Meeting.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to the Directors, the management and all employees for their strong commitment and contribution towards the execution of the Group's strategies and operations. We also wish to thank all customers, business partners, bankers, the authorities and shareholders for their invaluable support.

Chan Hua Eng
Chairman

Hong Kong
22 September 2011

Maximising Resources **Through Growth**

CORPORATE SOCIAL RESPONSIBILITY

While profitability is the pulse of every business, the well-being of stakeholders is at the very heart of it. The shareholder seeks returns on investment, but would not wish to compromise on the welfare of the employees, customers, industry, community and the environment because they are the lifeline of the company. Look after them well and you achieve the desired performance.

Today, we live in difficult times, and different times. Difficult because of the volatile global economy, and different because concern for the environment has been gaining momentum. In this context, forestry, especially tropical forestry, is often held accountable by environmental activism. We urge fair play and moderation, the essence of sustainability, which is about finding a balance between socio-economic needs and environmental needs. This remains the compelling force behind our Corporate Social Responsibility ("CSR") programme that aims to address the needs of all of the above-mentioned stakeholders, without compromising any.

For Samling Global Limited, CSR is part of everything we do. It is a journey of continually improving our standards, our actions and our processes in the way we do business to create sustainable long-term value for our stakeholders. Through active partnerships, mutual respect and long term commitment, we join forces with our stakeholders in fostering economic, social and environmental well-being in the areas of community, workplace, environment, marketplace and stakeholders through our CSR programmes.

COMMUNITY

In Sarawak, Malaysia and in Guyana, the nature of our business means that we are inextricably connected to the livelihoods and quality of living of the communities where we live and work. We embrace the unique values and diverse cultures of our local communities and seek to work constructively with these communities through meaningful community engagement and dialogue. We actively seek opportunities to participate in community initiatives and we are committed to making a positive contribution at all levels.

Samling reaches out to local communities by investing in, engaging with and working with them in areas of community assistance, community development and education.

Sarawak is home to a rich diversity of indigenous people. The Kenyah, Kelabit, Kayan, Iban, Penan, Punan, Lun Bawang and many other tribes in Sarawak live within the areas of our operations. We have a long tradition of communicating and working closely together with the local communities and do our best to work and live harmoniously with our neighbours. In Sarawak, our CSR programmes have benefited more than eight tribes from 163 villages. Of these, 32 (about 20 percent) are Penan communities, the second largest indigenous tribe to benefit from our CSR activities.

Over the years, we have contributed to improving their lives by investing into major infrastructure projects such as road and bridge construction. Requests are also often made for the unexpected repair of bridges; clearing roads from land slips; site leveling; maintaining the water pipes and electrical wiring in villages, and a host of small contributions to help out day-to-day and in emergencies. In remote areas, we offer our site offices as focal points for medical outreach programmes and emergency call-outs. Annually, donations are given in the form of cash-in-kind during festive seasons, especially Christmas to help make a little difference in their celebration.

For education, we support programmes that improve access to education for underprivileged children and youths. The Group grants annual scholarships to deserving students with outstanding academic credentials and leadership potential to attend universities, and bursaries to underprivileged youth ranging from school leavers to students from low income backgrounds to enrol in vocational institutes. Under education, we also contribute towards the repair and maintenance of rural schools and enhance the facilities available to these students.

The Group also extends philanthropic support through employee volunteerism, direct corporate giving and in-kind support to humanitarian and disaster relief efforts as well as community and industry-related organisations that help advance key socio-economic business priorities.

The size of our forests is approximately the size of Taiwan, and we have invested heavily in infrastructure development. In Sarawak we have built almost 10,000-km of roads and 81 steel bridges that provide access to the most remote parts of the country. The spin-off is that isolated forest communities, especially in Sarawak and Guyana, enjoy the convenience of improved access to schools, medical facilities and modern conveniences.

COMMUNITY SUPPORT HIGHLIGHTS AND PROJECTS

Medical outreach programme in Ulu Baram

"When they cannot come to us, we have to go to them," says Dr. Jack Wong, Director of the Miri General Hospital in Sarawak, who led a medical team of 22 health professionals into the interior of Sarawak to conduct a medical outreach programme in June 2011.

Samling continues to form strategic partnerships in its medical outreach efforts which have received tremendous public response. Altogether, about 1,000 people from 29 villages received medical attention at the Group's logging camps which were converted into medical points. Samling is instrumental in making logistics arrangement, including hosting the medical team and transporting the villagers to and from the medical points. This is crucial as it saves the medical team of having to move around to visit those in need, and more people are able to receive medical attention for their ailments.

The June 2011 Medical Outreach Team consisting of Samling and Miri General Hospital staff.

An optometrist conducting eye test during a medical outreach programme in the Baram interior.

Miri General Hospital Director Dr. Jack Wong attending to a patient.

Donation of building materials for local church building

Samling donated building materials to assist the Roman Catholic Church of Rh Lajang ak Manggie, located at Sungai Linei, Marudi to complete the community's new church building. The assistance includes building materials and furnishings such as cement, bricks and chairs, amounting to US$4,000.

Donation of building materials for building of a longhouse

Besides providing site levelling services for the construction of longhouses and animal husbandry purposes, we also donate building materials for the construction of longhouses for the indigenous communities in Sarawak.

Samling contributed US$5,000 worth of building materials to Rumah Adam in Sungai Nawang, Marudi to assist in the building of a new seven door longhouse to replace the old one. Among the building materials donated were cement, roofing, bricks and water tanks.

HIV awareness and outreach programme in Guyana

In Guyana, we partnered with the Hope Foundation to reach out to our workers and local communities to undergo testing, create awareness and provide counseling on HIV/AIDS through mobile clinics that were set up at our site.

This outreach programme was a joint initiative between the United States Agency for International Development (USAID) and the Guyana HIV/AIDS Reduction and Prevention Project to target timber workers, miners and communities at their work sites, to expand and intensify the response to the disease through the development of programmes and policies that will help to prevent the spread of the disease.


Barama's management handing over the plywood donation to Guyana's government officials.

Barama donates US$5,000 worth of plywood to flood victims

In May and June 2011 several villages in the Interior Administrative Region 9 of Guyana were severally affected by prolonged torrential rains that had caused widespread flooding, affecting thousands of homes. As part of the flood relief efforts, Barama Company Limited, our subsidiary in Guyana donated US$5,000 worth of plywood to aid in the rebuilding efforts.

Durable and strong, Barama's locally produced plywood is a highly sought after building material for various applications such as internal walls, ceiling, furniture and form boards for concrete works.

Scholarships and bursaries to improve access to education and strengthen skills in engineering, forestry science and wood technology

Since the beginning of the scholarships programme, we have awarded a total of 64 scholarships amounting to US$497,000 to students in Malaysia who are pursuing degrees in engineering, forestry science, wood technology or communications in both local and international tertiary institutions.

Our bursary scheme aims to benefit schools and rewards students with good academic performance and to improve the general level of formal education in the community. In the financial year 2011, our bursary scheme covered 51 primary and seven secondary schools within the areas of our operations in Sarawak. We also reward US$3,000 to US$5,000 annually to students in our partnership universities who have excelled academically.


Scholarship holders sharing their academic and career experiences at a dialogue session.

This network of access roads, built and maintained solely for the benefit of the communities, continues to be one of the most essential forms of assistance that we provide.

Bridging the distance

A strong correlation exists between poverty incidence and access: the provision of roads and bridges, and hence, access is one of the most effective ways to improve the livelihood of people in remote areas.

These roads and bridges help thousands to cross rivers safely, saving thousands of walking hours, allowing children to go to school, providing entire village access to medical facilities and farmers access to their fields and to the markets. Apart from providing access via our logging roads and bridges, the Group also contributes to the communities directly by providing assistance to build link roads and bridges to connect villages to main roads.

Towards safer river crossings

The suspension bridge project in Bario over the Kubaan river in Sarawak was a joint effort by International Tropical Timber Organisation (ITTO), Samling, Forest Department Sarawak, Sarawak Forestry Corporation and the Penan people of Ba' Medamot to improve rural connectivity for the community. Samling was heavily involved in transporting large amounts of building materials to the construction site and appointed staff members to collaborate with the agencies to construct the bridge.

The suspension bridge is located along the 20km jungle trail between Ba' Medamot to Bario. The project is aimed at breaking the isolation of these rural communities and is an important access especially for the Penan communities in several villages and several semi nomadic families. Penan children regularly use the trail to go to school in Bario. In the past, Penan families with young children would need to spend a night or two in the forest to wait for the water to subside as the Kubaan river swells up quickly after a heavy rain and makes crossing very dangerous.

Humanitarian and disaster relief

Our community support for humanitarian and disaster relief include making financial contributions to relief efforts, providing much-needed building materials, and donating food to the victims affected by disasters such as fire, flood and food shortage crisis that affect communities in our area of operation.

We also did not hesitate to extend a helping hand to our long time counterparts and customers in Japan during the devastating tsunami and earthquake in March 2011. Samling donated US$130,000 to victims of the disaster through the Gohan Mokuzai Gyokai Tohoku Daijishin Relief Fund, and US$10,000 via Sarawak Timber Association and the Japan Lumber Importers Association (JLIA).

WORKPLACE

Our People, Our Strength

Our goal is to provide a workplace where the 13,000 employees across our geographic footprint can thrive and grow to their fullest potential — a workplace where employees feel included, safe, and are given the opportunities to make valuable contributions to the company. Hiring, motivating, developing and retaining the right talent pool is critical to our ability to deepen relationships with customers and fulfill our promises to the communities we serve.

We encourage a performance-driven culture that rewards results by offering competitive compensation and benefits package; providing education, training and advancement opportunities; and we are committed to regular training and development for our employees.

Across the Group, we have invested in professional and personal development programmes specifically catered for our employees. Employees are also encouraged to take ownership of their own careers by self-identifying personal development needs and opportunities in line with business goals. These include structured skills training and succession planning programmes for senior management, workshops and seminars for executives to fill in gaps in skills and behavioural competencies, on-the-job learning, and secondments.

Our employees' health and safety are a priority in our business. Our goal is to promote safe work practices and behaviors throughout the Group, in our upstream and downstream operations. The Group continues to develop and implement safety processes and practices that include management support, employee engagement, observation and feedback across its operational sites. Safety and health committees are formed in each operational unit to monitor and oversee employees' activities to minimise or eliminate the risk of occupational incidents, injuries and health hazards. Through these programmes, we aim to increase safety awareness and promote ownership of safety among our employees.

We have a multinational, multicultural staff – a mix of experienced professionals and technology-savvy youths – to drive us forward. We cherish this diversity, which is integral to Samling's status as a global company.

Hikurangi signs Occupational Health and Safety (OSH) pledge

Hikurangi Forest Farms Ltd ("HFF") was one of 95 founding members to have signed a new Occupational Health and Safety (OSH) pledge with New Zealand's Minister of Labour in 2010; the pledge was officially launched with Prime Minister John Key on 15 July 2010.

The workplace health and safety measurement and benchmarking initiative has been developed with the aim of encouraging New Zealand's companies to lead safety initiatives and work towards achieving Zero Harm Workplaces. HFF will be able to benchmark its safety strengths, weaknesses and developments against other companies. The initiative aims to better monitor reporting outcomes and set improvement targets for the reduction of fatalities and injuries. Two initiatives already underway are the health and safety benchmarking and measurement project and the executive safety leadership programme.

High performance leadership training

The Group's senior managers were enrolled in the International Strategic Leadership Programme ("ISLP") with the aim of grooming these future leaders into realising their true potential. Participants were guided to identifying and articulating strategic vision and directions for the division they are managing, with the broader idea of ensuring sustainable development and business growth for the Group. The 18-month management programme is an internationally accredited competency-blended learning programme, customised specifically to meet the Group's needs.

One for the team – senior managers engaging in outdoor team building activities.

Final review session with the Group's CEO during the ISLP training.

Samling's industrial training apprentices participating in a dialogue session organised by Samling with their training coach and our management.

When there's a skill, there's a way

Samling has collaborated in three strategic partnerships in three years with various governmental training agencies, namely the Industrial Training Institute of Miri to tackle the shortage of skilled manpower in Sarawak by making vocational training and qualifications available for youths, equipping them with skills and helping them secure good career prospects. We hope to produce a proficient workforce through training programmes which are practical and skill-based, and technically competent in relevant areas. These collaborations allow trainees to undergo industrial and apprenticeship training in the Group's manufacturing facilities. By ensuring that workplace learning is factored into the programme and formally recognised helps to meet the needs of employers for "work-ready" employees.

Four batches of trainees have been taken in since 2009, with the first batch of 11 trainees having completed their training in August 2011 and have since joined the Group as full-fledged employees.

ENVIRONMENT

Environmentally-friendly practices are the mainstay of our downstream operations, where waste management is a priority. Wood waste from manufacturing processes is recycled to create value-added products such as fibreboards and particle boards. Wood waste is also used to run boilers in our processing mills.

Environmental challenges are growing as the world's demand for timber and wood products increases. We are sharpening our focus to better manage our environmental impact across our supply chain, from our forestry practices to manufacturing operations, by drawing on our extensive experience in forest management.

We pride ourselves as responsible operators of forest concessions and plantations, and we are aware that our economic lifeline and the wider community are very much dependent on the well-being of the environment we operate in. We operate in regulated environments overseen by state and national forestry departments, which require strict compliance to our concession agreements.

Across our integrated wood supply chain from our upstream log harvesting operations to downstream manufacturing, we make full use of raw materials in areas of process improvement, product innovation and manufacturing:

- The use of every log is maximised in our manufacturing processes to create value. Wood waste is managed by further processing it into value-added products such as fibreboard and particle boards;
- Renewable energy is generated through the use of biomass fuel such as wood residuals. Our power plants in Sarawak, Malaysia each have the capacity of generating 6.0MW and 3.5MW of electrical energy that is channelled to our mills;
- Energy efficient boilers that run on biomass fuels is used in our mills; and
- Waste is segregated, wastage reduced and disposal managed.

We also continue to support and work with the Wildlife Conservation Society of New York and the ITTO to conduct wildlife, biodiversity and conservation research and surveys in our forests in Malaysia. Our forest plantations in Gisborne, New Zealand are open to the community for weekend recreational activities such as walking, mountain biking and horse riding while enhancing their appreciation of nature.

Hikurangi Wins Outstanding Environmental Management Award

Hikurangi Forest Farms Ltd ("HFF") won the coveted Outstanding Environmental Management Award at the inaugural Eastland Wood Council Forestry Awards held in May 2010 in New Zealand.

This award was presented to the company who best demonstrate their excellence and commitment to environmental management within the forestry industry by going above and beyond general compliance. HFF was nominated by an external auditor for the Forest Certification Council ("FSC") in recognition of its outstanding results during its annual FSC audits.

Together with this award, two of our contractors also won in the Forestry Excellence and Trainee of the Year categories.

Our MARKETPLACE

We conduct our business with high levels of integrity, accountability and responsibility. Our customers rely on us for quality and the assurance that the timber we supply is responsibly managed and harvested.

Samling has earned a strong reputation as an ethical and responsible employer and business partner. We remain committed to maintaining this reputation and ensuring all aspects of the business are conducted in a way that promotes ethical and sustainable practices.

We are committed to high standards of corporate governance and are mindful of the social and environmental impact of our business practices and policies.

CERTIFICATION

We take great pride in our reputation as the first tropical timber company in Malaysia with an ISO 9001:2008 quality management system certification. We received this certification in 1996, and have since embraced the certification's obligatory culture of continuous improvement to our processes, initiating remedial measures and corrective actions when necessary.

As an industry leader, we remain committed to the continuous improvement of forest stewardship and maintain our internationally-recognised third-party certified, sustainable forest management certification. These certifications include:

- Forest Stewardship Council ("FSC") Certificate for Chain-of-Custody for plywood manufacturing for Samling Plywood (Bintulu) Sdn. Bhd.
- FSC Certificate for Chain-of-Custody for moulded doorskin manufacturing and the Malaysian Timber Certification Scheme ("MTCS") Certificate for Chain-of-Custody endorsed by PEFC (Programme for the Endorsement of Forest Certification Annex 4) for moulded fibreboard doorskin manufacturing for Magna-Foremost Sdn. Bhd.
- FSC Certificate for Forest Management and the Certificate for Chain-of-Custody for Hikurangi Forest Farms Limited.

The Group's commitment to CSR is a reinforcement of the way that our various businesses have been operating. We are committed to high standards of corporate governance and are mindful of the social and environmental impact of our business practices and policies.

For more information of the Group's forest management and certification systems, visit our website at *www.samling.com*


The Rainforest Alliance

HIKURANGI FOREST FARMS LTD.
NEW ZEALAND

IS CERTIFIED FOR FOREST STEWARDSHIP COUNCIL FOREST MANAGEMENT

CERTIFICATE SCOPE:

SMARTWOOD IS A PROGRAM OF THE RAINFOREST ALLIANCE ACCREDITED BY THE FSC

FSC

Hikurangi's Successful Recertification by FSC

In early 2010, Hikurangi Forest Farms Ltd ("HFF") underwent its first major five year Forest Stewardship Council ("FSC") audit. FSC certificates granted are valid only for five years, and in order to remain as an FSC-certified Forest company, HFF needs to be audited annually with major audits every five years.

HFF successfully passed the major audit completed by the Smartwood program of the Rainforest Alliance and has successfully regained FSC certification for the next five years.

Engaging Our STAKEHOLDERS

Stakeholder engagement is the cornerstone of our communication policy. We welcome investors or their representatives to our operations for first-hand information on our business and environmental practices.

We believe in establishing collaborative relationships with our stakeholders by engaging them in a constructive and transparent manner, understanding their views and responding to issues important to them and relevant to the industry. Stakeholder interests were met through solid corporate governance policies with timely dissemination of accurate information and with accountability.

OUR CUSTOMERS

Our customers rely on us for quality and the assurance that the timber we supply is responsibly managed and harvested. In addition to day-to-day contact through our sales and marketing personnel, we regularly host customer site visits to our operations and conduct annual customer surveys.

INVESTOR RELATIONS

2010 was an eventful year for the Group's Investor Relations ("IR") as our IR unit intensified its efforts to optimise shareholder communication.

Engagement with the institutional investment community was conducted regularly. In 2010, the Group hosted two analyst and media briefings and conference calls for its interim and annual results announcements to present the Group's financial performance as well as to provide business updates and outlook for the year.

The IR unit also had regular interfaces with research analysts, fund managers and investors through one-on-one and teleconference meetings as well as during non-deal roadshows. Our commitment to IR was demonstrated through participation in regional conferences namely the BNP Paribas 17th Annual China Conference in Guilin, the PRC, the Credit Suisse Asian Investment Conference in Hong Kong, the Bank of America-Merrill Lynch Asian Stars in Singapore and the Credit Suisse China Investment Conference in Chongqing, the PRC.

Senior management were able to connect with retail shareholders at the Group's 4th Annual General Meeting (AGM) in November 2010 where retail shareholders were able to voice their opinions and queries to management and the board of directors, and receive immediate feedback.

The Group's website allows users to access the latest announcements, quarterly reports, corporate news and in-depth information about the company and industry.

COMMUNITY

In addition to the formal framework of community assistance and community development, we invest considerable time and resources on building open, honest and mutually beneficial relationships with the indigenous communities living within our concession areas. We have in place a formal and systematic process of continuous engagement to achieve community consensus and acceptance. We have always engaged the communities prior to commencing operations, so as to understand their concerns, needs and better cope with inevitable issues that may arise from time to time.

We have proven ourselves a long-term player, having been in the business for almost 50 years and to this day we continue to take on the challenge of weaving CSR practices into our business. We are conscious that Samling's continued success and viable growth must go hand-in-hand with our capacity to generate returns while nurturing our forests, supporting our communities, delivering shareholder value and empowering our employees to bring useful, innovative products to market.

We play a prominent role in shaping industry opinion and action, and spare no effort in cultivating goodwill among forest communities, not only for business sustainability but also to assist them to break free from the cycle of poverty and in the interest of sustainable development.

Management Discussion **and Analysis**

KEY FINANCIAL HIGHLIGHTS

Segment Revenue	Logs* US$'000	Plywood and veneer US$'000	Flooring products US$'000	Other operations US$'000	Eliminations US$'000	Total US$'000
2011						
External customers	336,206	190,029	91,902	110,910	—	729,047
Inter-segment revenue	87,931	21,972	—	8,293	(118,196)	—
Total revenue	424,137	212,001	91,902	119,203	(118,196)	729,047
2010						
External customers	255,921	181,300	58,002	103,025	—	598,248
Inter-segment revenue	80,593	21,445	3,271	5,013	(110,322)	—
Total revenue	336,514	202,745	61,273	108,038	(110,322)	598,248

Segment Gross Profit	Logs* US$'000	Plywood and veneer US$'000	Flooring products US$'000	Other operations US$'000	Eliminations US$'000	Total US$'000
2011						
Gross profit	46,005	2,846	15,984	18,375	—	83,210
Gross profit margin (%)	10.8	1.3	17.4	15.4	—	11.4
Percentage of segment contribution (%)	55.3	3.4	19.2	22.1	—	100.0
2010						
Gross profit/(loss)	33,297	(5,622)	11,613	18,063	—	57,351
Gross profit/(loss) margin (%)	9.9	(2.8)	19.0	16.7	—	9.6
Percentage of segment contribution (%)	58.1	(9.8)	20.2	31.5	—	100.0

* Logs comprise hardwood logs and softwood logs.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

	2011 US$'000	2010 US$'000
Gross profit	83,210	57,351
Other expenses net of other income before gain from changes in fair value of plantation assets less estimated point-of-sale costs	(63,066)	(43,491)
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	1,585	4,232
Profit from operations	21,729	18,092
Net financing income	4,240	112
Share of profits less losses of associates and jointly controlled entities	31,808	10,856
Profit before taxation	57,777	29,060
Income tax	(12,160)	(592)
Profit for the year	45,617	28,468
Non-controlling interests	(24,871)	(15,823)
Profit attributable to equity shareholders of the Company	20,746	12,645

REVIEW OF GROUP RESULTS

Benefiting from a general recovery in the world economy, the results for the financial year under review improved over that of the preceding financial year. Logs segment which recorded increased sales volume and selling prices was the main contributor to the Group's results, with India and the People's Republic of China ("PRC") being the key export markets. Revenue achieved of US$729.0 million was 21.9% higher than that of the corresponding preceding financial year. With higher selling prices, gross profit also improved to 11.4% compared to 9.6% in the preceding financial year.

With higher volumes traded, operating expenses, principally distribution and administrative costs also correspondingly increased. An amount of US$6.1 million, being the pro-rated second deferred consideration payable to the vendors of Elegant Living companies was recognised as other operating expenses during the financial year under review. After recognising a gain of US$1.6 million from changes in fair value of plantation assets less estimated point-of-sale costs, profit from operations was US$21.7 million, an increase of 20.1% from the US$18.1 million recorded in the preceding financial year. Contribution from the Group's share of profits less losses of associates in the oil palm plantation business was higher at US$26.8 million compared to US$7.8 million in the preceding financial year as crude palm oil prices improved. These positive factors enabled the Group to achieve a profit before taxation of US$57.8 million, an improvement of US$28.7 million compared to the preceding financial year. After accounting for non-controlling interests of US$24.9 million, profit attributable to equity shareholders of the Company was US$20.7 million, compared to US$12.6 million in the preceding financial year. In terms of operating cash flow before changes in working capital, the Group achieved US$110.5 million which was 13.0% higher than that of the preceding financial year.

REVIEW OF BUSINESS SEGMENT RESULTS

Logs

Starting from 1 July 2010, the financial results of hardwood logs and upstream support which were reported as two separate operating segments in previous year financial statements are grouped and reported to the Group's most senior executive management as one single operating segment for the purpose of resources allocation and performance assessment.

Logs segment accounted for approximately 46.1% and 42.8% of total revenue for the financial year under review and the corresponding preceding financial year respectively. For the financial year under review, the logs segment contribution to the Group's revenue and gross profit was about US$336.2 million and US$46.0 million respectively.

REVIEW OF BUSINESS SEGMENT RESULTS (continued)

Logs (continued)

The total volume of hardwood logs sold was 1.76 million cubic meters ("m^3"), 16.8% higher than that of the preceding financial year. Average export prices achieved was US$209.0 per m^3 which was US$51.5 per m^3 higher than the preceding financial year. Softwood logs showed a similar trend to hardwood logs with sales volume and average prices improving to 0.51 million m^3 and US$108.8 per m^3 respectively compared to 0.45 million m^3 and US$84.4 per m^3 in the preceding financial year.

Demand from India and the PRC remained stable. Both hardwood and softwood log export prices achieved were higher than the preceding financial year, with notably sharp price increases during the fourth quarter after the Japanese earthquake. This increase in log prices helped to cushion the impact of rising log extraction costs brought about by the increase in fuel prices.

With more favourable weather conditions, the Group, in order to capitalise on the higher prices, increased its log production volumes and sold higher volumes of hardwood logs and softwood logs. The increase in softwood log production was also in line with the maturity profile of the New Zealand forest.

For the financial year under review, sales to India accounted for about 31.9% of the Group's total log export revenue. Being a wood deficit country, demand for the imported harder wood species remained strong as construction activities remained robust with more housing needs, especially in the urban areas to cope with increased migration of the population to the cities. The PRC's demand for both hardwood and softwood logs remained firm as its economy recorded strong growth fuelling a boom in the housing and infrastructure sector, notwithstanding its Central government's implementation of various measures to curb overheating of its economy and to contain inflationary pressures. The Group exported 32.3% of its total log export sales to the PRC. Local sales for hardwood logs, mainly of the smaller diameter logs, were also higher by 43.4% compared to that of the preceding financial year.

Upstream support services involves the usage of a large and extensive fleet of machinery, vehicles and vessels at the forest operations. The Group continues to enhance its machine operational efficiency and equipment management to ensure that all machines and equipment are optimally utilised and minimising breakdowns. As spare parts and fuel make up a significant percentage of extraction cost, the Group has kept a close watch in these two cost components including benchmarking to ensure that overall log extraction unit cost is well contained. To improve on overall machine productivity, capital expenditure totalling US$16.0 million was incurred in the financial year under review as part of a replacement programme to replace its older logging fleet.

In New Zealand, of which the Group has 25,246 hectares of planted radiata pine forest, road upgrading and other infrastructure works intensified in the financial year under review. This was part of the preparatory work in anticipation of higher harvest volumes of softwood logs in the coming financial years as the plantation matures. Going forward, this softwood plantation resource will provide a sustainable woodflow to complement the woodflow from the natural growing forest.

Plywood and Veneer

Plywood and veneer contributed 26.1% to the Group's total revenue for the financial year under review. Total external plywood sales for the financial year under review was 291,635 m^3 which was 15.8% lower than that achieved in the preceding financial year. However, average prices achieved was US$505.0 per m^3 compared to US$418.6 per m^3 in the preceding financial year.

Although housing starts in Japan have improved from the record lows in 2009, plywood sales remained lacklustre for the most part of the financial year as buyers were unwilling to commit to more volumes due to uncertainty. Demand and prices rose sharply after the Japanese earthquake in March 2011 but this upward trend eased off towards the end of the financial year under review as the timing of post-earthquake reconstruction activities remained unclear. The Group's total export volumes to Japan which accounted for 64.2% of the Group's total export plywood sales was 5.9% above that of the corresponding preceding financial year. To mitigate the depressed demand from Japan, the Group shifted focus to other markets, including Australia, which fetches higher prices.

REVIEW OF BUSINESS SEGMENT RESULTS (continued)

Plywood and Veneer (continued)

In the financial year under review, the volume of veneer sold by the Group was 5.4% higher than the preceding financial year. Average prices also improved to US$312.1 per m^3 from US$279.3 per m^3 achieved in the preceding financial year. The Group increased its veneer production to capitalise on its demand by plywood producers who were not able to get sufficient log supplies during the rainy periods in Sarawak, Malaysia and were willing to pay higher prices for veneer. The Group utilised 29.6% of its veneer production in its plywood mills for further processing while the balance of 70.4% were exported or sold locally. The improvement in prices was mainly brought about by the increased focus on the production of higher valued face and back veneer and the co-related effects on veneer prices brought about by the spike in plywood prices after the Japanese earthquake.

The plywood and veneer segment reported gross profit margin of 1.3%, which improved over the negative margin of 2.8% in the preceding financial year. Even with this improvement, the Group continued to place emphasis on the cash cost of production to ensure that at all times on cash cost basis, gross profit is positive.

Flooring Products

In the financial year under review, the Group continued to increase on its flooring products sales through the PRC based Elegant Living group of companies. Revenue from external flooring sales improved to US$91.9 million, an increase of 58.4% compared to the preceding financial year. In terms of sales mix, 61% of the sales were from laminated flooring and the remaining was from engineered flooring and solid flooring. Although the flooring products market in the United States ("US") was still relatively week, this was largely mitigated by the strong domestic demand in the PRC, mainly for the still buoyant housing sector. The Group was also able to capture more market share through the opening of more distribution outlets, principally in the Western region of the PRC. The new laminate plant in Chengdu which was commissioned in November 2009 helped in increasing production capacity to meet the improving sales.

In terms of gross profits, the flooring products segment achieved US$16.0 million which was 37.6% higher than that of the preceding financial year. However gross profit margins at 17.4% was lower than the preceding financial year due to higher sales of laminated flooring which has lower margins in the financial year under review.

Other Operations

Other operations mainly comprise of the production and sale of housing products, kitchen cabinets and wood chip which are efforts by the Group to move further downstream into 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$7.9 million, or approximately 7.7%, to US$110.9 million in the financial year under review from US$103.0 million in the preceding financial year. 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$18.4 million which was 1.7% higher than the preceding financial year.

Net Financing Income

The Group recorded a net financing income of US$4.2 million compared to US$0.1 million in the preceding financial year. The higher net financing income was principally due to the recognition of gain on changes in fair value of interest rate swap financial instruments.

Share of Profits less Losses of Associates

The Group recognised a profit of US$31.8 million as share of profits less losses of associates compared to a profit of US$9.2 million in the preceding financial year. The higher profit was primarily attributable to both higher operational profits and 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 loss of US$0.01 million as net share of profits less losses of jointly controlled entities compared to a profit of US$1.6 million in the preceding financial year. This decrease was primarily attributable to losses from the door and door facing manufacturing joint ventures, due to slowdown in demand which affected sales.

Income Tax

With the higher profit achieved during the financial year under review, the taxation charge of US$12.2 million was higher as compared to US$0.6 million in the preceding financial year. The taxation charge for the financial year included an under-provision of withholding tax that arose from the interest income charged by the Company to a subsidiary in prior years of US$5.9 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group's cash and bank balances amounted to US$126.0 million compared to US$156.5 million as at 30 June 2010.

The gearing ratio was 23.7% and 26.1% as at 30 June 2011 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 year under review compared to 30 June 2010.

Available facilities that were not drawn down as at 30 June 2011 amounted to US$50.3 million compared to US$42.5 million as at 30 June 2010. As at 30 June 2011, the Group has outstanding indebtedness of US$328.9 million compared to US$334.2 million as at 30 June 2010. Of the US$328.9 million of indebtedness, US$148.5 million is repayable within one year with the balance of US$180.4 million having a maturity of more than one year as presented below:

	US$ million
Within one year	148.5
After one year but within two years	42.6
After two years but within five years	133.7
After five years	4.1
Total	328.9

	US$ million
Secured	171.6
Unsecured	157.3
Total	328.9

The indebtedness carry interest rates ranging from 2.0% to 8.1%.

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

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

— Ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

— Ensuring that credit risks on sales to customers on deferred terms are properly managed.

INTEREST RATE RISK

The Group borrows both fixed and floating interest rate loans. Exposure to floating interest rates presents us with risk when there are unexpected adverse interest rate movements. The Group's policy is to manage such interest rate risk, working with an established framework, pursuant to which we selectively enter into swap or interest rate hedging transactions to ensure that we are not unduly exposed to significant interest rate movements and rates are appropriately fixed as necessary. As part of our interest rate hedging framework, we monitor and control our interest rate exposure by regularly monitoring relevant interest rates and their outlook. When the Group borrows floating rate loans, it will continue to monitor the relevant interest rates and their outlook, and then switch to fixed interest rates by means of swap or interest rate hedging transactions if the monitoring of relevant interest rates and their outlook indicates that, considering their tenure, such a change would be prudent. Several of the secured and unsecured debt facilities carry interest at floating rates, and the Group currently enter into swap or interest rate hedging transactions in connection with some, but not all, of these debt facilities, considering their tenure.

FOREIGN EXCHANGE RISK

At present, most of the Group's sales are denominated in US Dollars and some in Japanese Yen, while we incur a significant portion of the costs in Malaysian Ringgit at the Malaysia operations, US Dollars and Guyanese Dollars at the Guyanese operations, New Zealand Dollars at the New Zealand operations, Renminbi in the PRC operations and Australian Dollars in Australia operations. The sales and operations in Malaysia, Guyana, New Zealand, the PRC and Australia expose the Group to fluctuations in exchange rates among such currencies. The exchange rate between any of the currencies mentioned above may become volatile or may change significantly in the future.

Certain of the foreign exchange gains and losses are attributable to foreign exchange transactions on the US Dollars loan above booked on the accounts of the New Zealand plantation forest subsidiary, Hikurangi Forest Farms Limited ("HFF") with outstanding principal amount as of 30 June 2011 of US$46.4 million. As HFF's functional currency is the New Zealand Dollar, exchange differences on the value of the HFF's US Dollars loans are recognised as part of the financial income and expense.

The Group does enter into foreign currency swap agreements to hedge against the foreign currency risk. The Group manages the foreign currency risk by entering into borrowings in amounts consistent with the expected stream of revenues denominated in the relevant currency of such borrowing, which policy acts in effect as a natural hedge.

CAPITAL COMMITMENTS

The Group's authorised but not contracted for total commitments as at 30 June 2011 amounted to US$89.7 million.

CHARGE ON ASSETS

As at 30 June 2011, the Group pledged assets with aggregate carrying value of US$343.4 million (30 June 2010: US$296.9 million) to secure bank loans facilities of the Group.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no material contingent liabilities except as disclosed in note 32(c) to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 19 August 2010, the Company entered into a Shares Subscription Agreement to subscribe 20,000,000 shares in Stone Tan China Holding Corporation ("Stone Tan"), representing 36.8% of equity interest in Stone Tan. Total consideration for the subscription of 20,000,000 shares amounted to US$20.0 million. The principal activity of Stone Tan and its subsidiaries is the provision of financial services in the PRC. In June 2011, Stone Tan further allotted 10,869,565 new shares to other investors. The Group's equity interest in Stone Tan was diluted from 36.8% to 30.67% since the allotment of new shares.

On 23 March 2011, a subsidiary of the Group further purchased 2,180,000 shares, representing 1.91% equity interest, in Glenealy Plantations (Malaya) Berhad, an associated company listed on the Main Market of Bursa Malaysia Securities Berhad, for a cash consideration of US$3.1 million.

Other than the above, the Group had no material acquisition or disposal of subsidiaries and associated companies during the financial year ended 30 June 2011.

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 year ended 30 June 2011.

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.

EMPLOYEES

As at 30 June 2011, the Group employed a total of 12,953 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 30 June 2011, there were no options granted to any employees.

FINAL DIVIDEND

The Board of Directors recommends the payment of a final dividend of 1.00 HK cents (equivalent to approximately 0.128 US cents) per share amounting to HK$43.0 million in respect of the financial year ended 30 June 2011 to shareholders whose names appear on the Register of Members of the Company on 30 November 2011. The proposed final dividend will be paid on 19 December 2011 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Maximising Resources Through Opportunities

Board of Directors' **Profile**

YAW CHEE MING
Executive Director

CHAN HUA ENG
Non-Executive Director

FUNG KA PUN (alias K.B. FUNG)
Independent Non-Executive Director

YAW CHEE MING, 52
has been a Director of our Company since 29 June 2005 and the Chief Executive Officer and an Executive Director of our Company since 20 August 2006. He is also the Managing Director of both Lingui Developments Berhad ("Lingui") and Glenealy Plantations (Malaya) Berhad ("Glenealy"), where he was appointed an Executive Director on 4 July 1989 and 22 June 1995, respectively. He is also the Chief Executive Officer and an Executive Director of Samling Strategic Corporation Sdn. Bhd., one of our controlling shareholders. Mr. Yaw has over 20 years of extensive knowledge and experience in the timber industry. Under his leadership, our Group has established an international presence with highly integrated business operations. He spearheaded the commitment of our Group towards responsible forest management and has led our Group to various internationally recognised certifications for forest management and downstream operations. Mr. Yaw graduated from the University of Southern California in the United States with a Master of Business Administration degree.

CHAN HUA ENG, 83
was appointed Chairman and Non-Executive Director of our Company on 17 October 2005 and was classified by a direction of the Listing Committee of The Stock Exchange of Hong Kong Limited ("SEHK") as a Non-Independent Director on 26 January 2007. He was appointed an Independent Non-Executive Director of Lingui on 28 March 1990 and Chairman of the board of directors of Lingui on 8 November 1990. He was also appointed the Chairman of the board of directors and an Independent Non-Executive Director of Glenealy on 28 September 1995. Mr. Chan is also currently a director of Pacific & Orient Berhad whose shares are listed on Bursa Malaysia Securities Berhad. He graduated from the University of Bristol with a Bachelor of Law (Honours) degree. He is an Associate Member of the Chartered Institute of Taxation in the United Kingdom. Mr. Chan is also a Barrister of the Middle Temple and has been called to the Bar in England & Wales. He was admitted as an advocate and solicitor of the High Court in Malaya, became a partner of Shearn Delamore & Co., Advocates & Solicitors in Malaysia in 1960 and retired as its Senior Partner in 1987.

FUNG KA PUN (alias K.B. Fung), **65**
has been a Director of our Company since 17 October 2005 and has been an Independent Non-Executive Director and Deputy Chairman of our Company since 20 August 2006. Mr. Fung was the Vice-Chairman of Hao Tian Resources Group Limited, a company whose shares are listed on SEHK, from 1 April 2010 to 21 September 2011. He is also the founder and Chairman of Goodwill International (Holdings) Limited. Mr. Fung has over 30 years of experience in finance, securities and commodities trading and corporate finance. He is a Fellow Member of the Association of International Accountants. Mr. Fung worked for Deloitte Touche Tohmatsu from 1970 to 1972, and has extensive experience in dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements of public companies. He is also an Associate Member of the Institute of Chartered Secretaries and Administrators. Mr. Fung is a director of a number of other companies whose shares are listed on SEHK – he is an Independent Non-Executive Director of Yuexiu Transport Infrastructure Limited, Lee Hing Development Limited and a Non-Executive Director of China SCE Property Holdings Limited.

DAVID WILLIAM OSKIN
Independent Non-Executive Director

TAN LI PIN, RICHARD
Independent Non-Executive Director

AMIRSHAM A AZIZ
Independent Non-Executive Director

DAVID WILLIAM OSKIN, 69
has been a Director of our Company since 17 October 2005 and has been an Independent Non-Executive Director of our Company since 20 August 2006. He is the President of Four Winds Ventures LLC. He is currently an Independent Director of Pacific Millennium Corporation, an Independent Director of Verso Paper Holdings LLC, an Independent Director of Rayonier Inc, and a Director of Big Earth Publishing LLC. Mr. Oskin has more than 25 years of experience in the timber, wood processing, paper and packaging industries. From 1975 to 1992, he took up various leadership positions at International Paper Company, and was responsible for managing worldwide human resources, quality management, forest and wood products businesses and paper distribution. From 1992 to 1996, he was the Chief Executive Officer and a Director of Carter Holt Harvey Limited, a paper, packaging and forest products company whose shares were listed on the New Zealand Exchange and the Australian Securities Exchange. From 1996 to 2003, he served as the Executive Vice President of International Paper Company. From 2003, he served as adviser to various other companies in the paper, packaging and publishing industries. Mr. Oskin graduated from Widener University in the United States earning a Bachelor of Arts degree and was subsequently awarded a Doctor of Public Service degree. He is the Chair Emeritus of the Board of Trustees of Widener University.

TAN LI PIN, RICHARD, 56
has been a Director of our Company since 17 October 2005 and has been an Independent Non-Executive Director of our Company since 20 August 2006. Mr. Tan has more than 30 years of experience in the paper and finance industries. He is the founder of the Pacific Millennium Group and is currently the President of Pacific Millennium Holdings Corporation. He is also the Director and Chief Executive Officer of Stone Tan China Holding Corporation and Stone Tan China Acquisition (Hong Kong) Company Limited. Mr. Tan is a Director of Domtar Corporation, an established producer of white paper in North America whose shares are listed on the Toronto Stock Exchange in Canada and the American Stock Exchange in the United States. Mr. Tan participates actively in public services. He is a member of the China National Political Consultative Committee, a member of the Anhui Province Political Consultative Committee, a business adviser of the Chongqing Municipality, Vice Chairman of the Shanghai International Chamber of Commerce and an adviser of the Shanghai Modern Management Centre. He holds bachelor's degrees in civil engineering and mechanical engineering from San Diego State University, a Master of Business Administration degree from the University of Southern California, and has participated in Stanford University's Executive Programme. He received an Honorary Doctorate in international business from Widener University in 2009, and is currently serving as a member of the Board of Trustees of Widener.

AMIRSHAM A AZIZ, 61
an Independent Non-Executive Director, was appointed a Director on 18 July 2011. He is also an Independent Non-Executive Director of Lingui. On 18 August 2011 he was appointed as an Independent Non-Executive Director of CapitaMalls Asia Limited whose shares are listed on the Singapore Exchange Securities Trading Limited. He served as President and Chief Executive Officer of Malayan Banking Berhad ("Maybank") from 1994 to 2008. He also served as a Minister in the Malaysian Cabinet from 2008 to 2009 taking charge of the Economic Planning Unit and Department of Statistics. Mr. Amirsham holds an Honours degree in Economics from the University of Malaya. He is also a member of the Malaysian Institute of Certified Public Accountant.

Senior Management **Profile**

FINANCE

GOH YORK POOI, 49
is our Chief Finance Officer. He joined our Group in 1993 and has more than 25 years of accounting and finance experience. Prior to his current appointment, Mr Goh was the Group's Acting Chief Finance Officer and General Manager (Finance). He is responsible for the Group's financial reporting, treasury, tax and financial planning and analysis. Before joining the Group, he worked at Price Waterhouse (currently known as PricewaterhouseCoopers) from 1982 to 1988 where he acquired auditing experience in various industries, including manufacturing and banking. Subsequently, he joined Malaysia's Sime Darby Group in 1989 as its Finance Manager before leaving in 1993. Mr. Goh is a Certified Public Accountant and has a Master of Finance degree from the Royal Melbourne Institute of Technology University in Australia.

TAN FOONG CHING, KATHERINE, 37
is the Group's Head of Corporate Finance. She joined our Group in 2002 and is currently responsible for our corporate finance and other related finance matters. Prior to joining our Group, from 1996 to 2002, she worked at PricewaterhouseCoopers where she acquired auditing experience in various industries, including manufacturing, property and financial services industries, with a focus on the oil and gas industry. She is a member of Certified Public Accountants Australia, the Malaysian Institute of Accountants and the Malaysian Institute of Corporate Governance. She graduated from the Monash University in Australia with a Bachelor of Commerce (Accounting and Econometrics) degree.

MALAYSIA

JAMES HO YAM KUAN, 65
has been with our Group since 1993. He is currently the Chief Operating Officer of our operations in Malaysia, responsible for managing the operational requirements of the Group's various upstream and downstream businesses. He joined the Log Marketing Division of our Group in 1993 and served as its Vice President (Marketing). In 1997, the scope of his responsibilities in the upstream operations expanded to include managing various operational requirements, from human resources to machinery and equipment fleet and logs, transportation and logistics. Mr. Ho has in-depth knowledge and over 18 years of operational and managerial experience in the timber industry. He graduated from the University of Strathclyde in the United Kingdom with a Master of Business Administration degree. Mr. Ho also qualified as a Barrister-at-Law in the United Kingdom.

CHIN THAT THONG, 61
has been with our Group since 1987. He is currently the General Manager of Forest Operations in the Forest Resource Division of our upstream operations in Malaysia. Mr. Chin began his career in the Group as a Camp Manager in 1987 and became the Regional Manager of our Forest Resource Division in 1998. From 1998 to 2007, Mr. Chin served as the Assistant General Manager of our Forest Operations in Malaysia. He was appointed to his current position in 2008. Mr. Chin has over 30 years of experience in forest operations, including eight years of working in various companies in the forestry industry in Indonesia and seven years working in another Malaysian timber company prior to joining the Group.

DR. KAI KRUSE, 48
has been with our Group since 1998. He is currently heading the plywood and veneer division as General Manager responsible for the management of the Group's plywood and veneer operations in Malaysia. Dr. Kruse has held various senior management positions within the Group. He has managed numerous downstream operations such as the fibreboard and plywood divisions and was instrumental in diversifying the Group's business by setting up its kitchen retail business and venturing into biomass power generations. He was also involved in the strategic planning of our international projects and operations. Dr. Kruse has been working in the wood and forestry industry since 1984. Prior to joining our Group, he was involved in the building industry and later worked as a scientist and a lecturer at the University of Hamburg in Germany from 1993 to 1998. He was also a Senior Researcher at the German Federal Research Centre for Forestry and Forest Products from 1998 to 2001. Dr. Kruse graduated from the University of Hamburg with a Bachelor and Master's degree and a Doctorate (*magna cum laude*) in Wood Science and Technology.

YEO SOON HEE, 48
has been with the Group since 1987. He is currently the Assistant General Manager of Forest Operations in the Forest Resource Division of our upstream operations in Malaysia. Over the years, Mr. Yeo has held various positions in the Group's upstream forest operations mainly in timber camp operations and administration. Mr. Yeo has over 20 years of experience in forest operations. He holds a Bachelor of Science Degree in Business Administration with a minor in Marketing from the Oklahoma State University in the United States.

ERIC KANG KUN WEE, 43
has been with our Group since 1992 and is currently Assistant General Manager of Plywood Marketing, responsible for the business development, marketing and positioning of our downstream plywood products in the international market. Mr. Kang has more than 10 years in marketing within the Group. He holds a Bachelor of Arts Degree in Business Studies and a Diploma in Market Research.

LIN LAN HUI, 58
has been with our Group since 1991. He is currently the Assistant General Manager (Marketing) of Samling Plywood (Bintulu) Sdn. Bhd. and is responsible for the marketing of veneer products for our downstream operations in Malaysia. Mr. Lin has over 32 years of experience in plywood manufacturing.

VINCENT CHIENG AI UNG, 42
joined our Group in 1999 and is currently the Assistant General Manager of the Veneer Operations. He is involved in the production and management of our veneer plants. Mr. Chieng has experience in the Group's Marketing and Operations departments prior to his current appointment. He has a degree in Forestry Science, majoring in wood industry.

YAP FUI FOOK, 46
has been with our Group since 1996. He is currently the Assistant General Manager of the Finished Products Division in Malaysia, responsible for managing operations that produce door skins, doors, mouldings, flooring and furniture. He joined Samling Housing Products Sdn. Bhd., our subsidiary involved in the manufacture and sale of housing products in 1996 and served as its Production Controller. In 2008, the scope of his responsibilities expanded to include other lines of finished products. Mr. Yap's prior working experience includes IBM Asia Pacific, Japan and Sunway Computer Services Sdn. Bhd. He was a Malaysia Public Service Department scholar and a graduate from Universiti Kebangsaan Malaysia with a Bachelor of Economics. He was also a Japanese Mombusho scholar at Osaka Gaidai and holds a Master of International Economics from Wakayama University.

UNITED STATES & PEOPLE'S REPUBLIC OF CHINA

CHIA TI LIN, COLIN, 53
has been with our Group since 1992. He is currently the President of Riverside Plywood Corporation and the Senior Vice President of our People's Republic of China ("PRC") and United States ("US") operations, and is responsible for developing our downstream processing operations in the PRC. He is also responsible for establishing our distribution network for the marketing of our products in the US, building supply chain alliances with end-user customers and developing key strategies and creating a brand identity for our products in the US. Mr. Chia served in various capacities in our wood-based downstream operations in Malaysia for 9 years from 1994 to 2002, including being the Senior Vice President of our downstream operations in Sarawak from 1997 to 2002.

MICHAEL LIU, 51
is the founder of Baroque Timber (Zhongshan) Co., Ltd. and Baroque Timber Industry (Tianjin) Co., Ltd. (collectively known as the "Baroque group") and the Chairman of the Board of these companies, overseeing the management and operations of the Baroque group. Together with strategic partners, Mr. Liu is instrumental in building and marketing the Elegant Living brands into one of the most established flooring products brand names with 1,150 distribution outlets in PRC. He established Baroque group's first-class research and development laboratory for flooring products and is one of the founders of the Baroque Music Research Centre. From 1993 to 1998, he served as the Chairman of the Board for Yu Xin Co. Ltd., a company involved in the supply of wood machineries for the domestic market. From 1998 to 2003, Mr. Liu served as the Chairman of the Board of Makro Wood Co. Ltd., a wood import business. Mr. Liu graduated from the Business Institute of the National Taiwan University.

GUYANA

CLEMENT OOI, 48
is the Chief Executive Officer of Barama Company Limited, Guyana. Prior to taking over the helm of our Guyana operations in April 2010, Mr. Ooi was the General Manager – International Marketing with Hume Cemboard Industries, a public listed building material company from conglomerate Hong Leong Group. He has an impressive track record of more than 20 years in the fast moving consumer goods, and oils and gas industries, having held senior managerial portfolios in ExxonMobil and Petronas, and was responsible for expanding and delivering operation results in Asia Pacific markets. He holds an MBA from University of Hull, United Kingdom, and a Bachelor of Arts (Economics) degree from University of Malaya.

INDIA

JERRY JOHN, 43
has been with our Group since 2008. He is currently the Chief Executive Officer of Xylos Arteriors India Pvt. Ltd., India. He was responsible for setting up our operations in India, and currently manages distribution and project channels for downstream products across the country. He has 18 years of experience in the building industry, with 15 years in the flooring industry. He was previously the Chief Executive Officer for Pergo India Pvt. Ltd., which introduced laminated flooring to the Indian market. He holds a Bachelor in Commerce degree from Mumbai University.

AUSTRALIA & NEW ZEALAND

YAW CHEE CHIK, 51
has been with our Group since 1988. Mr. Yaw is the Vice President of our New Zealand operations, responsible for overseeing the operations of our downstream division in New Zealand, as well as business development of international projects. He is also the Executive Director of Business Development for Australian Wood Panels Group Pty. Ltd. ("AWP") from 1 July 2011, responsible for the strategic review and growth of the AWP business in Australia. Mr. Yaw has over 20 years of experience in the timber industry and has held various leadership positions within our Group. Mr. Yaw graduated from City of London Polytechnic (currently known as the London Metropolitan University) and the University of Salford in the United Kingdom with a Bachelor of Arts degree and a Master of Science degree, respectively. He is a brother of Mr. Yaw Chee Ming, an Executive Director and the Chief Executive Officer of our Company.

CHIN CHUN-YEAN (C.Y. Chin), **67**
joined our Group in 2009 and is currently the Chairman of AWP. He is the Executive Chairman of our distribution and retail operations in Australia and is responsible for the Group's expansion in the Australian market. He has extensive experience in retail and wholesale in the oil industry across Shell's global operations; and sales and marketing in Maxis Communications Berhad, Celcom Berhad and ASTRO, Malaysia's leading telecommunications providers. Mr. Chin was a Colombo Plan scholar of the Canadian Government and also a scholar of the Ford and McAlister Foundation. He holds a Bachelor of Engineering (Honours) Degree in Mechanical Engineering from the Technological University of Nova Scotia and a Master of Science Degree in Engineering from the University of Saskatchewan, Canada. He is a member of the Association of Professional Engineers, Canada; and also the Institute of Engineers Malaysia, and is a Fellow of the Technical Association of Malaysia.

NORMAN ROBERT HUNTER, 61
has been with our Group since 1995. He is currently the General Manager of our New Zealand operations and the Managing Director of Hikurangi Forest Farms Limited, a wholly-owned subsidiary in New Zealand. Mr. Hunter has worked in the forest industry for 40 years and has extensive experience gained throughout North, South and Central America, Africa, Australasia, the Asia Pacific region, Eastern and Western Europe and Russia. Mr. Hunter graduated from the University of Southern California with a Master of Business Administration degree and the University of Alberta with a Bachelors Degree in Forest Science, and obtained a Diploma in Forestry at the British Columbia Institute of Technology. He is a brother-in-law of Mr. Yaw Chee Ming, an Executive Director and the Chief Executive Officer of our Company.

Maximising Resources **Through Quality**

Corporate Governance **Report**

The Board of Directors of Samling Global Limited ("the Board") is committed to maintaining its high standards of corporate governance practices established in accordance with the code provisions stated 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 business of the Group.

The Board is pleased to report that the Company has been in full compliance with the code provisions and most of the recommended best practices in the CG Code throughout the financial year ended 30 June 2011 except for Code Provision A.4.1 in respect of the specific term of the 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. A retiring director shall be eligible for re-election and the detailed biography of such directors will be stated in the notice of the annual general meeting.

DIRECTORS

The Board and its Responsibilities

The Group is headed by an effective Board which leads and controls the Group in the discharge of its stewardship responsibilities.

The Board is primarily responsible for the followings:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business to ensure that it is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Appointing, training, fixing the compensation of, and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme and shareholder communications policy for the Company;
- Reviewing the adequacy and the integrity of the Group's system of internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- Reviewing the adequacy of the resources, qualifications and experience of staff for the accounting and financial reporting function, and their training programmes and budget.

The authority for implementing the Board's policies is delegated to the Chief Executive Officer within the limits authorised by the Board. The Directors have, through various Board meetings, provided leadership and discussed various corporate affairs pertaining to the Group including its overall strategy and plans to enable the achievement of the Group's business objectives whilst fulfilling its obligations to shareholders and other stakeholders.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure projects and significant financial, operational and compliance matters. The schedule ensures that the Board has overall control of the Group's affair and governance.

The Group 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). The Board having made specific enquiry of all Directors, confirmed their compliance with the standards set out in the Model Code.

DIRECTORS (continued)

Board Composition and Balance

The Board comprises one (1) Executive Director, one (1) Non-Executive Director and four (4) Independent Non-Executive Directors. The composition of the Board remained the same during the year except for the demise of Mr. Cheam Dow Toon, the Executive Director and Chief Finance Officer on 19 September 2010. Mr. Amirsham A Aziz has been appointed as an Independent Non-Executive Director on 18 July 2011. Save where a situation of conflict of interest arises when Executive Directors do not vote, the Independent Non-Executive Directors exercise their duties and functions in the manner expected of them as Independent Directors. The profile of each Director is presented on pages 32 and 33.

The Board exceeded the recommended best practices by having more than one-third of the Board comprising of Independent Non-Executive Directors. This mix ensures that all matters brought before the Board are fully and objectively discussed, taking into account the interest of shareholders as a whole including, in particular, those of non-controlling shareholders.

The Board is led by Mr. Chan Hua Eng who is a Non-Executive Chairman, and the executive management of the Company is led by Mr. Yaw Chee Ming as the Chief Executive Officer. The roles and responsibilities of the Chairman and the Chief Executive Officer are clearly defined and separated so as to ensure a balance of power and authority. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in the Board decisions. The Directors are professionals in the field of business administration, finance, accounting and legal services. The Executive Directors, with their intimate knowledge of the business, take on the primary responsibility for leadership of the Group whilst the Non-Executive Directors bring in independent judgment and insights from a broader perspective to the Group's business in terms of strategy, business performance, resources and standards of conduct. Together, they provide the Group with a wealth of technical skills, experience and expertise to deal with the current and emerging business issues.

Board Meetings and Supply of Information

The Board meeting is held at least quarterly, and more frequently as and when the business or operational needs arise. Board meetings are also held whenever necessary to discuss various corporate matters including corporate exercises, new major investments and significant changes in regulatory requirements that affect the Group. The Board meetings are held to discuss and review the interim and annual results of the Group for announcement to The Stock Exchange of Hong Kong Limited ("SEHK"), and to discuss and approve the Group's annual budget and business plans.

The number of meetings attended by each Director during the financial year was as follows:

Directors	Meeting attended					
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Independent Non-Executive Directors Committee Meeting	Annual General Meeting
Executive Directors						
Yaw Chee Ming	5/5		4/4			1
Cheam Dow Toon*	1/2					—
Non-Executive Director						
Chan Hua Eng	5/5	4/4		2/2		1
Independent Non-Executive Directors						
Fung Ka Pun	5/5	4/4	4/4	2/2	4/4	1
David William Oskin	4/5	3/4	3/4		3/4	1
Tan Li Pin, Richard	5/5	4/4		2/2	4/4	1

* Director demised on 19 September 2010

DIRECTORS (continued)

Board Meetings and Supply of Information (continued)

Board meetings are scheduled in advance on a calendar-year basis with a view to facilitating attendance by Directors. Hence, non-attendance at Board and Committee meetings is rare, and it is usually caused by an unexpected commitment which could not be rearranged. Directors are provided with the agenda and full set of board papers normally a week prior to the meeting of the Board to ensure that sufficient time is given to the Directors to review the matters to be discussed. This includes various reports and information that goes beyond assessing the quantitative performance of the Group but also other performance factors. Directors who are unable to attend will provide their comments and feedback to the Chairman or the Chairman of the relevant Committee and the Company Secretary, who will ensure that their comments and views are raised during the meeting. The Chairman undertakes the primary responsibility for organising information necessary for the Board to deal with the agenda and for providing this information to the Directors on a timely basis.

Board meetings are periodically held at locations within the Group's operating business to enable the Directors to obtain a better understanding and perspective of the Group's business. When a new Director joins the Group, an induction programme will be held for the Director and he will be introduced to the Group's business and operations.

All Directors have full and unrestricted access to information pertaining to the Group and access to and interaction with senior management. In furtherance of their duties, they have access to the services of the Company Secretary and may take independent professional advice at the Group's expense. The Group provides insurance cover and indemnities for its Director. The Board believes that the current Company Secretary is capable of carrying out the duties required to ensure the effective functioning of the Board and the removal of the Company Secretary is a matter for the Board as a whole.

Board Committees

The Board governs through a number of Board Committees, i.e., the Audit, Remuneration, Nomination and Independent Non-Executive Directors Committees, to which certain duties and responsibilities are delegated. These Committees operate under clearly defined terms of reference and the outcome of the Committee meetings are reported to the Board. The effectiveness of the Audit, Remuneration and Nomination Committees is underpinned by a majority of Independent Non-Executive Director membership, which provides independent insight on governance matters. All terms of reference for the Committees of the Board are available on the Company's website.

A summary of the operations of these Committees is set out below.

1. Audit Committee

   The Audit Committee was established on 20 August 2006. As at 30 June 2011, the Audit Committee comprises of four (4) members and is chaired by Mr. Fung Ka Pun, an Independent Non-Executive Director. Other members of the Audit Committee are Mr. David William Oskin and Mr. Tan Li Pin, Richard, who are also the Independent Non-Executive Directors, and Mr. Chan Hua Eng, a Non-Executive Director. Mr. Amirsham A Aziz, an Independent Non-Executive Director, was appointed as a member of the Audit Committee on 18 July 2011. Further details on the Audit Committee, including their terms of reference and a summary of their activities during the year are set out in the Audit Committee Report on pages 45 to 50.

2. Remuneration Committee

   The Remuneration Committee was established on 20 August 2006. It comprises three (3) members, namely Mr. David William Oskin (Chairman of the Committee) and Mr. Fung Ka Pun who are Independent Non-Executive Directors, and Mr. Yaw Chee Ming, who is an Executive Director. The primary duties of the Committee include, amongst others, evaluating the performance and determining the specific remuneration packages of all Executive Directors and senior management by reference to corporate objectives and goals, recommending to the Board the remuneration of Non-Executive Directors and advising shareholders on the reasonableness of the terms of Executive Directors' service contracts.

   During the financial year, the Remuneration Committee held four (4) meetings to deliberate, review and recommend to the Board the remuneration packages of the Executive Directors and senior management. All Directors abstain from discussing their own remuneration.

DIRECTORS (continued)

Board Committees (continued)

3. Nomination Committee

   The Nomination Committee was established on 20 August 2006. It comprises three (3) members namely Mr. Tan Li Pin, Richard (Chairman of the Nomination Committee) and Mr. Fung Ka Pun, who are the Independent Non-Executive Directors, and Mr. Chan Hua Eng, who is a Non-Executive Director. The primary duties of the Committee include, amongst others, to review the structure, size and composition of the Board on a regular basis, and to identify, select or make recommendations to the Board on the selection of individuals nominated for directorships.

   Members of the Nomination Committee abstain from participating in matters concerning their own appointments. The Committee has available to it the services of external advisers, at the Group's expense, as and when it deems necessary.

   During the financial year, the Nomination Committee reviews the structure, size and composition of the Board. On 18 July 2011, the Nomination Committee recommended Mr. Amirsham A Aziz to the Board of Directors for appointment as an Independent Non-Executive Director of the Company.

   In accordance with the bye-laws of the Company, the Committee recommended the retirement and re-election of Mr. Yaw Chee Ming and Mr. Tan Li Pin, Richard at the 2010 Annual General Meeting.

   At the forthcoming 2011 Annual General Meeting, Mr. Chan Hua Eng, Mr. David William Oskin and Mr. Amirsham A Aziz who were appointed by the Board, will retire and being eligible will present themselves for re-election.

4. Independent Non-Executive Directors Committee

   The Independent Non-Executive Directors Committee ("INED Committee") consists of Mr. David William Oskin as the Chairman and Mr. Fung Ka Pun and Mr. Tan Li Pin, Richard as members. Details of the INED Committee, including their terms of reference and a summary of their activities during the year are set out in the Independent Non-Executive Directors Committee Report on pages 51 to 53. On 18 July 2011, Mr. Amirsham A Aziz was appointed as a member of the INED Committee.

Directors' Training

During the financial year, the Company Secretary, external auditors and consultants engaged by the Company provided updates to the Board on relevant governance matters and on new legislations and regulations concerning the Group and the Directors' duties and obligations. The Audit Committee regularly considers new accounting developments through presentations from the management and the external auditors. Non-Executive Directors increase their understanding of the business and sector through regular presentations given by the management on issues, developments, innovations and competitive intelligence concerning the industry and the business.

Respective Directors have also participated in trainings and development programmes during the financial year to update their skills and knowledge and to keep abreast of the developments on a variety of areas relevant to the Group's business with emphasis on governance and accounting matters.

Appointments to the Board

The Nomination Committee, as part of its terms of reference, is responsible for making recommendations to the Board on the appointment of Directors. In making these recommendations, the Nomination Committee considers the composition of the Board and the required mix of skills and experience which the Nomination Committee feels is necessary for the effective management of the Group. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Re-election

The bye-laws of the Company require that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement of at least once every three years. A retiring Director shall be eligible for re-election.

DIRECTORS (continued)

Re-election (continued)

For the purpose of the election or re-election of Directors, the notice of meeting will be included in a separate statement with information, such as the relevant personal and professional profile of the Directors standing for the election or re-election as set out in the Listing Rules.

DIRECTORS' REMUNERATION

The levels of remuneration for each of the Director are designed to be adequately sufficient to attract and retain the Directors needed to manage the business of the Group. The level of remuneration reflects the level of responsibility and commitment that goes with the Board membership.

The remuneration of the Executive Directors has been structured to link rewards to the individual and Group performance. It reflects the Director's level of responsibility, contribution and commitment made to the Group. The level of remuneration of the Executive Directors has to be considered by the Remuneration Committee as part of its terms of reference.

The details of Directors' remuneration paid or payable or otherwise made available to all Directors of the Company during the financial year are set out on page 102.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements, interim financial statements and the annual and interim results announcements to shareholders, the Board has taken reasonable steps to ensure that the financial statements are a true and fair reflection of the Group's position and prospects. This also applies to circulars to shareholders and other documents that are submitted to the authorities and regulators.

Internal Control

The Board acknowledges its responsibilities for the Group's system of internal control covering not only financial controls but also operational and compliance controls as well as risk management. The Group's Statement on Internal Control set out on pages 54 to 56 provides an overview of the system of internal control within the Group.

Relationship with the External Auditors

The Board and the Audit Committee have established transparent and appropriate relationships with the external auditors. Continuous communications are held with external auditors throughout the financial year and the external auditors participate in Audit Committee meetings at least twice a year.

The role of the Audit Committee with the external auditors is set out in the terms of reference of the Committee. During the financial year, audit fees paid to the external auditors totalled US$866,000, whilst non-audit fees paid amounted to US$396,000.

Breakdown of non-audit services rendered by the external auditors were as follows:

Nature of service	Fees paid (US$'000)
Tax services	121
Other advisory services	275

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring the Company and the Group keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution by the Board of Directors dated 22 September 2011.

The responsibility statement made by the Group's auditors in respect of the financial statements is set out in the Independent Auditor's Report on page 71.

SAFEGUARDING THE INTEREST OF INDEPENDENT SHAREHOLDERS

Mechanisms are in place to safeguard the interest of independent shareholders in the decision making process in relation to connected transactions entered into by the Group with its Controlling Shareholders and their respective associates, as described below.

Call Option Agreements

The INED Committee have further reviewed the relevant information up to or as at 15 September 2011 and have decided not to exercise any of the remaining call options granted to the Company under the Call Option Agreements.

Non-Competition Agreement

Having made specific enquiries to all Controlling Shareholders, the INED Committee confirmed their compliance with the Non-Competition Agreement.

Connected Transactions

Connected Transactions entered into by the Group are based on normal commercial terms, in the ordinary and usual course of business of the Group and are conducted on a fair and reasonable basis.

The Company's external auditors, Messrs. KPMG ("KPMG"), reviews the continuing Connected Transactions on a quarterly basis and provides confirmation to the INED Committee that the amounts for the relevant transactions have not exceeded the approved annual caps and other matters as set out under Rule 14A.38 of the Listing Rules. Details of the Connected Transactions are set out on pages 65 to 70.

COMMUNICATION WITH SHAREHOLDERS

Dialogue between the Company and Investors

The Board recognises the importance of transparent and effective communications with shareholders, stakeholders and the public, and reports on a timely basis all material information relevant to the Group. The Group communicates with the shareholders, stakeholders and the general public through the annual reports, interim reports, annual and interim results announcements and other corporate announcements to SEHK.

Regular meetings are held with institutional shareholders throughout the financial year to discuss the progress of the Group, future growth prospects and strategy.

The Company's website at *www.samling.com* provides shareholders and other stakeholders with latest information relating to the Company's corporate structure, corporate announcements and events.

Annual General Meeting

The Annual General Meeting provides the Board with an important forum for communication with shareholders. During the meeting, shareholders are given the opportunity to enquire and comment on matters relating to the Group's business. The Board encourages active participation from the shareholders and all Directors are available to provide their feedback. Detailed explanations of any special business during the meetings are included in the notice of meeting for the shareholders to fully understand the effects of the proposed resolutions. Meetings between members of the press and the Board were held after the Annual General Meeting to address any further queries.

Special General Meeting

The bye-laws of the Company allow the Board to call for a Special General Meeting of the shareholders to transact certain business or businesses. Under the same bye-laws, members of the Company with aggregate shareholdings of at least one-tenth of the paid-up capital of the Company with voting rights at General Meetings can compel the Board or the Company Secretary to call for a Special General Meeting of the shareholders to transact their proposed business or businesses. The Board will ensure that such meeting will be held within two months from the date of receipt of their written request. A full explanation of the effects of the special business or businesses will be included in the notice to the shareholders.

Audit Committee **Report**

The Audit Committee is accountable to the Board of Directors of Samling Global Limited ("the Board") and assists the Board in meeting its responsibilities in ensuring an effective system of internal control and compliance and for meeting its external financial reporting obligations.

MEMBERS

The Board has established an Audit Committee comprising five (5) members, namely Mr. Fung Ka Pun (Chairman of the Audit Committee), Mr. David William Oskin and Mr. Tan Li Pin, Richard, who are the Independent Non-Executive Directors and Mr. Chan Hua Eng, who is a Non-Executive Director. On 18 July 2011, Mr. Amirsham A Aziz, an Independent Non-Executive Director, has been appointed as a member of the audit committee. The Board has determined that Mr. Fung Ka Pun and Mr. Amirsham A Aziz have recent and relevant financial experience. The Company Secretary acts as the secretary to the Committee.

The main roles and responsibilities of the Audit Committee are set out in written terms of reference shown on pages 47 to 50.

MEETINGS

During the financial year ended 30 June 2011, the Audit Committee met on four (4) occasions where all members attended, except for Mr. David William Oskin, who attended three out of four meetings held.

The agenda for each meeting is pre-planned to ensure that each aspect of the Audit Committee's responsibilities is discharged as part of an annual cycle. Also, the Audit Committee receives comprehensive reports from the management and the internal and external auditors for the meetings.

At the invitation of the Audit Committee, representatives of the external auditors, Messrs. KPMG ("KPMG"), the Chief Executive Officer, the Chief Finance Officer, the Head of Internal Audit and certain senior management of the Group also attended some of the meetings.

The Chairman of the Committee engages on a continuous basis with the senior management, Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Group so that relevant issues can be brought to attention of the Audit Committee in a timely manner.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee's responsibilities were discharged in the following manner during and subsequent to the financial year:

- Reviewed the Group's Interim Report and interim results announcement at a meeting held in February 2011 and the Group's Annual Report and annual results announcement at a meeting held in September 2011. The Audit Committee was briefed on accounting and judgmental issues that required their attention by the Company's officers, the staff responsible for the accounting and financial reporting function and KPMG.

- In July 2011, the Audit Committee reviewed KPMG's overall work plan, their remuneration and terms of engagement for the financial year ended 30 June 2011. The Committee also considered the briefing by KPMG on regulatory and accounting developments and their impact on the Group.

  In September 2011, the Audit Committee considered in detail the results of the audit, KPMG's performance and the independence and effectiveness of the overall audit process.

  The Audit Committee met with KPMG, without the presence of management, in February and September 2011 to facilitate discussion of matters relating to its remit, issues, major audit findings, management responses, timeliness and quality of the financial information and the reports and accounts presented for audit, and the level of assistance, competence and responsiveness of the accounting and financial staff in dealing with matters concerning the annual audit of the Company's reports and accounts. The Audit Committee considered and recommended KPMG's re-appointment as auditors of the Company and a resolution for their re-appointment will be submitted to the shareholders at the Company's Annual General Meeting.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (continued)

- Reviewed the Audit Committee Report, disclosure statements on compliance with the Code on Corporate Governance contained in Appendix 14 of the Listing Rule and the state of internal controls for inclusion in the Company's Interim Report and Annual Report.

- Reviewed regularly the Internal Audit Department's resources, budget, work programme, results and management's implementation of its recommendations. The Audit Committee was made informed on the movement of staff in the Internal Audit Department.

- Reviewed the audit activities carried out by the Internal Audit Department and the audit reports to ensure corrective actions were taken in addressing the issues reported.

- Reviewed the connected transactions at each of its scheduled meeting.

- Discussed issues concerning risks and controls in the operations.

- Reported on its activities at each of the Board meeting.

INTERNAL AUDIT FUNCTION AND ACTIVITIES

Internal Audit Department is independent of business operations and has a Group-wide mandate set out in its Audit Charter.

The activities of the Internal Audit Department are summarised below:

- Prepared the annual audit plan and the audit process for approval by the Audit Committee.

- Attended Committee's meetings to table and discuss the audit reports and followed up on matters raised.

- Reported to the Committee on their reviews on the adequacy, appropriateness and compliance with the procedures established to monitor connected transactions.

- Regularly performed risk based audits on strategic business units of the Company and the Group, which include reviews of the system of internal control, accounting and management information system and risk management.

- Assessed the effectiveness of key internal controls to mitigate the risks and exposures on the Group, focusing on the Group's significant business risks.

- Assessed the adequacy and efficiency of the Group's business processes.

- Issued audit reports to the Committee and management identifying weaknesses and issues as well as highlighting recommendations for improvements.

- Reviewed on the appropriateness of the disclosure statements in regard to compliance with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rule and the state of internal controls as well as the Audit Committee Report.

The Head of Internal Audit reports directly to the Audit Committee and is responsible for the regular review and appraisal of effectiveness of the risk management, internal control, and governance processes within the Group.

In addition to the above responsibilities and activities carried out during the financial year, Internal Audit Department also carried out certain investigative assignments on behalf of management. Occasionally, it facilitated and assisted management on their system improvement, focusing primarily on the processes, risks and controls.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. **Membership**

   The Audit Committee must comprise non-executive directors only. It must comprise a minimum of three (3) non-executive directors, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

   The majority of the Audit Committee members must be independent non-executive directors.

   The Chairman shall be an independent non-executive director appointed by the Board and in his absence members present may elect another independent non-executive director to chair the meeting.

   Any former partner of the Company's existing auditing firm shall be prohibited from acting as a member of Audit Committee for a period of one year commencing on the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the later.

   The Company Secretary shall act as secretary to the Audit Committee.

2. **Proceedings**

   The Audit Committee will meet at least four (4) times during each financial year and shall hold such additional meetings as the Chairman deems necessary in order to fulfill its duties.

   The quorum for a meeting shall be two (2) members including at least one (1) independent non-executive director.

   The Chief Finance Officer and Head of Internal Audit and a representative of the Company's auditors shall normally attend the meetings. The Audit Committee may invite other directors and senior management to attend its meetings as it considers necessary.

   The Audit Committee shall meet with the Company's auditor, at least once a year, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.

   Full minutes of the Audit Committee shall be kept by the Secretary. Draft and final versions of the minutes of meetings shall be sent to all members of the Audit Committee for their comment and records, respectively, in both cases within a reasonable time after the meeting.

   Resolutions of the Audit Committee shall be passed by a majority of votes of members present. In the event that only two (2) members are present, any resolution shall be passed by them unanimously.

   Save as specified above, other provisions of the Company's bye-laws for regulating proceedings of the Board shall apply to the Audit Committee, insofar as they are applicable.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (continued)

3. Authority

The Audit Committee shall report directly to the Board unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

The Audit Committee is authorised to obtain external professional advice if it considers necessary.

The Audit Committee shall be provided with sufficient resources to discharge its duties.

The Audit Committee is authorised to seek any information which it reasonably requires from the Company's employees.

The Audit Committee shall have direct access to the internal and external auditors of the Company and may convene meetings with the Company's auditors as it considers necessary.

4. Duties

The duties of the Audit Committee include:

4.1 Relationship with the Company's external auditors

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor;

(b) to approve the remuneration and terms of engagement of the external auditor, any questions of resignation or dismissal of that auditor;

(c) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(d) to review the external auditor's proposed scope of the audit and reporting obligations before the audit commences;

(e) to develop and implement policy on the engagement of an external auditor to supply non-audit services, if any, to ensure that provisions of such services would not impair the independence and objectivity of the external auditor;

(f) to seek from the external auditor, on an annual basis, information about its policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding rotation of audit partners and staff;

(g) to agree with the Board the Company's policies relating to the hiring of employees or former employees of the external auditor and to monitor the application of such policies; and

(h) to act as the key representative body for overseeing the Group's relation with the external auditor.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (continued)

4. Duties (continued)

4.2 Review of financial information of the Company

(a) to monitor the integrity of the Company's financial statements, annual report and accounts and interim report by ensuring that appropriate accounting principles, practices and reporting standards are followed, and to review significant financial reporting judgments contained therein, with particular focus on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

(b) For the purposes of (a) above:

(i) members of the Audit Committee must liaise with the Board, senior management and the Audit Committee must meet with the external auditor at least once a year; and

(ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditor.

4.3 Oversight of the Company's financial reporting system and internal control procedures

(a) to review the Company's financial controls, internal control and risk management systems;

(b) to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

(c) to consider any finding of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(d) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(e) to review the Group's financial and accounting policies and practices;

(f) to review the external auditors' management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(g) to ensure that the Board provides a timely response to the issues raised in the external auditors' management letter;

(h) to report to the Board on the matters set out in the provisions of the Code on Corporate Governance Practices (Appendix 14 to the Listing Rules); and

(i) to consider other topics, as defined by the Board.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (continued)

5. Others

(a) to direct and supervise any special projects or investigations which it considers necessary and to review the reports on major incidents of fraud or other misconduct;

(b) to review any appraisal or assessment of senior staff members of the internal audit department, to approve any appointment or termination of senior staff members of that department, to inform itself of resignations of internal audit staff members and to provide the resigning staff member an opportunity to submit his/her reasons for resigning; and

(c) to consider any connected transactions (as defined in the Listing Rules) that may arise.

6. Publication of these Terms of Reference

A copy of these Terms of Reference will be made available to any person without charge upon request and both notice as to such availability and these Terms of Reference shall be posted on the Company's website.

Independent Non-Executive Directors
Committee Report

As part of the Group's corporate governance measures, an Independent Non-Executive Directors ("INED") Committee was set up to facilitate decision making-processes in relation to:

(a) the non-competition agreement signed by the Controlling Shareholders (namely Tan Sri Yaw Teck Seng, Mr. Yaw Chee Ming, Yaw Holding Sdn. Bhd. and Samling Strategic Corporation Sdn. Bhd. and companies controlled by them) with the Company;

(b) the call options granted to the Company in respect of the Remaining Businesses (as defined below);

(c) transactions by the Group with any Connected Persons (as defined in Chapter 1 and 14A of the Listing Rules); and

(d) transactions by the Group with the Lingui Developments Berhad group of companies (the "Lingui Group") and the Glenealy Plantations (Malaya) Berhad group of companies (the "Glenealy Group").

MEMBERS

The INED Committee comprises three (3) Independent Non-Executive Directors namely, Mr. David William Oskin (Chairman of the INED Committee), Mr. Fung Ka Pun and Mr. Tan Li Pin, Richard. On 18 July 2011, Mr. Amirsham A Aziz, an Independent Non-Executive Director, has been appointed as a member of the INED Committee.

The main roles and responsibilities of the INED Committee are set out in the written terms of reference shown on pages 52 to 53.

MEETINGS

During the financial year, the INED Committee met on four (4) occasions where all members attended, except for Mr. David William Oskin, who attended three out of four meetings held.

The agenda for each INED meeting is pre-planned as part of an annual cycle to ensure that each aspect of the INED Committee's responsibilities is discharged as part of an annual cycle. Also, the INED Committee receives comprehensive reports from the management on a quarterly basis for its meetings.

At the invitation of the INED Committee, the Chief Finance Officer, the General Manager of Finance and certain senior management of the Group also attended some of the meetings.

The Chairman of the Committee engages on a continuous basis with the senior management in order to be kept informed of matters affecting the Group so that relevant issues can be brought to the attention of the INED committee in a timely manner.

SUMMARY OF ACTIVITIES OF THE INED COMMITTEE

The INED's responsibilities were discharged in the following manner during and subsequent to the financial year:

- Reviewed the terms of all transactions with Connected Persons on a quarterly basis for the purpose of ensuring that the terms of the transactions are in the best interests of the Company and shareholders as a whole.

- Reviewed the compliance by the Controlling Shareholders with the non-competition agreement relating to certain defined businesses (the "Defined Business"), namely, timber and timber product-related businesses or acquisitions and holdings or dealings in shares of, or interests in, any company, investment, trust, joint venture or other entity which engages in timber and timber product-related businesses, on a quarterly basis.

- Reviewed all investments or other commercial opportunities relating to the Defined Business referred to the Company by the Controlling Shareholders under the non-competition agreement and decided whether or not to pursue or decline such investment or opportunity.

SUMMARY OF ACTIVITIES OF THE INED COMMITTEE (continued)

- Reviewed the call options granted to the Company in respect of certain businesses (the "Remaining Businesses"), namely, the timber and timber product-related businesses excluded from the Group and carried on by Grand Perfect Sdn. Bhd., Hormat Saga Sdn. Bhd., Adat Mayang Sdn. Bhd., Anhui Hualin Woodbased Panel Co., Ltd., Qianshan Hualin Woodworking Corporation, Premier Woodworking (Anqing) Corporation and Interwil Holdings (Proprietary) Limited in which the Controlling Shareholders are interested on a quarterly basis and decided whether or not to exercise any of the call options.

TERMS AND REFERENCE OF THE INED COMMITTEE

1. Membership

The INED must comprise a minimum of three (3) Independent Non-Executive Directors with appropriate professional and commercial expertise.

The Chairman shall be an Independent Non-Executive Director appointed by the Board and in his absence, INED members present may elect another member of the INED to chair the meeting.

The Company Secretary shall act as secretary to the INED Committee.

2. Proceedings

The INED Committee will meet at least four (4) times during each financial year and shall hold such additional meetings as the Chairman deems necessary in order to fulfil its duties.

The quorum for a meeting shall be two (2) INED Committee members.

The General Manager of Finance shall normally attend the meetings. The INED may invite other Directors and senior management to attend its meetings as it considers necessary.

Full minutes of the INED Committee shall be prepared by the Secretary and maintained at the principal place of business of the Company in Hong Kong. Draft and final versions of the minutes of meetings shall be sent to all members of the INED Committee for their comment and records, respectively, in both cases within a reasonable time after the meeting.

Resolutions of the INED Committee shall be passed by a majority of votes of the INED Committee members present and voting. In the event that only two (2) members are present, any resolution shall be required to be passed by them unanimously.

Save as specified above, other provisions of the Company's bye-laws for regulating proceedings of the Board shall apply to the INED Committee, insofar as they are applicable.

3. Authority

The INED Committee shall report directly to the Board unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

The INED Committee is authorised to obtain advice from external professional and independent industry experts and advisers if it considers necessary.

The INED Committee shall be provided with sufficient resources to discharge its duties.

The INED Committee is authorised to directly seek any information which it reasonably requires from the Company's employees.

TERMS AND REFERENCE OF THE INED COMMITTEE (continued)

4. Duties

The duties of the INED Committee include reviewing:

(a) the terms of any transactions with any Connected Person and the Lingui Group and the Glenealy Group on a quarterly basis for the purpose of ensuring that the terms of the transactions are in the best interests of the Company and shareholders as a whole;

(b) the compliance by the Controlling Shareholders with the non-competition agreement relating to the Defined Business on a quarterly basis;

(c) any investment or other commercial opportunity relating to the Defined Business referred to the Company by the Controlling Shareholders under the non-competition agreement and decide whether to pursue or decline such investment or opportunity; and

(d) the call options granted to the Company in respect of the Remaining Businesses on a quarterly basis and decide whether or not to exercise any of the call options.

5. Publication of These Terms of Reference

A copy of these Terms of Reference will be made available to any person without charge upon request and both notice as to such availability and these Terms of Reference shall be posted on the Company's website.

Statement on **Internal Control**

The Board recognises the importance of a sound system of internal control and risk management practices, and acknowledges its overall responsibility for maintaining and reviewing the adequacy and integrity of the Group's system of internal control. Procedures have been designed for safeguarding shareholders' investment and assets against unauthorised use or disposition. In considering the system, the Board noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss. The Audit Committee has kept under review the effectiveness of the system of internal control and has reported regularly to the Board.

The key elements of the Group's risk management and internal control processes, which were operational in the financial year under review, are discussed below:

RISK MANAGEMENT

The Board considers risk assessment and control to be fundamental to the Group in achieving its corporate objectives within an acceptable risk-reward profile. It has established an ongoing process to identify, evaluate and manage the significant risks faced by the Group and the effectiveness of the related controls. Elements of the risk, the related controls and the risk process are regularly discussed by the Board during their review meetings.

In ensuring consistency of practices and accountability for managing risks across the Group, the Board has approved a set of policies and frameworks detailed below:

i. Risk Management Policy

The Group's Risk Management Policy governs its approach to Risk Management and its underlying principles are applied and reflected in the day-to-day operations.

The risk management policy and guidelines are intended to provide an ongoing process for identifying, evaluating and managing significant risks that may impede the achievement of the Group's business objectives. The process includes assessment of the existing Risk Management Framework and monitoring the adequacy of the prevailing system of internal control to manage the identified risks.

ii. Risk Management Framework

The Board acknowledges that considerable effort and continued commitment is required to implement all aspects of a Risk Management Framework effectively across the Group. In this context, management continues its responsibility to promote a risk awareness culture by instilling Risk Management knowledge at the operating unit level. They also have the responsibility for managing risks and implementing effective internal controls, whilst ensuring compliance with applicable laws and regulations.

The Group has implemented a risk management programme which includes the process of risk assessment, evaluation of and managing critical risks affecting the Group's operating units in accordance with internationally recognised practices. Risk and responsibilities are established and controls which are required to be operated and monitored are assigned to each level of management. Management of respective operating units are required to acknowledge that they are responsible for managing the risks and related internal controls affecting their business objectives and to provide reasonable but not absolute assurance that the risks in their areas of responsibility are appropriately identified, evaluated and managed.

There is a continuous improvement on the risk management process, which includes:

- Refining the roles and responsibilities for risk management to improve the reporting structure;
- Conducting risk education sessions for the purpose of risk management knowledge sharing and training;

RISK MANAGEMENT (continued)

ii. Risk Management Framework (continued)

- Updating of the database of risks for certain operating units of the Group (key risks to each operating unit were identified, scored and categorised to highlight the source of risk, their financial impacts and the likelihood of occurrence); and

- Exposing the major operating units and its key personnel to good risk management practices.

The on-going enhancement process is essential and imperative to keep abreast with best practices in the industry and adapt to changes in the environment in which the Group is operating.

iii. Risk Reporting

The Group's Risk Management function coordinates the implementation of the Risk Management Policy and Framework, and provides an aggregated view of principal risks inherent in all operating companies under the Group. The key risks identified and the risk profiles of the Group's major operating units are being monitored by the senior management and reported to the Chief Executive Officer, the Chief Finance Officer, the Audit Committee and the Board.

MONITORING AND REVIEWING THE SYSTEM OF INTERNAL CONTROL BY INTERNAL AUDIT AND RISK MANAGEMENT DEPARTMENTS

Internal Audit and Risk Management functions report to the Board on the effectiveness of the Group's system of internal control and risk management.

The processes adopted to monitor and review the effectiveness of the system of internal control were:

- Periodic reviews of the system of internal control by Internal Audit and the results of such reviews were reported regularly to the Audit Committee.

- Risk Management conducted periodic facilitation, monitor and control activities to ensure that business risks were identified, managed and regularly reviewed at all levels of the Group and that executive management and the Board were apprised of the key risks.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Other key elements of the internal control process that were in place during the financial year under review are summarised below:

- Established procedures for delegating authority, which ensures decisions that were significant, either because of the value or the impact on the other parts of the Group, were taken at appropriate level.

- Board reviewed the operational and financial performance of the Group on a quarterly basis and management meetings were conducted at operating division level.

- Established comprehensive system of budgetary control, including monthly performance reviews. Executive management had also reviewed a range of financial and non-financial performance indicators.

- Divisional objectives were set by respective divisions. Their objectives were aligned to the Group's overall strategic goals. Individuals agreed their personal objectives with their immediate superiors. These objectives were aligned to the divisional objectives. Work activities were supervised and Key Result Indicators were defined to facilitate the monitoring and evaluation of progress against goals.

- Defined policies and procedures governing appraisal and approval of capital expenditure and treasury operations were established.

OTHER KEY ELEMENTS OF INTERNAL CONTROL (continued)

- Other expenditures were approved according to formalised limits of authority.

- Where appropriate, subsidiaries and affiliated companies have obtained ISO9001:2008 accreditation for their operational processes.

- The Group, through a subsidiary, has achieved Malaysian Timber Certification Scheme ("MTCS") Certificate for Forest Management and Forest Steward Council ("FSC") Certificate for Forest Management for its upstream operations on sustainable forest management practices.

- Remuneration Committee evaluated and reviewed the remuneration packages of the Executive Directors and senior management.

- Major contracts and legally enforceable agreements were vetted by the Group's Legal Department.

- Board representation was mandatory in companies in which material interest exists to facilitate the review of performance of the companies.

- Audit Committee held regular meetings to deliberate upon findings and recommendations for improvement by both the internal and external auditors on the internal control system and reported back to the Board.

- Audit Committee considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function through discussions with management and the external auditors, budget presentation by the said function on its resources, staff development and training requirements and findings by the internal and external auditors in their audit reviews.

The Board is of the opinion that the aforementioned monitoring, review and reporting arrangements give reasonable assurance that the system of internal control in place is effective to ensure that the level of risk to which the Group is exposed to has been managed appropriately. Nevertheless, such arrangements do not eliminate the possibility of human error or the deliberate circumvention of control procedures by employees or other parties, or the occurrence of unforeseen circumstances. Indeed, a number of such internal control weaknesses were identified during the financial year, all of which have been, or are currently being, addressed and none are of a magnitude that resulted in material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

Financial **Section**

Directors' **Report**

The Board is pleased to present the annual report together with the audited financial statements for the financial year ended 30 June 2011.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated in Bermuda and has its principal place of business at Room 2205, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in note 35 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 2 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 30 June 2011 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 72 to 153.

The final dividend of 0.080 US cents in respect of the financial year ended 30 June 2010 was paid on 17 December 2010. No interim dividend for the six months ended 31 December 2010 was paid. The Board has resolved to recommend payment of a final dividend of 1.00 HK cents (equivalent to approximately 0.128 US cents) per share for the financial year ended 30 June 2011. The dividend will be paid in Hong Kong dollars.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 28 to the financial statements.

RESERVES

Profit attributable to equity shareholders, before dividends, of US$20,746,000 (2010: US$12,645,000) have been transferred to reserves. Other movements in the reserves of the Company during the financial year are set out in note 29 to the financial statements.

DIRECTORS OF THE COMPANY

The Directors who held office during the financial year and up to date of this report are:

Executive Directors

Yaw Chee Ming
Cheam Dow Toon (demised on 19 September 2010)

Non-Executive Director

Chan Hua Eng

Independent Non-Executive Directors

David William Oskin
Tan Li Pin, Richard
Fung Ka Pun
Amirsham A Aziz (appointed on 18 July 2011)

In accordance with bye-laws 86(2), 87(1) and 87(2) of the Company's bye-laws, Mr. Amirsham A Aziz, Mr. David William Oskin and Mr. Chan Hua Eng shall retire from the Board and, being eligible, shall offer themselves for re-election at the forthcoming Annual General Meeting.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules on The Stock Exchange of Hong Kong Limited ("SEHK"), and considers all the Independent Non-Executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Yaw Chee Ming entered into service contract with the Company for an unspecified term commencing on 1 July 2006. The service contract is determinable by the Company within one (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 Director to the Company.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with Directors or persons engaged in the full-time employment of the Company, whereby any individual, firm or body corporate undertakes the management and administration of the whole or any substantial part of the business of the Company, were entered into or existed during the financial year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year was the Company or any of its holding companies, subsidiaries or a party to any arrangement to enable the Directors of the Company or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted pursuant to the written resolutions passed by the shareholders of the Company on 2 February 2007 and the Directors on 4 February 2007 whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including Executive and Non-Executive Directors of the Company and any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The share option scheme shall be valid and effective for a period of five years ending on 1 February 2012, after which no further options will be granted.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on SEHK on the date of grant and the average closing price of the shares on SEHK for the five business days immediately preceding the date of grant.

The total number of securities available for issue under the share option scheme as at 30 June 2011 was 129,052,000 shares which represented 3% of the issued share capital of the Company at 30 June 2011. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

At 30 June 2011, there were no options granted to any employees.

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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY, SUBSIDIARIES AND THE ASSOCIATED CORPORATIONS

As at 30 June 2011, the interests and share positions of Directors and chief executive in the shares, underlying shares or debentures of the Company, subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Name of Director	Interests in Company, Subsidiary or Associated Corporation	Number and Class of Shares/ Equity Interest Held	Capacity/Nature of the Interest	Long/ Short Position	Approximate Percentage of Shareholding in Such Class of Shares
Chan Hua Eng	Lingui Developments Berhad ("Lingui")	394,623 ordinary shares(1)	Beneficial owner/Interest in a controlled corporation	Long	0.06%
	Glenealy Plantations (Malaya) Berhad ("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%
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 Corporation Sdn. Bhd. ("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	2,340,420,260 ordinary shares(4), (7)	Interest in a controlled corporation	Long	54.41%
	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	71.00%
	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%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY, SUBSIDIARIES AND THE ASSOCIATED CORPORATIONS (continued)

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 25.00% 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 25.00% 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 25.00% 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 45.00% and 25.00% 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 20,130,000 ordinary shares of the Company since he is interested in 100% of the issued share capital of Growtrade Investments Limited, which in turn holds 20,130,000 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 38.328% 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 71.00% 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 50.00% 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 30 June 2011, none of the Directors or chief executive have 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 SEHK 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 SEHK pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS AND OTHER SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at 30 June 2011, 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:

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	2,340,420,260	54.41%
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%

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(4)	Interest of a controlled corporation	225,592,070	5.24%
Tapah Plantation Sdn. Bhd. ("Tapah")	Beneficial owner	225,592,070	5.24%

Notes:

(1) Yaw Chee Ming is interested in approximately 39.60% 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 20,130,000 ordinary shares of the Company since he is interested in 100% of the issued share capital of Growtrade Investments Limited, which in turn holds 20,130,000 ordinary shares of the Company.

(2) Tan Sri Yaw Teck Seng is interested in approximately 39.60% 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.

(4) 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 30 June 2011, no other person has 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the financial year, the following Directors have 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:

	Businesses which are considered to compete or likely to compete with the businesses of the Group		
Name of Director	**Name of Entity**	**Description of Business**	**Nature of Interest of the Director in the Entity**
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

CONNECTED TRANSACTIONS

During the financial year, the Group entered into the continuing connected transactions and connected transactions as defined under Chapter 14A of the Listing Rules of SEHK ("Connected Transactions") set out on pages 65 to 70.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in the Connected Transactions above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, subsisted at the end of the financial year or at any time during the financial year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Save as disclosed in Connected Transactions above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Controlling Shareholder or any of its subsidiaries had a material interest, subsisted at the end of the financial year or at any time during the financial year.

EMOLUMENT POLICY

The Group's remuneration policies and package are reviewed on a regular basis. Incentives to the employees, bonuses and cash rewards are given to employees based on individual evaluation.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the financial year are set out in note 13 to the financial statements.

DONATIONS

The Group made charitable and other donations during the financial year amounting to US$0.5 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and Group revenue.

PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

KPMG, the Company's auditors will retire and, being eligible, offer themselves for re-appointment and a resolution for their appointment as auditors of the Company will be proposed, at the forthcoming Annual General Meeting.

By order of the Board

Chan Hua Eng
Chairman

Yaw Chee Ming
Chief Executive Officer

Hong Kong, 22 September 2011

Connected **Transactions**

The continuing connected transactions as noted below have been reviewed by the Independent Non-Executive Directors of the Company who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on prevailing market prices and on normal commercial terms; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company has received from the auditors a letter reporting that the continuing connected transactions stated below:

(a) have been approved by the Board of Directors of the Company;

(b) are in accordance with the pricing policies of the Company;

(c) have been entered into in accordance with the relevant agreements governing such transactions; and

(d) have not exceeded the caps disclosed in the Company's announcements made in respect of each of the continuing connected transactions except for connected transactions with DIC Corporation (formerly known as Dainippon Ink & Chemicals, Inc.) for the purchase of laminated paper and consumables. The amount exceeded due to the strengthening of Japanese Yen against US Dollars and an announcement was made to The Stock Exchange of Hong Kong Limited on 29 August 2011.

I. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Sale of logs, plywood and laminated veneer lumber ("LVL") to Sojitz Corporation and its subsidiaries

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 Products Sdn. Bhd. ("Samling Housing Products"), a subsidiary of the Group. Sojitz Corporation and its subsidiaries are, therefore, connected persons of the Company. Sojitz Corporation and its subsidiaries are engaged, amongst other things, in the trading of plywood, logs, LVL and/or other wood products. Sojitz Corporation is a long term customer and business partner of the Group.

On 21 October 2008, the Company and Sojitz Corporation entered into a new agreement for the sale of logs, plywood and LVL for a term commencing from 1 July 2009 to 30 June 2012. Under the agreement, subsidiaries of the Group, including Kayuneka Sdn. Bhd. ("Kayuneka"), Samling Plywood (Miri) Sdn. Bhd. ("SP (Miri)"), Samling Plywood (Baramas) Sdn. Bhd. ("SP (Baramas)"), Samling Plywood (Bintulu) Sdn. Bhd. ("SP (Bintulu)") and Foothill LVL & Plywood (Cangshan) Co. Ltd. ("Foothill"), shall sell logs, plywood, LVL and other wood products to Sojitz Corporation and its subsidiaries. The annual caps under the agreement amounted to US$40,000,000 for each of the three years ending 30 June 2012.

For the financial year ended 30 June 2011, total sales of logs by Kayuneka to Sojitz Corporation and its subsidiaries, total sales of plywood and other wood products by SP (Miri), SP (Baramas) and SP (Bintulu) to Sojitz Corporation and its subsidiaries and total sales of LVL by Foothill to Sojitz Corporation and its subsidiaries, together amounted to US$31,335,000 compared to a cap of US$40,000,000.

I. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

(2) Sale of housing products by Samling Housing Products to Sojitz Building Materials Corporation

Sojitz Building Materials Corporation ("Sojitz Building Materials") is a subsidiary of Sojitz Corporation. Sojitz Building Materials is a connected person of the Company by virtue of it being an associate of Sojitz Corporation. Sojitz Building Materials is a trading company based in Japan engaged in the sale of construction materials, lumber and residential-related equipment and building interior finish works. Samling Housing Products regularly sells housing products to Sojitz Building Materials. By selling the Group's products to Sojitz Building Materials, the Group could obtain access to the Japanese housing products market.

On 21 October 2008, the Company and Sojitz Corporation entered into a new sale of housing products agreement, whereby the Group, including Samling Housing Products, shall sell housing products to Sojitz Corporation and its subsidiaries, for a term commencing from 1 July 2009 to 30 June 2012. The annual caps under the agreement amounted to US$23,000,000, US$24,000,000 and US$25,000,000 respectively for each of the three years ending 30 June 2012.

For the financial year ended 30 June 2011, total sales of housing products by Samling Housing Products to Sojitz Building Materials amounted to US$18,763,000 compared to a cap of US$24,000,000.

(3) Purchase of logging and motor vehicles and parts from and trade-in of used logging vehicles to Hap Seng Auto Sdn. Bhd. and its subsidiaries

(i) Purchase of logging and motor vehicles and parts from Hap Seng Auto Sdn. Bhd. and its subsidiaries

Hap Seng Auto Sdn. Bhd. ("HSA") 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 Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 50% of HSA. Therefore, HSA is an associate of Mr. Yaw Chee Ming and, thus, a connected person. HSA and its subsidiaries ("HSA Group") are distributor of Mercedes Benz logging and motor vehicles and spare parts which the Group, being involved in logging upstream operations, requires such logging and motor vehicles and spare parts.

On 21 October 2008, HSA entered into a new agreement with Tamex Timber Sdn. Bhd. ("Tamex Timber"), Miri Parts Trading Sdn. Bhd. ("Miri Parts Trading"), Syarikat Samling Timber Sdn. Bhd. ("Syarikat Samling Timber") and Sorvino Holdings Sdn. Bhd. ("Sorvino"), the subsidiaries of the Group, for the purchase of logging and motor vehicles and parts from HSA Group for a term commencing from 1 July 2009 to 30 June 2012. The annual caps under the agreement amounted to US$14,500,000 for each of the three years ending 30 June 2012.

For the financial year ended 30 June 2011, total purchases by Tamex Timber, Miri Parts Trading, Syarikat Samling Timber and Sorvino of logging and motor vehicles and parts from HSA Group amounted to US$4,249,000 compared to a cap of US$14,500,000.

(ii) Trade-in of used logging vehicles to HSA Group

On 21 October 2008, HSA entered into an agreement with Syarikat Samling Timber and Tamex Timber for a term retrospective from 1 July 2008 to 30 June 2011 for the trade-in of used logging vehicles. The annual caps under the agreement amounted to US$4,200,000, US$2,500,000 and US$2,500,000 respectively for the three years ended 30 June 2011.

For the financial year ended 30 June 2011, there was no transaction for the trade-in of used logging vehicles to HSA Group compared to a cap of US$2,500,000.

I. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

(4) Sale of fertilizers and agro-chemicals by Hap Seng Fertilizers Sdn. Bhd.

Hap Seng Fertilizers Sdn. Bhd. ("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 Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 50% of Hap Seng Fertilizers. Therefore, Hap Seng Fertilizers is a connected person. Hap Seng Fertilizers is engaged in the fertilizers and agro-chemicals business.

On 21 October 2008, Hap Seng Fertilizers entered into a new agreement with Amalania Koko Berhad ("Amalania Koko"), Timor Enterprises Sdn. Bhd. ("Timor Enterprises") and Samling Plantation Sdn. Bhd. ("Samling Plantation"), subsidiaries of Glenealy Plantations (Malaya) Berhad ("Glenealy"), an associated company of the Group, for the sale of fertilizers and agro-chemicals for a term commencing from 1 July 2009 to 30 June 2012. The annual caps for the transactions contemplated under the sale of fertilizers and agro-chemicals agreement amounted to US$26,400,000, US$30,500,000 and US$33,200,000 respectively for each of the three years ending 30 June 2012.

For the financial year ended 30 June 2011, total purchases of fertilizers and agro-chemicals by Amalania Koko, Timor Enterprises and Samling Plantation from Hap Seng Fertilizers amounted to US$6,013,000 compared to a cap of US$30,500,000.

II. EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Provision of products marketing, grant of license to use technical information, agency services and supply of consumables by DIC Corporation

DIC Corporation ("DIC") (formerly known as Dainippon Ink & Chemicals, Inc.) is a company listed on the Tokyo Stock Exchange, Inc., holds a 29% interest and is a substantial shareholder of Samling Housing Products, and therefore is a connected person.

DIC is a diversified group in Japan engaged in the sale of graphic arts materials, packaging materials, electronics and information materials, industrial materials and performance chemicals.

Samling Housing Products entered into the following agreements with DIC:

(a) On 20 October 2008, Samling Housing Products entered into a new marketing services agreement with DIC, under which DIC shall provide housing products marketing services for Samling Housing Products. The agreement is automatically renewed for additional terms of one year each until either party gives termination notice at least 90 days prior to the expiration of the extended term, with terms of the agreement remain substantially the same. The annual caps for the transactions contemplated under the marketing services agreement amounted to US$100,000 for each of the three years ending 30 June 2012.

(b) On 20 October 2008, Samling Housing Products entered into a new license agreement with DIC, under which DIC shall grant a license to Samling Housing Products to use technical information relating to the manufacturing of laminated decorative boards in Sarawak, Malaysia with retrospective effect from 1 January 2008 to 31 December 2010. The annual caps for the transactions contemplated under the license agreement amounted to US$150,000 for each of the two years ended 30 June 2010 and US$80,000 (represents the fees for approximately six months) for the period ended 31 December 2010, respectively.

(c) On 20 October 2008, Samling Housing Products entered into a new purchase agreement with DIC for purchase of laminated paper and consumables with a term commencing from 1 July 2009 to 30 June 2012. The annual caps for the transactions contemplated under the purchase agreement amounted to US$4,800,000 for each of the three years ending 30 June 2012.

(d) On 20 October 2008, Samling Housing Products entered into a new agency agreement, under which DIC shall act as an agent for the marketing and sales of Samling Housing Products's housing products to certain buyers in Japan for a period of three years with retrospective effect from 1 July 2008 to 30 June 2011. The annual caps for the transactions contemplated under the agency agreement amounted to US$8,000 for each of the three years ended 30 June 2011.

II. EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

(1) Provision of products marketing, grant of license to use technical information, agency services and supply of consumables by DIC Corporation (continued)

For the financial year ended 30 June 2011, the following amounts were transacted with DIC compared to the respective caps.

	Actual for the financial year ended 30 June 2011 US$'000	Cap for the financial year ended 30 June 2011 US$'000
Housing products marketing services fee	94	100
Technical license fee	75	80
Purchase of laminated paper and consumables	5,200*	4,800
Agency fee	6	8

* The amount exceeded the cap due to the strengthening of Japanese Yen against US Dollars and an announcement was made to The Stock Exchange of Hong Kong Limited on 29 August 2011.

(2) Sale of veneer by Pi Zhou Yanglin Woodware Co., Ltd.

Pi Zhou Yanglin Woodware Co., Ltd. ("Pi Zhou Yanglin"), being indirectly wholly-owned by Mr. Chia Ti Lin, Colin, a director of Riverside Plywood Corporation ("Riverside Plywood"), a subsidiary of the Group, is a connected person by virtue of being an associate of Mr. Chia. Pi Zhou Yanglin is engaged in veneer manufacturing.

On 21 October 2008, Riverside Plywood entered into a new sale of veneer agreement with Pi Zhou Yanglin, where Pi Zhou Yanglin shall sell veneer to Riverside Plywood for a term commencing from 1 July 2009 to 30 June 2012. The annual caps under the new agreement amounted to US$1,200,000 for each of the three years ending 30 June 2012.

For the financial year ended 30 June 2011, there was no transaction for the sale of veneer by Pi Zhou Yanglin to Riverside Plywood compared to a cap of US$1,200,000.

(3) Sale of plywood and veneer and purchase of veneer and logs by Pacific Plywood Corporation

Pacific Plywood Corporation ("Pacific Plywood") is indirectly wholly-owned by Mr. Chia Ti Lin, Colin and is therefore, a connected person by virtue of being an associate of Mr. Chia. Pacific Plywood is engaged in plywood manufacturing.

On 21 October 2008, Riverside Plywood and Pacific Plywood entered into three agreements with a term commencing from 1 July 2009 to 30 June 2012 for the following:

(a) purchase of veneer by Pacific Plywood from Riverside Plywood with annual caps amounted to US$500,000 for each of the three years ending 30 June 2012;

(b) sale of plywood and veneer by Pacific Plywood to Riverside Plywood with annual caps amounted to US$3,000,000 for each of the three years ending 30 June 2012; and

(c) purchase of logs by Pacific Plywood from Riverside Plywood with annual caps amounted to US$200,000 for each of the three years ending 30 June 2012.

II. EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

(3) Sale of plywood and veneer and purchase of veneer and logs by Pacific Plywood Corporation (continued)

For the financial year ended 30 June 2011, the following amounts were transacted with Pacific Plywood compared to the respective caps.

	Actual for the financial year ended 30 June 2011 US$'000	Cap for the financial year ended 30 June 2011 US$'000
Sale of veneer	Nil	500
Purchase of plywood and veneer	48	3,000
Sale of logs	Nil	200

(4) Leases of properties in Sarawak by Doyon Development Sdn. Bhd.

Doyon Development Sdn. Bhd. ("Doyon") is an indirect wholly-owned subsidiary of Yaw Holding Sdn. Bhd. ("Yaw Holding"), which is the holding company of Samling Strategic Corporation Sdn. Bhd. ("Samling Strategic"), one of the Company's controlling shareholders. Doyon is, therefore, a connected person by virtue of it being an associate of the Company's controlling shareholders.

Doyon is engaged in property development, property holding and provision of construction and related services.

Various subsidiaries of the Group have entered into various tenancy agreements with Doyon as landlord in relation to two properties as stated below:

(i) a building known as Wisma Samling situated at Lot 296, Block 11, Miri Concession Land District, Miri, Sarawak, Malaysia; and

(ii) the Brighton Condominium situated at Lot 901, Block 11, Miri Concession Land District, Jalan Temenggong Datuk Oyong Lawai Jau, 98000 Miri, Sarawak, Malaysia.

The annual caps for the aggregate amount of the rental payable by the Group to Doyon amounted to US$1,000,000, US$1,000,000 and US$980,000 for each of the three years ending 30 June 2012.

For the financial year ended 30 June 2011, total aggregate rental paid by the subsidiaries of the Group to Doyon amounted to US$919,000 compared to a cap of US$1,000,000.

(5) Provision of ticket sales agency services by Hornbill Travel Agency Sdn. Bhd.

Hornbill Travel Agency Sdn. Bhd. ("Hornbill Travel") is a company indirectly owned by Yaw Holding. Hornbill Travel is, therefore, a connected person by virtue of it being an associate of the Company's controlling shareholders. Hornbill Travel operates an airline ticket agency which has been providing airline tickets to the subsidiaries of the Group in Miri, Sarawak, Malaysia.

On 21 October 2008, Hornbill Travel entered into a new agency agreement with Syarikat Samling Timber and Lingui Developments Berhad ("Lingui"), a subsidiary of the Group, where Syarikat Samling Timber and Lingui shall purchase air tickets on behalf of their respective subsidiaries through Hornbill Travel as an agent, for a term commencing from 1 July 2009 to 30 June 2012. The annual caps for the transactions contemplated under the agency agreement amounted to US$1,000,000 for each of the three years ending 30 June 2012.

For the financial year ended 30 June 2011, total aggregate amount paid by the subsidiaries of the Group to Hornbill Travel amounted to US$648,000 compared to a cap of US$1,000,000.

II. EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

(6) Charter of helicopters from Adtec Sdn. Bhd.

Adtec Sdn. Bhd. ("Adtec") is 70% owned by Mr. Yong Nyan Siong and 30% owned by Mr. Wan Morshidi bin Tuanku Abdul Rahman, directors of various subsidiaries of the Group. Adtec is, therefore, a connected person of the Company. Adtec is principally engaged in provision of helicopters charter services.

On 21 October 2008, Adtec entered into a helicopters charter service agreement with various subsidiaries of the Group, for a term commencing from 1 July 2009 to 30 June 2012. Under the agreement, Adtec shall provide helicopters charter services to various subsidiaries of the Group. The annual caps under the charter service agreement amounted to US$500,000 for each of the three years ending 30 June 2012.

For the financial year ended 30 June 2011, there was no transaction for the charter of helicopters from Adtec compared to a cap of US$500,000.

(7) Provision of hotel accommodation by Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd.

Insan Sejati Sdn. Bhd. ("Insan Sejati") and Kemena Resort Sdn. Bhd. ("Kemena") are connected persons of the Company, both by virtue of being indirectly held as to 51% by Samling Strategic. Insan Sejati and Kemena are principally engaged in hotel management and operation business, and they own Parkcity Everly Hotel, Miri and Parkcity Everly Hotel, Bintulu, respectively.

On 21 October 2008, Insan Sejati and Kemena entered into hotel accommodation agreement with Syarikat Samling Timber, Lingui and Glenealy, for a term commencing from 1 July 2009 to 30 June 2012. Under the hotel accommodation agreement, Insan Sejati and Kemena shall provide short term accommodation for the staffs of various subsidiaries of Syarikat Samling Timber, Lingui and Glenealy in Parkcity Everly Hotel, Miri, and Parkcity Everly Hotel, Bintulu, respectively. The annual caps under the accommodation agreement amounted to US$300,000 for each of the three years ending 30 June 2012.

For the financial year ended 30 June 2011, provision of hotel accommodation by Insan Sejati and Kemena amounted to US$171,000 compared to a cap of US$300,000.

(8) Purchase of vehicles and spare parts from Auto Pacifica Sdn. Bhd.

Auto Pacifica Sdn. Bhd. ("Auto Pacifica") is a connected person of the Company, being held as to 80% by Samling Strategic. Auto Pacifica is principally engaged in distribution of Mitsubishi motor vehicles including 4-wheel drive vehicles.

On 5 November 2008, Auto Pacifica entered into an agreement with Lingui, Syarikat Samling Timber and Glenealy, for a term with retrospective effect from 1 July 2008 to 30 June 2011. Under the agreement, Auto Pacifica shall sell vehicles and spare parts to Lingui, Syarikat Samling Timber and Glenealy. The annual caps under the agreement amounted to US$700,000 for each of the three years ended 30 June 2011.

For the financial year ended 30 June 2011, total purchases of vehicles and spare parts from Auto Pacifica amounted to US$169,000 compared to a cap of US$700,000.

Certain related party transactions as disclosed in note 31 to the financial statements also constituted continuing connected transactions of the Group within the meaning of the Listing Rules. These continuing connected transactions which the Group had entered into with Arif Hemat Sdn. Bhd., Meridian Magic Sdn. Bhd. and 3D Networks Sdn. Bhd. were for the sale of goods and renting of properties and equipment and management information system provider.

Although these transactions were "continuing connected transactions" as defined in the Listing Rules, all of them were in relation to de minimis transactions exempted under rule 14A.33(3) of the Listing Rules from reporting, announcement and independent shareholders' approval requirements.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the financial year.

Independent **Auditor's Report**

Independent auditor's report to the shareholders of Samling Global Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Samling Global Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 72 to 153, which comprise the consolidated and company balance sheets as at 30 June 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 September 2011

Consolidated **Income Statement**

for the year ended 30 June 2011

(Expressed in United States dollars)

	Note	2011 $'000	2010 $'000
Revenue	3	729,047	598,248
Cost of sales		(645,837)	(540,897)
Gross profit		83,210	57,351
Other operating income	4	11,256	11,615
Distribution costs		(24,574)	(21,745)
Administrative expenses		(41,012)	(33,292)
Other operating expenses	4	(8,736)	(69)
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	17	1,585	4,232
Profit from operations		21,729	18,092
Financial income		17,880	17,409
Financial expenses		(13,640)	(17,297)
Net financing income	5	4,240	112
Share of profits less losses of associates	19	31,819	9,225
Share of profits less losses of jointly controlled entities	20	(11)	1,631
Profit before taxation	6	57,777	29,060
Income tax	7(a)	(12,160)	(592)
Profit for the year		45,617	28,468
Attributable to:			
Equity shareholders of the Company		20,746	12,645
Non-controlling interests		24,871	15,823
Profit for the year		45,617	28,468
Earnings per share (US cent)	10		
Basic and diluted		0.48	0.29

The notes on pages 80 to 153 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9(a).

Consolidated **Statement of Comprehensive Income**

for the year ended 30 June 2011

(Expressed in United States dollars)

	2011 $'000	2010 $'000
Profit for the year	45,617	28,468
Other comprehensive income for the year (Note)		
Exchange difference on re-translation of financial statements of subsidiaries	60,690	29,121
Total comprehensive income for the year	106,307	57,589
Attributable to:		
Equity shareholders of the Company	65,047	29,298
Non-controlling interests	41,260	28,291
Total comprehensive income for the year	106,307	57,589

Note: The component of other comprehensive income does not have any significant tax effect for the years ended 30 June 2011 and 2010.

The notes on pages 80 to 153 form part of these financial statements.

Consolidated **Balance Sheet**

at 30 June 2011

(Expressed in United States dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Fixed assets	13		
— Investment properties		23,020	15,925
— Other property, plant and equipment		381,556	379,804
Construction in progress	14	2,614	13,696
Interests in leasehold land held under operating leases	15	42,396	35,035
Intangible assets	16	39,116	44,560
Plantation assets	17	285,321	239,263
Interests in associates	19	142,079	82,360
Interests in jointly controlled entities	20	12,266	13,494
Available-for-sale financial asset		325	34
Deferred tax assets	21	7,416	6,103
Total non-current assets		936,109	830,274
Current assets			
Inventories	22	161,802	144,655
Trade and other receivables	23	144,271	122,235
Current tax recoverable	7(c)	16,594	18,121
Pledged bank deposits	24	3,873	7,356
Cash and cash equivalents	25	125,980	156,498
Total current assets		452,520	448,865
Total assets		1,388,629	1,279,139
Current liabilities			
Bank loans and overdrafts	26(a)	132,926	112,008
Obligations under finance leases	26(b)	15,529	21,979
Trade and other payables	27	162,214	152,969
Current tax payable	7(c)	5,779	2,461
Total current liabilities		316,448	289,417
Net current assets		136,072	159,448
Total assets less current liabilities		1,072,181	989,722
Non-current liabilities			
Bank loans	26(a)	161,782	176,493
Obligations under finance leases	26(b)	18,623	23,685
Deferred tax liabilities	21	57,033	54,423
Total non-current liabilities		237,438	254,601
Total liabilities		553,886	544,018

	Note	2011 $'000	2010 $'000
Capital and reserves			
Share capital	28	430,174	430,174
Reserves		195,357	133,751
Total equity attributable to equity shareholders of the Company		625,531	563,925
Non-controlling interests		209,212	171,196
Total equity		834,743	735,121
Total liabilities and equity		1,388,629	1,279,139

Approved and authorised for issue by the Board of Directors on 22 September 2011.

Chan Hua Eng
Director

Yaw Chee Ming
Director

The notes on pages 80 to 153 form part of these financial statements.

Balance **Sheet**

at 30 June 2011

(Expressed in United States dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Fixed assets	13	2,583	3,201
Interests in subsidiaries	18	539,062	514,493
Interest in associate	19	20,000	—
		561,645	517,694
Current assets			
Prepayments, deposits and other receivables	23	360	3,074
Cash and cash equivalents	25	55,527	99,235
Total current assets		55,887	102,309
Total assets		617,532	620,003
Current liabilities			
Bank loans	26(a)	10,000	10,000
Other payables and accrued expenses	27	7,462	6,627
Current tax payable	7(c)	476	—
Total current liabilities		17,938	16,627
Net current assets		37,949	85,682
Non-current liabilities			
Bank loans	26(a)	25,000	35,000
Total non-current liabilities		25,000	35,000
Total liabilities		42,938	51,627
Capital and reserves			
Share capital	28	430,174	430,174
Reserves	29(a)	144,420	138,202
Total equity		574,594	568,376
Total liabilities and equity		617,532	620,003

Approved and authorised for issue by the Board of Directors on 22 September 2011.

Chan Hua Eng
Director

Yaw Chee Ming
Director

The notes on pages 80 to 153 form part of these financial statements.

Consolidated **Statement of Changes in Equity**

for the year ended 30 June 2011

(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the Company								
		Share capital $'000 (Note 28(a))	Share premium $'000 (Note 29(b)(i))	Currency translation reserve $'000 (Note 29(b)(ii))	Revaluation reserve $'000 (Note 29(b)(iii))	Other reserve $'000 (Note 29(b)(iv))	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
At 1 July 2009		430,174	261,920	21,740	6,673	(309,679)	107,698	518,526	176,718	695,244
Changes in equity for the year:										
Profit for the year		—	—	—	—	—	12,645	12,645	15,823	28,468
Total other comprehensive income for the year		—	—	16,653	—	—	—	16,653	12,468	29,121
Total comprehensive income for the year		—	—	16,653	—	—	12,645	29,298	28,291	57,589
Additional investment in a subsidiary		—	—	—	—	19,542	—	19,542	(31,727)	(12,185)
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	(2,086)	(2,086)
Dividends in respect of previous financial year, approved and paid during the year	9(b)	—	—	—	—	—	(3,441)	(3,441)	—	(3,441)
At 30 June 2010		430,174	261,920	38,393	6,673	(290,137)	116,902	563,925	171,196	735,121
At 1 July 2010		430,174	261,920	38,393	6,673	(290,137)	116,902	563,925	171,196	735,121
Changes in equity for the year:										
Profit for the year		—	—	—	—	—	20,746	20,746	24,871	45,617
Total other comprehensive income for the year		—	—	44,301	—	—	—	44,301	16,389	60,690
Total comprehensive income for the year		—	—	44,301	—	—	20,746	65,047	41,260	106,307
Acquisition of subsidiaries	30(a)	—	—	—	—	—	—	—	103	103
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	(3,347)	(3,347)
Dividends in respect of previous financial year, approved and paid during the year	9(b)	—	—	—	—	—	(3,441)	(3,441)	—	(3,441)
At 30 June 2011		430,174	261,920	82,694	6,673	(290,137)	134,207	625,531	209,212	834,743

The notes on pages 80 to 153 form part of these financial statements.

Consolidated **Cash Flow Statement**

for the year ended 30 June 2011

(Expressed in United States dollars)

	Note	2011 $'000	2010 $'000
Profit before taxation		57,777	29,060
Adjustments for:			
Negative goodwill	4	—	(391)
Gain on disposal of fixed assets	4	(389)	(2,252)
Depreciation and amortisation	6	71,378	69,522
Write off of fixed assets		277	720
Reversal of impairment losses on fixed assets	6	(1,358)	—
Interest income	5	(2,868)	(2,214)
Interest expense	5	13,530	12,936
Net (gain)/loss on changes in fair value of financial instruments	5	(1,229)	3,628
Write off of available-for-sale financial asset		36	—
Impairment losses on interests in associates	6	66	91
Share of profits less losses of associates	19	(31,819)	(9,225)
Share of profits less losses of jointly controlled entities	20	11	(1,631)
Harvested timber transferred to inventories	17	15,752	12,853
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	17	(1,585)	(4,232)
Net unrealised foreign exchange gain		(9,072)	(11,100)
Changes in working capital:			
(Increase)/decrease in inventories		(7,476)	265
Increase in trade and other receivables		(17,316)	(47,054)
Increase in trade and other payables		2,467	16,678
Net cash generated from operations		88,182	67,654
Income tax and withholding tax paid		(14,910)	(8,954)
Income tax refunded		3,605	8,585
Net cash generated from operating activities		76,877	67,285
Investing activities			
Payment for the purchase of fixed assets		(27,540)	(36,903)
Acquisition of interests in leasehold land held under operating leases		(3,832)	—
Payment for construction in progress		(536)	(4,426)
Capital expenditure on plantation assets		(14,637)	(11,474)
Proceeds from disposal of fixed assets		7,329	4,949
Payment for subscription of shares in an associate		(20,000)	—
Additional investment in an associate		(3,086)	—
Additional investment in a jointly controlled entity		—	(35)
Dividends received from associates		3,791	960
Payment for the purchase of available-for-sale financial asset		(325)	—
Acquisition of subsidiaries, net of cash and cash equivalents acquired	30	(2,442)	(948)
Additional investment in a subsidiary		—	(12,185)
Repayment of loan by a jointly controlled entity		—	1,618
Decrease in pledged deposits		3,483	22,280
Interest received		2,868	2,214
Net cash used in investing activities		(54,927)	(33,950)

	Note	2011 $'000	2010 $'000
Financing activities			
Capital element of finance lease rentals paid		(24,396)	(34,756)
Dividends paid to equity shareholders of the Company		(3,441)	(3,441)
Dividends paid by subsidiaries to non-controlling interests		(3,347)	(2,086)
Proceeds from bank loans		61,217	40,034
Repayment of bank loans		(63,456)	(69,015)
Interest paid on bank loans and finance lease rentals		(19,600)	(20,227)
Net cash used in financing activities		(53,023)	(89,491)
Net decrease in cash and cash equivalents		(31,073)	(56,156)
Cash and cash equivalents at the beginning of the year		139,998	191,250
Effect of foreign exchange rate changes		6,000	4,904
Cash and cash equivalents at the end of the year	25	114,925	139,998

The notes on pages 80 to 153 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include International Accounting Standards ("IASs") and related interpretations, promulgated by the International Accounting Standards Board ("IASB").

These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(aa) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The Group and the Company has not applied any new IFRSs that is not yet effective for the current accounting period (see note 36).

(b) Basis of preparation

The consolidated financial statements for the year ended 30 June 2011 comprise the Group and the Group's interest in associates and jointly controlled entities.

The consolidated financial statements are presented in United States dollars ("US$"), rounded to the nearest thousand. They are prepared on the historical cost basis except that plantation assets (see note 1(l)) and derivative financial instruments (see note 1(x)) are stated at their fair values.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 34.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests (continued)

Non-controlling interests represent the the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loans from shareholders of non-controlling interests and other contractual obligations towards these shareholders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(p) or 1(s) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(p)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(p)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and jointly controlled entities (continued)

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 1(p)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Foreign currency

(i) Functional and reporting currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The financial statements are presented in US$ ("reporting currency") for the easy reference of international investors.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at the average exchange rates for the financial period and their balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investment in foreign subsidiaries are recognised in other comprehensive income.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(p)).

Depreciation is calculated to write off the cost of investment properties less their estimated residual value, if any, on a straight-line basis over the estimated useful lives of 20–50 years.

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

Rental income from investment properties is accounted for as described in note 1(u)(iv).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other property, plant and equipment

(i) Owned assets

Items of other property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 1(p)). Cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see note 1(p)).

(iii) Subsequent costs

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

(iv) Depreciation

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

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

Depreciation directly relating to the plantation assets (see note 1(k)) is capitalised.

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

(v) Retirement and disposal

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

(h) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 1(p)).

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets

(i) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(p)).

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

(ii) Timber concession licences and plantation licence

Timber concession licences and plantation licence acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see note 1(p)). Timber concession licences give the Group rights to harvest trees in the allocated concession forests in designated areas in Malaysia and Guyana. Plantation licence gives the Group rights for tree plantation in Malaysia.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see note 1(p)).

(iv) Amortisation

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

— Timber concession licences and plantation licence	Over the remaining terms of the licences
— Distribution network	12 years
— Trade names	10 years
— Customer relationships	8 years

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

(j) Available-for-sale financial assets

Available-for-sale financial assets are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the consolidated balance sheet at cost less impairment losses (note 1 (p)).

Available-for-sale financial assets are recognised/derecognised on the date the Group commits to purchase/sell the available-for-sale financial assets or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Interests in leasehold land held under operating leases

Interests in leasehold land held under operating leases represent payments made to acquire leasehold land. Leasehold lands are carried at cost less accumulated amortisation and impairment losses (see note 1(p)). Amortisation is charged to the income statement on a straight-line basis over the remaining lease term.

(l) Plantation assets

Plantation assets comprise forest crop in Malaysia, New Zealand, the People's Republic of China (the "PRC") and Indonesia.

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

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

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(p)).

(n) Inventories

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

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

The cost of timber harvested from plantation assets is its fair value less estimated point-of-sale costs at the date of harvest, determined in accordance with the accounting policy for plantation assets (see note 1(l)). Any change in value through the date of harvest is recognised in the income statement.

(o) Cash and cash equivalents

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(p)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(p)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— fixed assets;

— construction in progress;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— intangible assets;

— interests in subsidiaries; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*
The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

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

— *Reversals of impairment losses*
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(p)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Interest-bearing borrowings

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

(r) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plans

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

(s) Provisions and contingent liabilities

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

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

(t) Trade and other payables

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

(u) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

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

(ii) Services rendered

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

(iii) Dividend income

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

(iv) Rental income from operating lease

Rental income receivable under operating lease is recognised in the income statement in equal instalments over the periods covered by the respective leases. Lease incentives granted are recognised as an integral part of the total rental income.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Expenses

(i) Operating lease payments

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

(ii) Royalty payments

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

(iii) Repairs and maintenance expenditure

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

(iv) Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method.

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

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

(w) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income tax (continued)

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(x) Derivative financial instruments

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decision, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Changes in accounting policies

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

— Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary*

— Amendments to IAS 39, *Financial instruments: Recognition and measurement — eligible hedged items*

— Improvements to IFRSs (2009)

— IFRIC 17, *Distributions of non-cash assets to owners*

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

The amendment to IAS 39 and the amendment introduced by the *Improvements to IFRSs (2009)* omnibus standard in respect of IAS 17, *Leases*, have had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

— The impact of the majority of the revisions to IFRS 5 and IFRIC 17 have not had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

As a result of the amendment to IAS 17, *Leases*, arising from the "*Improvements to IFRSs (2009)*" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

2 SEGMENT REPORTING

The Group manages its business by divisions, which are organised by business line. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has identified five reportable segments. Operating segments with similar nature of the production process and products have been aggregated to form the following reportable segments.

Hardwood logs	This segment primarily derives its revenue from the sale of timber logs to external customers and group companies. Hardwood logs are either harvested from the Group's forest concessions or tree plantation areas primarily located in Malaysia, Guyana and the PRC.
Softwood logs	This segment primarily derives its revenue from the sale of timber logs to external customers. Softwood logs are harvested from the Group's tree plantation areas in New Zealand.
Plywood and veneer	This segment derives its revenue from the sale of plywood and veneer. These products are manufactured by the Group's manufacturing facilities primarily located near its forest concessions or tree plantation areas in Malaysia and Guyana.
Flooring products	This segment manufactures flooring products through the Group's manufacturing facilities primarily located in the PRC for sale primarily to external customers.
Other operations	This segment derives its revenue from (i) the sale of timber related products (i.e. chipboard, door facings, doors, housing products, kitchen cabinet and sawn timber), granite aggregates, rubber compound, glue and oil palm products to external customers; and (ii) provisions of logistic services, provision of electricity supply and leasing of properties to group companies.

Starting from 1 July 2010, the financial results of hardwood logs and upstream support which were reported as two separate operating segments in previous years' financial statements are grouped and reported to the Group's most senior executive management as one single operating segment for the purpose of resources allocation and performance assessment. Following a change in the composition of the Group's operating segments that in turn results in a change in the reportable segments, the segment information for the year ended 30 June 2010 has been restated.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and jointly controlled entities, current tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

2 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 30 June 2011 and 2010 is set out below.

	2011						
	Logs						
	Hardwood logs $'000	Softwood logs $'000	Sub-total $'000	Plywood and veneer $'000	Flooring products $'000	Other operations $'000	Total $'000
Revenue from external customers	280,338	55,868	336,206	190,029	91,902	110,910	729,047
Inter-segment revenue	87,931	—	87,931	21,972	—	8,293	118,196
Reportable segment revenue	368,269	55,868	424,137	212,001	91,902	119,203	847,243
Reportable segment profit/(loss)	21,659	12,429	34,088*	(4,837)	5,448	(12,970)	21,729
Reportable segment assets	234,200	316,909	551,109	278,963	133,081	140,913	1,104,066
Interests in associates	—	—	—	—	—	142,079	142,079
Interests in jointly controlled entities	—	—	—	—	—	12,266	12,266
Additions to non-current segment assets during the year	25,767	16,029	41,796	3,668	1,727	18,669	65,860
Reportable segment liabilities	67,995	2,664	70,659	32,475	19,378	39,702	162,214

* Included in reportable segment profit of logs segment is a gain from changes in fair value of plantation assets less estimated point-of-sale costs of $1,585,000.

	2010 (restated)						
	Logs						
	Hardwood logs $'000	Softwood logs $'000	Sub-total $'000	Plywood and veneer $'000	Flooring products $'000	Other operations $'000	Total $'000
Revenue from external customers	218,292	37,629	255,921	181,300	58,002	103,025	598,248
Inter-segment revenue	80,454	139	80,593	21,445	3,271	5,013	110,322
Reportable segment revenue	298,746	37,768	336,514	202,745	61,273	108,038	708,570
Reportable segment profit/(loss)	15,872	15,171	31,043^	(14,533)	8,325	(6,743)	18,092
Reportable segment assets	244,982	268,141	513,123	267,421	119,619	125,047	1,025,210
Interests in associates	—	—	—	—	—	82,360	82,360
Interests in jointly controlled entities	—	—	—	—	—	13,494	13,494
Additions to non-current segment assets during the year	30,774	14,108	44,882	10,510	4,678	13,365	73,435
Reportable segment liabilities	67,152	9,884	77,036	37,175	10,217	28,541	152,969

^ Included in reportable segment profit of logs segment is a gain from changes in fair value of plantation assets less estimated point-of-sale costs of $4,232,000.

2 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2011 $'000	2010 $'000
Revenue		
Reportable segment revenue	847,243	708,570
Elimination of inter-segment revenue	(118,196)	(110,322)
Consolidated revenue	729,047	598,248
Profit		
Reportable segment profit	21,729	18,092
Share of profits less losses of associates	31,819	9,225
Share of profits less losses of jointly controlled entities	(11)	1,631
Net financing income	4,240	112
Consolidated profit before taxation	57,777	29,060
Assets		
Reportable segment assets	1,104,066	1,025,210
Interests in associates	142,079	82,360
Interests in jointly controlled entities	12,266	13,494
Deferred tax assets	7,416	6,103
Current tax recoverable	16,594	18,121
Unallocated head office and corporate assets	106,208	133,851
Consolidated total assets	1,388,629	1,279,139
Liabilities		
Reportable segment liabilities	162,214	152,969
Current tax payable	5,779	2,461
Deferred tax liabilities	57,033	54,423
Bank loans and overdrafts	294,708	288,501
Obligations under finance leases	34,152	45,664
Consolidated total liabilities	553,886	544,018

2 SEGMENT REPORTING (continued)

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than deferred tax assets and available-for-sale financial asset ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets, construction in progress, interests in leasehold land held under operating leases and plantation assets, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in associates and jointly controlled entities.

	Malaysia $'000	Guyana $'000	New Zealand $'000	The PRC $'000	Japan $'000	North America $'000	Australia $'000`	Other countries $'000	Total $'000
2011									
Revenue from external customers	170,148	10,610	6,325	172,465	130,696	56,342	59,588	122,873	729,047
Specified non-current assets	509,095	46,434	307,314	50,811	8,541	—	166	6,007	928,368
2010									
Revenue from external customers	131,610	6,871	6,919	129,833	99,616	44,785	57,946	120,668	598,248
Specified non-current assets	451,391	49,553	259,019	52,378	7,951	—	3,845	—	824,137

3 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 year is as follows:

	2011 $'000	2010 $'000
Sales of goods	709,656	562,606
Revenue from provision of services	19,391	35,642
	729,047	598,248

4 OTHER OPERATING INCOME AND EXPENSES

Other operating income

	2011 $'000	2010 $'000
Gain on disposal of fixed assets	389	2,252
Rental income	636	680
Negative goodwill (note 30)	—	391
Royalty income	5,587	5,280
Sundry income	4,644	3,012
	11,256	11,615

Other operating expenses

On 28 January 2011, the Group entered into a supplemental agreement (the "Supplemental Agreement") with Elegant Living (Hong Kong) Limited, Elegant Living International Holdings Limited and New Elegant Living Timber Manufacturing (Zhongshan) Co., Ltd., vendors of the flooring business acquired by the Group on 26 August 2008. In accordance with the Supplemental Agreement, the Group agreed to pay an amount ("Second Deferred Consideration" as defined in the Supplemental Agreement) to the vendors which will be calculated by reference to the actual aggregate audited consolidated net profits of the acquired flooring business for the three years ended 31 August 2011. Accordingly, the Group has recognised approximately $6,063,000 in the profit or loss for the year ended 30 June 2011 which represents its best estimate of the amount payable in accordance with the terms of the Supplemental Agreement.

	2011 $'000	2010 $'000
Second Deferred Consideration payable to vendors of a previous acquisition	6,063	—
Impairment losses on trade receivables	2,467	—
Others	206	69
	8,736	69

5 NET FINANCING INCOME

	2011 $'000	2010 $'000
Interest on loans and overdrafts from banks and finance charges on obligations under finance leases wholly repayable within five years	(19,817)	(19,985)
Interest on bank loans wholly repayable after five years	(30)	—
	(19,847)	(19,985)
Less: Borrowing costs capitalised into plantation assets (note 17)	6,317	7,049
Interest expense	(13,530)	(12,936)
Net loss on changes in fair value of financial instruments	—	(3,628)
Foreign exchange losses	(110)	(733)
Financial expenses	(13,640)	(17,297)
Interest income	2,868	2,214
Net gain on changes in fair value of financial instruments	1,229	—
Foreign exchange gains	13,783	15,195
Financial income	17,880	17,409
	4,240	112

The borrowing costs have been capitalised at a rate of 4.55% to 7.31% (2010: 4.80% to 7.31%) per annum.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Personnel expenses

	2011 $'000	2010 $'000
Salaries, wages, bonuses and benefits	94,150	79,986
Contributions to retirement schemes	5,267	4,573
	99,417	84,559

Pursuant to the relevant labour rules and regulations in Malaysia, Guyana, Australia, the PRC and Indonesia, the Group participates in defined contribution retirement schemes ("the Schemes") organised by the respective local authorities whereby the Group is required to make contributions to the Schemes at rates in the range of 7.2% to 20% (2010: 7.8% to 20%) of the eligible employees' salaries. Contributions to the Schemes vest immediately.

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

(b) Other items

	2011 $'000	2010 $'000
Impairment losses:		
— trade receivables	2,467	265
— interests in associates	66	91
Reversal of impairment losses on fixed assets	(1,358)	—
Auditors' remuneration	866	823
Depreciation	61,881	60,706
Amortisation of interests in leasehold land held under operating leases	1,199	1,119
Amortisation of intangible assets	8,298	7,697
Royalty fees paid and payable	44,674	32,023

7 INCOME TAX

(a) Current taxation in the consolidated income statement represents:

	2011 $'000	2010 $'000
Current tax		
Provision for the year	11,845	6,127
Under/(over)-provision in respect of prior years	104	(967)
	11,949	5,160
Deferred tax		
Origination and reversal of temporary differences	(5,727)	(2,380)
Effect on deferred tax balances at the beginning of the year resulting from a change in tax rate (note (e))	—	(2,188)
	(5,727)	(4,568)
Withholding tax		
Under-provision in respect of prior years (note (i))	5,938	—
Total income tax expense in the consolidated income statement	12,160	592

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 years ended 30 June 2011 and 2010.

(c) The subsidiaries in Malaysia are liable to Malaysian income tax at a rate of 25% (2010: 25%).

(d) The subsidiaries in Guyana are liable to Guyana income tax at a rate of 30% (2010: 35%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the years ended 30 June 2011 and 2010.

(e) The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 30% (2010: 30%). No provision for New Zealand income tax has been made for the years ended 30 June 2011 and 2010 as the subsidiaries have utilised the tax losses to set off against the taxable profits generated during the relevant years. 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 subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2010: 30%).

(g) The subsidiaries in the PRC are liable to the PRC Enterprise Income Tax at a rate of 25% (2010: 25%), except for certain subsidiaries which are subject to a preferential tax rate of 12.5% until December 2012. For the years ended 30 June 2011 and 2010, a subsidiary is exempted from the PRC income tax.

(h) No provision for Indonesian income tax has been made as the subsidiaries in Indonesia did not earn any income subject to Indonesian income tax during the year ended 30 June 2011.

(i) The under-provision of withholding tax arose from the interest income charged by the Company to a subsidiary in prior years. Such interest income is subject to a withholding tax rate of 15%.

7 INCOME TAX (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 $'000	2010 $'000
Profit before taxation	57,777	29,060
Income tax using the corporate tax rates applicable to profit in the countries concerned	14,011	6,444
Effect of non-deductible expenses (note (i))	6,103	4,164
Effect of non-taxable income (note (ii))	(11,284)	(7,010)
Effect of tax credit (note (iii))	(2,927)	(2,920)
Effect of utilisation of temporary differences not recognised in prior years	(7,605)	(3,243)
Effect of temporary differences and tax losses not recognised in the current year	7,820	6,312
Effect on deferred tax balances at the beginning of the year resulting from a change in tax rate	—	(2,188)
Under-provision of withholding tax	5,938	—
Under/(over)-provision in prior years	104	(967)
Income tax expense	12,160	592

Notes:

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

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

(iii) Tax credit mainly comprises certain expenses incurred by subsidiaries in Malaysia which qualified for double deduction for Malaysian income tax purposes. Under the Malaysian tax laws, companies engaged in the manufacturing of wood-based products (excluding sawn timber and veneer) shall be allowed to claim a double deduction of the freight charges incurred by the companies in respect of the export of wood-based products.

(c) Current taxation in the consolidated and company balance sheets represents:

	`The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Provision for the year	11,845	6,127	—	—
Provisional income tax paid	(11,243)	(8,654)	—	—
	602	(2,527)	—	—
Balance of income tax provision relating to prior years	(11,893)	(13,133)	—	—
	(11,291)	(15,660)	—	—
Withholding tax payable	476	—	476	—
	(10,815)	(15,660)	476	—
Represented by:				
Current tax recoverable	(16,594)	(18,121)	—	—
Current tax payable	5,779	2,461	476	—
	(10,815)	(15,660)	476	—

8 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $9,659,000 (2010: $296,000) which has been dealt with in the financial statements of the Company.

9 DIVIDENDS

(a) Dividend attributable to the year

	2011 $'000	2010 $'000
Final dividend proposed after the balance sheet date of 0.128 US cents (2010: 0.080 US cents) per share	5,522	3,441

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

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

	2011 $'000	2010 $'000
Final dividend in respect of the previous financial year of 0.080 US cents (2010: 0.080 US cents) per share, approved and paid during the year	3,441	3,441

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company for the year of $20,746,000 (2010: $12,645,000) and 4,301,737,000 (2010: 4,301,737,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 30 June 2011 and 2010. The diluted earnings per share is the same as the basic earnings per share.

11 DIRECTORS' REMUNERATION

	2011				
	Fees $'000	Salaries, allowances and others benefits $'000	Discretionary bonuses $'000	Contributions to retirement schemes $'000	Total $'000
Executive directors					
Yaw Chee Ming	39	447	33	21	540
Cheam Dow Toon	8	78	24	4	114
Non-executive director					
Chan Hua Eng	63	—	—	—	63
Independent non-executive directors					
David William Oskin	30	20	—	—	50
Tan Li Pin, Richard	25	20	—	—	45
Fung Ka Pun	30	—	—	—	30
Total	195	565	57	25	842

	2010				
	Fees $'000	Salaries, allowances and others benefits $'000	Discretionary bonuses $'000	Contributions to retirement schemes $'000	Total $'000
Executive directors					
Yaw Chee Ming	38	446	34	22	540
Cheam Dow Toon	38	319	25	16	398
Non-executive director					
Chan Hua Eng	60	—	—	—	60
Independent non-executive directors					
David William Oskin	30	20	—	—	50
Tan Li Pin, Richard	25	20	—	—	45
Fung Ka Pun	30	—	—	—	30
Total	221	805	59	38	1,123

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group include one (2010: two) director whose emoluments are disclosed in note 11. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	2011 $'000	2010 $'000
Salaries, allowances and other benefits	977	726
Discretionary bonuses	72	20
Contributions to retirement schemes	75	49
	1,124	795

The emoluments of these individuals are within the following band:

	Number of individuals	
	2011	2010
HK$1,500,001 to HK$2,000,000	—	1
HK$2,000,001 to HK$2,500,000	4	2

13 FIXED ASSETS

	The Group							
	Land and buildings $'000	Roads and bridges $'000	Plant and machinery, equipment, river crafts and wharfs $'000	Motor vehicles $'000	Furniture and fittings $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost:								
At 1 July 2009	149,759	107,483	648,156	25,004	10,762	941,164	10,078	951,242
Additions:								
— through business combination (note 30)	—	—	1,093	8	19	1,120	—	1,120
— others	5,337	5,262	27,862	1,480	1,763	41,704	7,958	49,662
Transfer from construction in progress (note 14)	—	—	6,510	—	—	6,510	—	6,510
Written off	(201)	—	(1,353)	—	(125)	(1,679)	—	(1,679)
Disposals	—	—	(12,340)	(353)	(37)	(12,730)	—	(12,730)
Exchange differences	10,848	8,825	47,940	1,623	216	69,452	860	70,312
At 30 June 2010	165,743	121,570	717,868	27,762	12,598	1,045,541	18,896	1,064,437
At 1 July 2010	165,743	121,570	717,868	27,762	12,598	1,045,541	18,896	1,064,437
Additions	2,131	5,651	25,328	1,317	745	35,172	2,125	37,297
Transfer from construction in progress (note 14)	1,164	—	6,872	97	—	8,133	4,265	12,398
Written off	(238)	—	(2,714)	—	(4)	(2,956)	(113)	(3,069)
Disposals	(4,783)	—	(4,376)	(420)	(320)	(9,899)	—	(9,899)
Exchange differences	13,285	10,259	43,099	1,536	316	68,495	1,504	69,999
At 30 June 2011	177,302	137,480	786,077	30,292	13,335	1,144,486	26,677	1,171,163
Accumulated depreciation and impairment losses:								
At 1 July 2009	32,223	63,937	446,716	21,601	6,257	570,734	2,553	573,287
Charge for the year	4,167	8,543	46,012	1,430	1,185	61,337	193	61,530
Written off	(37)	—	(802)	—	(120)	(959)	—	(959)
Written back on disposals	—	—	(9,748)	(262)	(23)	(10,033)	—	(10,033)
Exchange differences	2,583	5,695	34,703	1,484	193	44,658	225	44,883
At 30 June 2010	38,936	78,175	516,881	24,253	7,492	665,737	2,971	668,708
At 1 July 2010	38,936	78,175	516,881	24,253	7,492	665,737	2,971	668,708
Charge for the year	4,022	10,258	45,103	1,279	1,442	62,104	473	62,577
Reversal of impairment loss (note 13(f))	—	—	(1,358)	—	—	(1,358)	—	(1,358)
Written off	(133)	—	(2,659)	—	—	(2,792)	—	(2,792)
Written back on disposals	—	—	(2,558)	(381)	(20)	(2,959)	—	(2,959)
Exchange differences	2,431	6,170	32,074	1,333	190	42,198	213	42,411
At 30 June 2011	45,256	94,603	587,483	26,484	9,104	762,930	3,657	766,587
Net book value:								
At 30 June 2011	132,046	42,877	198,594	3,808	4,231	381,556	23,020	404,576
At 30 June 2010	126,807	43,395	200,987	3,509	5,106	379,804	15,925	395,729

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

13 FIXED ASSETS (continued)

	The Company Furniture and fittings $'000
Cost:	
At 1 July 2009	3,510
Additions	522
At 30 June 2010	4,032
At 1 July 2010	4,032
Additions	212
At 30 June 2011	4,244
Accumulated depreciation:	
At 1 July 2009	54
Charge for the year	777
At 30 June 2010	831
At 1 July 2010	831
Charge for the year	830
At 30 June 2011	1,661
Net book value:	
At 30 June 2011	2,583
At 30 June 2010	3,201

13 FIXED ASSETS (continued)

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

	The Group	
	2011 $'000	**2010** $'000
Expensed in consolidated income statement	61,881	60,706
Capitalised into plantation assets (note 17)	696	824
	62,577	61,530

(b) Certain fixed assets are pledged to banks for certain banking facilities granted to the Group as disclosed in note 26(a).

(c) The Group leases production plant and machinery, equipment and motor vehicles under finance leases expiring from 2011 to 2016. At the end of the lease term the ownership of these assets will be transferred to the Group. None of the leases includes contingent rentals.

	The Group	
	2011 $'000	**2010** $'000
Net book value of plant and machinery, equipment and motor vehicles held under finance leases	49,402	68,175

(d) The Group leases out investment properties under operating leases. The leases typically run for an initial period of 2 to 3 years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2011 $'000	**2010** $'000
Within one year	841	363
After one year but within five years	861	176
	1,702	539

The fair values of investment properties located in Malaysia and Japan amounted to $35,553,000 (2010: $20,071,000) and $7,286,000 (2010: $7,038,000) respectively, which were determined based on valuations carried out by independent firms of surveyors, HASB Consultants Sdn. Bhd., who have among their staff members of The Institution of Surveyors, Malaysia and Mitsui Real Estate Sales Co., Ltd., an affiliated entity of Mitsui Fudosan Group in Japan respectively, with recent experience in the location and category of properties being valued.

13 FIXED ASSETS (continued)

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

	The Group	
	2011 $'000	**2010** $'000
Outside Hong Kong		
— freehold	62,935	53,929
— long-term leases	32,653	30,245
— medium-term leases	95,447	87,602
— short-term leases	6,310	5,991
	197,345	177,767

The net book value of properties represents:

	The Group	
	2011 $'000	**2010** $'000
Land and buildings	131,929	126,807
Investment properties	23,020	15,925
Interest in leasehold land held under operating leases	42,396	35,035
	197,345	177,767

(f) In June 2011, the Group reassessed the recoverable amount of certain plants and machineries which have been determined to be impaired in prior years and as a result, the Group has reversed the impairment loss of $1,358,000 in respect of these plants and machineries during the year ended 30 June 2011.

(g) The Group acquired fixed assets with an aggregate cost of $37,297,000 (2010: $49,662,000) during the year ended 30 June 2011, of which $9,757,000 (2010: $12,759,000) were acquired by means of finance leases.

14 CONSTRUCTION IN PROGRESS

	The Group	
	2011 $'000	**2010** $'000
At the beginning of the year	13,696	15,401
Additions	536	4,426
Transfer to fixed assets (note 13)	(12,398)	(6,510)
Exchange differences	780	379
At the end of the year	2,614	13,696

15 INTERESTS IN LEASEHOLD LAND HELD UNDER OPERATING LEASES

	The Group	
	2011	2010
	$'000	$'000
Cost:		
At the beginning of the year	44,632	42,097
Additions through acquisition of subsidiaries (note 30(a))	2,545	—
Additions	3,832	—
Exchange differences	2,845	2,535
At the end of the year	53,854	44,632
Accumulated amortisation:		
At the beginning of the year	9,597	7,881
Charge for the year	1,199	1,119
Exchange differences	662	597
At the end of the year	11,458	9,597
Net book value:		
At the end of the year	42,396	35,035

Interests in leasehold land held under operating leases represent land use rights in Malaysia, Australia, the PRC and Indonesia.

The Group's interests in leasehold land held under operating leases with the carrying amount of approximately $5,868,000 (2010: nil) represent interests in land use rights in Indonesia in respect of which official land use right certificates have not yet been issued by the local government authorities.

16 INTANGIBLE ASSETS

	The Group						
	Timber concessions $'000	Plantation licence $'000	Goodwill $'000	Distribution network $'000	Trade names $'000	Customer relationships $'000	Total $'000
Cost:							
At 1 July 2009	42,686	6,130	971	11,275	12,674	2,673	76,409
Exchange differences	3,643	523	65	100	114	24	4,469
At 30 June 2010	46,329	6,653	1,036	11,375	12,788	2,697	80,878
At 1 July 2010	46,329	6,653	1,036	11,375	12,788	2,697	80,878
Exchange differences	3,171	455	101	660	762	179	5,328
At 30 June 2011	49,500	7,108	1,137	12,035	13,550	2,876	86,206
Accumulated amortisation							
At 1 July 2009	23,969	220	—	779	1,057	277	26,302
Charge for the year	5,014	125	—	948	1,272	338	7,697
Exchange differences	2,277	25	—	6	9	2	2,319
At 30 June 2010	31,260	370	—	1,733	2,338	617	36,318
At 1 July 2010	31,260	370	—	1,733	2,338	617	36,318
Charge for the year	5,535	138	—	998	1,272	355	8,298
Exchange differences	2,212	26	—	85	119	32	2,474
At 30 June 2011	39,007	534	—	2,816	3,729	1,004	47,090
Net book value:							
At 30 June 2011	10,493	6,574	1,137	9,219	9,821	1,872	39,116
At 30 June 2010	15,069	6,283	1,036	9,642	10,450	2,080	44,560

(a) Timber concessions

The Group acquired certain timber concession licences through acquisitions of subsidiaries. The Group has also been granted certain timber concession licences by the government of Malaysia and Guyana at no initial cost. Each licence covers a specific area called a forest management unit or concession. Each concession is divided into annual allowable harvest areas called "coupes" which are sequentially harvested over a number of years. Concessions are harvested according to a schedule of between 5 to 25 years. The annual allowable volume of timber that can be extracted is determined by and agreed with the Sarawak Forest Department or Guyana Forestry Commission. The licences expire between 2012 and 2041. Under the terms of the timber concession licences, the Group is required to pay royalty fees to the respective governments based on the volume of species harvested each year, subject to an annual minimum royalty payment (see note 32(b)).

The amortisation charge and royalty payment for the years ended 30 June 2011 and 2010 are included in "cost of sales" in the consolidated income statement.

16 INTANGIBLE ASSETS (continued)

(b) Plantation licence

The Group acquired the right to operate a tree plantation compartment measuring approximately 40,684 hectares within the forest plantation land held under Planted Forest Licence No. LPF/0006 at Belaga District, Kapit Division, Sarawak, Malaysia in 2007. The plantation licence expires in 2058.

The amortisation charge for the years ended 30 June 2011 and 2010 are included in "cost of sales" in the consolidated income statement.

(c) Distribution network, trade names and customer relationships

Distribution network, trade names and customer relationships were acquired through a business combination in 2008 and were recognised at fair value at the date of acquisition.

The amortisation charges for the years ended 30 June 2011 and 2010 are included in "cost of sales" in the consolidated income statement.

17 PLANTATION ASSETS

	The Group	
	2011 $'000	**2010** $'000
At the beginning of the year	239,263	213,396
Additions	21,650	19,347
Harvested timber transferred to inventories	(15,752)	(12,853)
Changes in fair value less estimated point-of-sale costs	1,585	4,232
Exchange differences	38,575	15,141
At the end of the year	285,321	239,263

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

	The Group	
	2011 $'000	**2010** $'000
The PRC	1,898	1,852
New Zealand	259,080	220,495
Malaysia	23,242	16,916
Indonesia	1,101	—
	285,321	239,263

17 PLANTATION ASSETS (continued)

Included in additions to the Group's plantation assets for the year ended 30 June 2011 are interest capitalised of $6,317,000 (2010: $7,049,000) and depreciation of fixed assets of $696,000 (2010: $824,000).

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 seven (2010: seven) plantation licences for a gross area of approximately 458,000 (2010: 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 of 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% (2010: 10.2%) for plantation assets in Malaysia, 10% (2010: 10%) for plantation assets in the PRC and 7.25% (2010: 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. 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 the Asia-Pacific Region.

Certain plantation assets are pledged to banks for certain banking facilities granted to the Group as disclosed in note 26(a).

17 PLANTATION ASSETS (continued)

Sensitivity analysis

The sensitivity analysis below indicates the approximate change in the Group's fair value of plantation assets, profit for the year and retained profits that would arise if the following key estimates and assumptions adopted in the valuation model had changed at the balance sheet date, assuming all other estimates, assumptions and other variables remained constant.

	2011		2010	
	Increase/ (decrease) in log prices	Increase/ (decrease) in fair value of plantation assets, profit for the year and retained profits	Increase/ (decrease) in log prices	Increase/ (decrease) in fair value of plantation assets, profit for the year and retained profits
		$'000		$'000
Log prices	5%	28,969	5%	26,254
	(5%)	(28,969)	(5%)	(26,254)

	2011		2010	
	Increase/ (decrease) in discount rates	Increase/ (decrease) in fair value of plantation assets, profit for the year and retained profits	Increase/ (decrease) in discount rates	Increase/ (decrease) in fair value of plantation assets, profit for the year and retained profits
		$'000		$'000
Discount rates	0.25%	(5,151)	0.25%	(4,646)
	(0.25%)	5,423	(0.25%)	4,995

The sensitivity analysis assumes that the change in the above estimates and assumptions had been applied to re-measure the plantation assets held by the Group at the balance sheet date. The analysis is performed on the same basis for 2010.

18 INTERESTS IN SUBSIDIARIES

	The Company	
	2011 $'000	2010 $'000
Unlisted shares, at cost	86,899	86,899
Amounts due from subsidiaries	452,163	427,594
	539,062	514,493

The amounts due from subsidiaries are unsecured, not expected to be recovered within one year and with the following terms:

	2011 $'000	2010 $'000
Interest bearing at one-year London Inter Bank Offer Rate	263,951	251,151
Interest bearing at 5.23% per annum	24,742	—
Interest free	163,470	176,443
	452,163	427,594

Details of the subsidiaries as at 30 June 2011 are set out in note 35.

19 INTERESTS IN ASSOCIATES

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Unlisted associate, at cost	—	—	20,000	—
Share of net assets:				
— Associates listed outside Hong Kong	110,634	72,298	—	—
— Unlisted associates	31,602	10,153	—	—
	142,236	82,451	—	—
Impairment losses on interests in associates	(157)	(91)	—	—
	142,079	82,360	20,000	—
Market value of listed associates	79,230	56,456		

(Expressed in United States dollars unless otherwise indicated)

19 INTERESTS IN ASSOCIATES (continued)

Details of the Group's associates are as follows:

Name of company	Place of incorporation	Percentage of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Issued and fully paid share capital	Principal activity
Glenealy Plantations (Malaya) Berhad (note 19(b))	Malaysia	25.77	—	38.33	RM115,361,892 divided into 115,361,892 ordinary shares of RM1 each	Investment holding, operation of oil palm plantations, oil mills and forest plantation
Daiken Miri Sdn. Bhd.	Malaysia	20.17	—	30.00	RM149,960,000 divided into 149,960,000 ordinary shares of RM1 each	Manufacture and sale of high and medium-density fibreboard
Sepangar Chemical Industry Sdn. Bhd.	Malaysia	31.93	—	47.50	RM20,000,000 divided into 20,000,000 ordinary shares of RM1 each	Manufacture and sale of formalin and various types of formaldehyde adhesive resins
Rimalco Sdn. Bhd.	Malaysia	40.00	—	40.00	RM200,000 divided into 200,000 ordinary shares of RM1 each	Manufacture and sale of sawn timber
Samling-PDT Resources Sdn. Bhd.	Malaysia	49.00	—	49.00	RM1,000,000 divided into 1,000,000 ordinary shares of RM1 each	Dormant
Aino Tech Middle East FZCO	United Arab Emirates	26.89	—	40.00	AED1,000,000 divided into 10 ordinary shares of AED100,000 each	Dormant
Stone Tan China Holding Corporation (note 19(a))	British Virgin Islands	30.67	30.67	—	$652 divided into 4,347,826 ordinary shares and 60,869,565 series A preferred shares of $0.00001 each	Investment holding and provision of financial services in the PRC

19 INTERESTS IN ASSOCIATES (continued)

Summary financial information of associates:

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Profit $'000 (note 19(c))
2011					
100 per cent	597,613	(217,182)	380,431	256,294	76,440
Group's effective interest	226,259	(84,180)	142,079	105,956	31,819
2010					
100 per cent	388,654	(159,876)	228,778	171,758	25,278
Group's effective interest	142,222	(59,862)	82,360	64,937	9,225

(a) On 19 August 2010, the Company entered into a Shares Subscription Agreement to subscribe 20,000,000 shares in Stone Tan China Holding Corporation ("Stone Tan"), representing 36.80% of equity interest in Stone Tan. Total consideration for the subscription of 20,000,000 shares amounted to $20,000,000. The principal activity of Stone Tan and its subsidiaries is the provision of financial services in the PRC.

In June 2011, Stone Tan further allotted 10,869,565 new shares to other investors. The Group's equity interest in Stone Tan was diluted from 36.80% to 30.67% since the allotment of new shares.

(b) On 23 March 2011, a subsidiary of the Group further purchased 2,180,000 shares, representing 1.91% equity interest, in Glenealy Plantations (Malaya) Berhad ("Glenealy"), a company listed on the Main Market of Bursa Malaysia Securities Berhad, for a cash consideration of $3,086,000. The negative goodwill arising from the acquisition amounting to $4,106,000 is recognised as the share of profits less losses of associates in the consolidated income statement for the year ended 30 June 2011.

(c) The profit for the year (the Group's effective interest) includes a gain from changes in fair value of plantation assets less estimated point-of-sale costs of $12,200,000 (2010: $3,099,000) for the year ended 30 June 2011.

20 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2011 $'000	**2010** $'000
Share of net assets, unlisted	12,266	13,494

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

Name of company	Place of incorporation	Percentage of ownership interest Group's effective interest %	Held by a subsidiary %	Issued and fully paid share capital	Principal activity
Foremost Crest Sdn. Bhd.	Malaysia	33.62	50.00	RM22,613,230 divided into 22,613,230 ordinary shares of RM1 each	Manufacture and sale of doors
Magna-Foremost Sdn. Bhd.	Malaysia	44.27	50.00	RM76,459,480 divided into 76,459,480 ordinary shares of RM1 each	Manufacture and sale of fibreboard door facings
Eastland Debarking Limited	New Zealand	33.62	50.00	NZD100 divided into 100 ordinary shares of NZD1 each	Log debarking services

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

	2011 $'000	**2010** $'000
Non-current assets	19,811	20,157
Current assets	17,600	17,839
Total assets	37,411	37,996
Current liabilities	5,715	4,776
Non-current liabilities	6,451	6,242
Total liabilities	12,166	11,018
Revenue	23,065	23,071
Expenses	23,087	19,809
Group's share of profits less losses of jointly controlled entities	(11)	1,631

21 DEFERRED TAX ASSETS AND LIABILITIES

The amounts recognised on the consolidated balance sheet are as follows:

	The Group	
	2011 $'000	**2010** $'000
Net deferred tax liabilities	57,033	54,423
Net deferred tax assets	(7,416)	(6,103)
	49,617	48,320

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group				
	At 1 July 2009 $'000	**(Credited)/ charged to income statement** $'000	**Change in tax rates** $'000	**Exchange differences** $'000	**At 30 June 2010** $'000
Deferred tax arising from:					
Fixed assets	6,566	(2,100)	—	424	4,890
Plantation assets	27,682	1,366	(2,188)	1,915	28,775
Intangible assets:					
— Timber concessions	4,421	(1,254)	—	234	3,401
— Other intangible assets	6,127	(639)	—	55	5,543
Unutilised tax losses	(54)	47	—	7	—
Others	5,477	200	—	34	5,711
Total	50,219	(2,380)	(2,188)	2,669	48,320

	The Group			
	At 1 July 2010 $'000	**(Credited)/ charged to income statement** $'000	**Exchange differences** $'000	**At 30 June 2011** $'000
Deferred tax arising from:				
Fixed assets	4,890	(3,428)	415	1,877
Plantation assets	28,775	(428)	5,770	34,117
Intangible assets:				
— Timber concessions	3,401	(1,384)	314	2,331
— Other intangible assets	5,543	(656)	199	5,086
Others	5,711	169	326	6,206
Total	48,320	(5,727)	7,024	49,617

21 DEFERRED TAX ASSETS AND LIABILITIES (continued)

The Group has not recognised deferred tax assets in respect of the following items which do not expire under the current tax legislations:

	The Group 2011 $'000	The Group 2010 $'000
Net deductible temporary differences	153,879	146,098
Unutilised tax losses	175,536	163,981
	329,415	310,079

The unutilised tax losses and net deductible temporary differences do not expire under the current tax legislation in Malaysia, Guyana and New Zealand. Unutilised tax losses in Guyana could be used to offset only up to 50% of the assessable profits for the year.

22 INVENTORIES

	The Group 2011 $'000	The Group 2010 $'000
Timber logs	32,415	33,892
Raw materials	16,734	11,811
Work-in-progress	24,062	19,323
Manufactured inventories	49,493	43,927
Stores and consumables	39,098	35,702
	161,802	144,655

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

	The Group 2011 $'000	The Group 2010 $'000
Carrying amount of inventories sold	638,143	538,006
Write-down of inventories	7,694	2,891
	645,837	540,897

23 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011 $'000	**2010** $'000	**2011** $'000	**2010** $'000
Trade receivables	68,743	67,921	—	—
Less: allowance for doubtful debts (note 23(b))	(4,200)	(1,536)	—	—
	64,543	66,385	—	—
Prepayments, deposits and other receivables	63,249	44,150	360	3,074
Loans to third parties	16,479	11,700	—	—
	144,271	122,235	360	3,074

The amount of the Group's and the Company's trade and other receivables which is expected to be recognised as expense or recovered after more than one year is $4,438,000 (2010: $3,437,000) and $40,000 (2010: $40,000) respectively. All other trade and other receivables are expected to be recognised as expense or recovered within one year.

As at 30 June 2011, the Group's trade receivables included amounts due from associates, jointly controlled entities and related parties of $4,386,000 (2010: $4,658,000), $77,000 (2010: $756,000) and $553,000 (2010: $915,000) respectively.

Details of the Group's loans to third parties are:

(i) In prior years, a loan of $9,000,000 has been disbursed to a third party in connection with a proposed acquisition of an Indonesian company (the "Target"). The Group elected to terminate this proposed acquisition in April 2010. In accordance with the sales 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 commencement of the commercial operation of the Target, whichever occurs earlier. On 17 December 2010, the Group had entered into an agreement with that third party 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 a minimum amount of $300,000. The loan is unsecured and bears interest at 6% (2010: 6%) per annum. As at 30 June 2011, the outstanding loan amounted to $7,200,000 (2010: $9,000,000);

(ii) At 30 June 2010, a loan of $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 $9,279,000 were disbursed to two third parties (the "Borrowers") during the year ended 30 June 2011 in connection with certain proposed acquisitions. As at 30 June 2011, the loans are secured and interest free. These loans are convertible into shares of certain designated companies which is 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 acquisitions in accordance with the terms and conditions of the loan agreements. 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, a loan of $4,323,000 will be further disbursed to the above mentioned third parties.

23 TRADE AND OTHER RECEIVABLES (continued)

(a) Ageing analysis

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:

	The Group	
	2011 $'000	2010 $'000
Within 30 days	39,957	36,226
31–60 days	8,497	9,604
61–90 days	3,243	4,634
91–180 days	8,118	9,161
181–365 days	1,273	4,360
1–2 years	2,493	1,278
Over 2 years	962	1,122
	64,543	66,385

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

	The Group	
	2011 $'000	2010 $'000
At the beginning of the year	1,536	12,561
Impairment loss recognised	2,467	265
Uncollectible amounts written off	—	(11,331)
Exchange differences	197	41
At the end of the year	4,200	1,536

At 30 June 2011, the Group's trade receivables of $4,200,000 (2010: $1,536,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of these receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $4,200,000 (2010: $1,536,000) were recognised. The Group does not hold any collateral over these balances.

23 TRADE AND OTHER RECEIVABLES (continued)

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2011 $'000	2010 $'000
Within 30 days	39,957	36,226
31–60 days	8,497	9,604
61–90 days	3,243	4,634
91–180 days	8,118	9,161
181–365 days	1,273	4,360
1–2 years	2,493	1,278
Over 2 years	962	1,122
	64,543	66,385

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24 PLEDGED BANK DEPOSITS

As at 30 June 2011 and 2010, certain deposits of the Group are pledged to banks for certain banking facilities granted to the Group as disclosed in note 26(a).

25 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Deposits with banks and other financial institutions	101,543	114,291	54,362	98,426
Cash at bank and in hand	24,437	42,207	1,165	809
Cash and cash equivalents in the balance sheet	125,980	156,498	55,527	99,235
Bank overdrafts (note 26(a))	(11,055)	(16,500)		
Cash and cash equivalents in the consolidated cash flow statement	114,925	139,998		

26 BORROWINGS

(a) Bank loans and overdrafts

The bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2011 $'000	**2010** $'000	**2011** $'000	**2010** $'000
Within one year or on demand	132,926	112,008	10,000	10,000
After one year but within two years	34,043	29,626	10,000	10,000
After two years but within five years	123,601	146,867	15,000	25,000
After five years	4,138	—	—	—
	161,782	176,493	25,000	35,000
	294,708	288,501	35,000	45,000

The bank loans and overdrafts were secured as follows:

	The Group		The Company	
	2011 $'000	**2010** $'000	**2011** $'000	**2010** $'000
Bank overdrafts (note 25)				
— unsecured	10,136	11,410	—	—
— secured	919	5,090	—	—
	11,055	16,500	—	—
Bank loans				
— unsecured	147,153	152,231	—	—
— secured	136,500	119,770	35,000	45,000
	283,653	272,001	35,000	45,000
	294,708	288,501	35,000	45,000

26 BORROWINGS (continued)

(a) Bank loans and overdrafts (continued)

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

	The Group 2011 $'000	The Group 2010 $'000
Fixed assets	68,018	56,992
Interests in leasehold land held under operating leases	12,458	12,101
Plantation assets	259,080	220,495
Pledged bank deposits	3,873	7,356
	343,429	296,944

As at 30 June 2011, a bank loan of the Group and the Company amounting to $35,000,000 (2010: $45,000,000) was secured by the Group's shares in Lingui Developments Berhad ("Lingui").

As at 30 June 2011, the banking facilities of the Group and the Company amounting to $345,049,000 (2010: $331,001,000) and $35,000,000 (2010: $45,000,000) were utilised to the extent of $294,708,000 (2010: $288,501,000) and $35,000,000 (2010: $45,000,000) respectively.

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

Further details of the Group's management of liquidity risk are set out in note 33(e).

(b) Obligations under finance leases

The Group had obligations under finance leases repayable as follows:

	The Group 2011 Present value of the minimum lease payments $'000	The Group 2011 Total minimum lease payments $'000	The Group 2010 Present value of the minimum lease payments $'000	The Group 2010 Total minimum lease payments $'000
Within one year	15,529	16,979	21,979	23,958
After one year but within two years	8,598	9,392	14,653	15,732
After two years but within five years	10,025	10,634	9,032	9,444
	18,623	20,026	23,685	25,176
	34,152	37,005	45,664	49,134
Less: Total future interest expenses		(2,853)		(3,470)
Present value of lease obligations		34,152		45,664

27 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade payables	71,357	69,529	—	—
Other payables	35,393	33,110	—	—
Accrued expenses	39,913	37,332	774	1,112
Amount due to an associate	3,468	—	—	—
Derivative financial instruments	12,083	12,998	6,688	5,515
	162,214	152,969	7,462	6,627

All trade payables, other payables and accrued expenses are expected to be settled within one year or repayable on demand.

As at 30 June 2011, the Group's trade payables included amounts due to associates, jointly controlled entities and related parties of $625,000 (2010: $1,435,000), $Nil (2010: $30,000) and $2,564,000 (2010: $4,299,000) respectively.

The amount due to an associate is secured, interest-bearing at a rate of 12% per annum and repayable on 28 March 2012.

An ageing analysis of trade payables is as follows:

	The Group	
	2011 $'000	2010 $'000
Within 30 days	33,523	29,469
31–60 days	12,996	10,757
61–90 days	4,606	7,046
91–180 days	7,134	9,179
181–365 days	8,924	10,333
1–2 years	3,673	2,670
Over 2 years	501	75
	71,357	69,529

28 SHARE CAPITAL

(a) Authorised and issued share capital

	2011 Number of shares ('000)	2011 Amount $'000	2010 Number of shares ('000)	2010 Amount $'000
Authorised:				
Ordinary shares of $0.1 each	5,000,000	500,000	5,000,000	500,000
Ordinary shares, issued and fully paid:				
At the beginning and the end of the year	4,301,737	430,174	4,301,737	430,174

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

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a total debt-to-total assets ratio. For this purpose, the Group defines total debt as interest-bearing loans and borrowings and obligations under finance leases.

The Group's strategy, which was unchanged from 2010, was to maintain the total debt-to-total assets ratio at not more than 50%.

28 SHARE CAPITAL (continued)

(b) Capital management (continued)

The total debt-to-total assets ratio at 30 June 2011 and 2010 was as follows:

	Notes	2011 $'000	2010 $'000
Current liabilities			
Bank loans and overdrafts	26(a)	132,926	112,008
Obligations under finance leases	26(b)	15,529	21,979
		148,455	133,987
Non-current liabilities			
Bank loans	26(a)	161,782	176,493
Obligations under finance leases	26(b)	18,623	23,685
		180,405	200,178
Total debt		328,860	334,165
Total assets		1,388,629	1,279,139
Total debt-to-total assets ratio		24%	26%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29 RESERVES

(a) The Company

	Share premium (note 29(b)(i)) $'000	Other reserve (note 29(b)(iv)) $'000	Retained profits $'000	Total $'000
At 1 July 2009	261,920	(134,671)	14,098	141,347
Profit and total comprehensive income for the year	—	—	296	296
Dividends declared and paid (note 9(b))	—	—	(3,441)	(3,441)
At 30 June 2010	261,920	(134,671)	10,953	138,202
At 1 July 2010	261,920	(134,671)	10,953	138,202
Profit and total comprehensive income for the year	—	—	9,659	9,659
Dividends declared and paid (note 9(b))	—	—	(3,441)	(3,441)
At 30 June 2011	261,920	(134,671)	17,171	144,420

29 RESERVES (continued)

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981.

(ii) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(e)(ii).

(iii) Revaluation reserve

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

(iv) Other reserve

Other reserve of the Group and the Company arose from the acquisitions of subsidiaries from the controlling shareholders in 2007 and 2008.

(v) Distributable reserves

The aggregate amount of distributable reserves at 30 June 2011 was $17,171,000 (2010: $10,953,000).

30 ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of subsidiaries during the year ended 30 June 2011

On 28 August 2010 and 31 December 2010, the Group completed the acquisition of 95% equity interest of PT Inti Agro Makmur ("Inti Agro") and 95% equity interest of PT Alamanda Lestari Alam ("Alamanda") for a cash consideration of Indonesian Rupiah ("IDR") 13.8 billion (equivalent to $1,387,000) and IDR10.5 billion (equivalent to $1,055,000) respectively.

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

	Recognised fair value at the date of acquisition $'000
Interests in leasehold land held under operating leases	2,545
Non-controlling interests	(103)
Total purchase consideration and net cash outflow in respect of the acquisition	2,442

30 ACQUISITIONS OF SUBSIDIARIES (continued)

(b) Business combination during the year ended 30 June 2010

On 20 May 2010, the Group completed the acquisition of the entire equity interest of Suzhou Times Flooring Co., Ltd. ("Times Flooring"), a Foreign Invested Enterprise established in the PRC for a cash consideration of $1,142,000.

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

	Recognised fair value at the date of acquisition $'000
Fixed assets	1,120
Inventories	1,215
Trade and other receivables	116
Current tax recoverable	20
Cash and cash equivalents	194
Trade and other payables	(1,132)
Net identifiable assets and liabilities	1,533
Negative goodwill credited to the income statement	(391)
Total purchase consideration	1,142
Less: Cash and cash equivalents acquired	(194)
Net cash outflow in respect of the acquisition	948

31 RELATED PARTY TRANSACTIONS

During the years ended 30 June 2011 and 2010, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Yaw Holding Sdn. Bhd. ("Yaw Holding"), its subsidiaries and associates ("Yaw Holding Group")	Yaw Holding is the ultimate controlling party of the Company
Glenealy Plantations (Malaya) Berhad ("Glenealy") and its subsidiaries ("Glenealy Group")	Glenealy is an associate of the Group
Sepangar Chemical Industry Sdn. Bhd. ("Sepangar")	Sepangar is an associate of the Group
Daiken Miri Sdn. Bhd. ("Daiken")	Daiken is an associate of the Group
Rimalco Sdn. Bhd. ("Rimalco")	Rimalco is an associate of the Group
Stone Tan China Holding Corporation ("Stone Tan") and its subsidiaries ("Stone Tan Group")	Stone Tan is an associate of the Group
Magna-Foremost Sdn. Bhd. ("Magna-Foremost")	Magna-Foremost is a jointly controlled entity of the Group
Foremost Crest Sdn. Bhd. ("Foremost Crest")	Foremost Crest is a jointly controlled entity of the Group
Samling International Limited ("SIL") and its subsidiaries ("SIL Group")	SIL is controlled by the father of Mr. Yaw Chee Ming, a beneficial shareholder and director of the Company
Perkapalan Damai Timur Sdn. Bhd. ("PDT")	PDT is a major shareholder of the Company and is controlled by a director of certain subsidiaries of the Group
Arif Hemat Sdn. Bhd. ("Arif Hemat")	Arif Hemat is controlled by a director of certain subsidiaries of the Group
3D Networks Sdn. Bhd. ("3D Networks")	3D Networks is controlled by Mr. Yaw Chee Ming
Hap Seng Auto Sdn. Bhd. ("HSA") and its subsidiaries ("HSA Group")	HSA is controlled by the father-in-law of Mr. Yaw Chee Ming
Sojitz Building Material Corporation ("Sojitz Building")	Sojitz Building is a subsidiary of Sojitz Corporation, a major shareholder of Samling Housing Products Sdn. Bhd., a subsidiary of the Group
Pacific Plywood Co., Ltd. ("Pacific Plywood")	Pacific Plywood is controlled by Mr. Chia Ti Lin, Colin, a senior management of the Group
Meridian Magic Sdn. Bhd. ("Meridian Magic")	Meridian Magic is controlled by the brother of Mr. Yaw Chee Ming

31 RELATED PARTY TRANSACTIONS (continued)

Particulars of significant transactions between the Group and the above related parties during the years ended 30 June 2011 and 2010 are as follows:

(a) Related party transactions

	2011 $'000	2010 $'000
Sale of goods to:		
Rimalco	6,595	2,652
Daiken	398	36
Magna-Foremost	2,705	2,400
Sojitz Building	18,763	19,681
Arif Hemat	—	1
Pacific Plywood	—	53
	28,461	24,823
Provision of services to:		
Yaw Holding Group	156	138
Daiken	99	122
Magna-Foremost	222	224
Glenealy	184	—
Foremost Crest	—	53
	661	537
Rental of properties and equipment to:		
Yaw Holding Group	190	12
Rimalco	117	115
Daiken	59	61
Magna-Foremost	10	9
3D Networks	54	49
Arif Hemat	18	8
Meridian Magic	198	—
	646	254
Interest income from:		
Magna-Foremost	4	6
Interest expense to:		
Stone Tan Group	50	—
Rental of properties and equipment from:		
Yaw Holding Group	919	834

31 RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

	2011 $'000	2010 $'000
Purchase of goods from:		
Sepangar	9,046	8,308
Daiken	2,891	3,557
HSA Group	4,249	4,527
Pacific Plywood	48	331
	16,234	16,723
Provision of services from:		
Yaw Holding Group	782	785
Purchase of fixed assets from:		
Yaw Holding Group	204	177
HSA Group	—	1,231
	204	1,408

Note: The amounts receivable from the related parties are included in "Trade and other receivables" (see note 23) and the amounts payable to the related parties are included in "Trade and other payables" (see note 27).

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 11 and certain of the highest paid employees as disclosed in note 12, is as follows:

	2011 $'000	2010 $'000
Short-term employee benefits	2,800	2,622
Post-employment benefits	180	159
	2,980	2,781

Total remuneration is included in "personnel expenses" (note 6(a)).

32 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding at 30 June 2011 and 2010 not provided for in the financial statements were as follows:

	The Group	
	2011 $'000	**2010** $'000
Contracted for	10,485	8,371
Authorised but not contracted for	89,672	59,933
	100,157	68,304

(b) Future minimum royalty fees

At 30 June 2011 and 2010, the total future minimum royalty fees payable under the terms of the timber concession licences of the Group are as follows (see note 16(a)):

	The Group	
	2011 $'000	**2010** $'000
Within one year	1,563	1,441
After one year but within five years	3,010	3,876
After five years	3,100	3,375
	7,673	8,692

(c) Contingent liabilities

(i) Legal claims from inhabitants of longhouses

(1) 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.

(2) Four of the Group's subsidiaries, Samling Plywood (Lawas) Sdn. Bhd. ("Samling Plywood Lawas"), Samling Plywood (Miri) Sdn. Bhd. ("Samling Plywood Miri"), Ravenscourt Sdn. Bhd. ("Ravenscourt") and Samling Reforestation (Bintulu) Sdn. Bhd. ("Samling Reforestation") together with the Director of Forests, Sarawak and State of Government of Sarawak were being jointly sued by certain inhabitants of longhouses and settlements situated at and around the timber concessions held by Samling Plywood Lawas, Samling Plywood Miri and Ravenscourt and planted forest held by the Samling Reforestation respectively. The plaintiffs are claiming various orders, reliefs and damages including declarations that issuance of the forest timber licences and licences for planted forests by the Director of Forests, Sarawak to Samling Plywood Lawas, Samling Plywood Miri, Ravenscourt and Samling Reforestation which overlap the plaintiffs' claimed areas are unlawful, unconstitutional, null and void.

As at 30 June 2011, the above proceedings remained pending before the Malaysian courts.

The directors believe that the Group has merit in their defence to these claims and have not experienced any material interference to the logging operations as a result of these claims. In the event that the Malaysian courts order a judgement against the Group, the Group may be ordered to terminate their operations on the relevant parcels of land claimed by the plaintiffs, remove the structures, machineries and equipment from these areas and/or pay damages and costs incurred, and/or the courts may order other reliefs as it considers just.

32 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(c) Contingent liabilities (continued)

(ii) Environmental contingencies

The Group's operations are regulated by various laws and regulations. Laws and regulations protecting the environment and wild life have generally become more stringent in recent years and could become more stringent in the future. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group for violations for existing conditions attached to the licences whether or not caused or known by the Group. The financial position of the Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The directors are not aware of any environmental liabilities as at 30 June 2011. The directors are also not aware of any violation to existing conditions attached to the Group's timber concession and tree plantation licences, or subject to any significant costs, expenses, penalties and liabilities.

33 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

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

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

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

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

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

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account the information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. Generally, trade receivables are due within 90 days from the date of billing. Debtors with balances that are more than six months past due are requested to settle all outstanding balances before any future credit is granted. Normally, the Group does not obtain collateral from debtors.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At the balance sheet date, 2% (2010: 3%) and 5% (2010: 12%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group or the Company to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23.

33 FINANCIAL INSTRUMENTS (continued)

(c) Foreign currency exchange risk

(i) The Group's main income from timber related business is mostly derived in US$. The movements of US$ against Malaysian Ringgit ("RM"), Australia Dollars ("AU$") and New Zealand Dollars ("NZ$") will affect the revenue and costs of some production materials, spare parts and equipment purchases.

The Group's investment in a New Zealand subsidiary, which holds plantation assets, also exposes the Group to foreign currency exchange risk. The Group is exposed to a certain degree of risk resulting from the fluctuation in NZ$ against US$.

In order to mitigate the foreign currency exchange risk, the Group has entered into certain forward exchange contracts during the year. All of the foreign exchange contracts have maturities of less than one year after the balance sheet date.

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

(ii) The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency to which they relate. For presentation purposes, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	2011 (expressed in United States Dollars)							
	United States Dollars $'000	Japanese Yen $'000	Singapore Dollars $'000	Malaysian Ringgit $'000	Hong Kong Dollars $'000	New Zealand Dollars $'000	Australian Dollars $'000	Renminbi $'000
Trade and other receivables	19,170	3,738	—	—	40	—	—	1,548
Cash and cash equivalents	11,336	1,922	6,650	923	22,157	6,566	11,074	5
Trade and other payables	(944)	(676)	—	—	(328)	—	—	(10)
Bank loans and overdrafts	(58,867)	—	—	—	—	—	—	—
Net exposure arising from recognised assets and liabilities	(29,305)	4,984	6,650	923	21,869	6,566	11,074	1,543

	2010 (expressed in United States Dollars)						
	United States Dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Hong Kong Dollars $'000	New Zealand Dollars $'000	Australian Dollars $'000	Renminbi $'000
Trade and other receivables	20,366	2,091	—	40	—	—	7,638
Cash and cash equivalents	6,308	1,471	4,586	30,293	9,338	30,572	5
Trade and other payables	(1,663)	(1,455)	—	(311)	—	—	(9)
Bank loans and overdrafts	(51,214)	—	—	—	—	—	—
Net exposure arising from recognised assets and liabilities	(26,203)	2,107	4,586	30,022	9,338	30,572	7,634

33 FINANCIAL INSTRUMENTS (continued)

(c) Foreign currency exchange risk (continued)

(ii) (continued)

The Company

	2011 (expressed in United States Dollars)				
	Singapore Dollars $'000	Malaysian Ringgit $'000	Hong Kong Dollars $'000	New Zealand Dollars $'000	Australian Dollars $'000
Prepayments, deposits and other receivables	—	—	40	—	—
Cash and cash equivalents	6,650	923	22,142	6,566	11,074
Other payables and accrued expenses	—	—	(328)	—	—
Net exposure arising from recognised assets and liabilities	6,650	923	21,854	6,566	11,074

	2010 (expressed in United States Dollars)			
	Malaysian Ringgit $'000	Hong Kong Dollars $'000	New Zealand Dollars $'000	Australian Dollars $'000
Prepayments, deposits and other receivables	—	40	—	—
Cash and cash equivalents	4,586	30,289	9,338	23,534
Other payables and accrued expenses	—	(308)	—	—
Net exposure arising from recognised assets and liabilities	4,586	30,021	9,338	23,534

33 FINANCIAL INSTRUMENTS (continued)

(c) Foreign currency exchange risk (continued)

(iii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit for the year and retained profits that would arise if foreign currency exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The Group

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year and retained profits $'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year and retained profits $'000
United States Dollars	5%	(994)	5%	(831)
	(5)%	994	(5)%	831
Japanese Yen	5%	187	1%	16
	(5)%	(187)	(1)%	(16)
Singapore Dollars	5%	278	N/A	N/A
	(5)%	(278)	N/A	N/A
Malaysian Ringgit	5%	46	5%	230
	(5)%	(46)	(5)%	(230)
Hong Kong Dollars	1%	183	1%	251
	(1)%	(183)	(1)%	(251)
New Zealand Dollars	5%	274	3%	234
	(5)%	(274)	(3)%	(234)
Australian Dollars	10%	925	10%	2,493
	(10)%	(925)	(10)%	(2,493)
Renminbi	1%	13	1%	68
	(1)%	(13)	(1)%	(68)

33 FINANCIAL INSTRUMENTS (continued)

(c) Foreign currency exchange risk (continued)

(iii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregate of the instantaneous effects on each of the Group entities' profit or loss for the year and equity measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign exchange currency risk at the balance sheet date. The analysis is performed on the same basis for 2010.

(d) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates exposure the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are appropriately fixed when necessary.

Management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the market situation and the outlook prevailing then. The Group's short term deposits are mainly fixed rate instruments which management endeavours to obtain the best rate available in the market.

The Group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedging

Interest rate swap agreements have been entered into for loans with a notional contract amount of US$78.0 million (2010: US$88.0 million), NZ$13.0 million (2010: NZ$13.0 million) and RM34.5 million (2010: RM34.5 million) as at 30 June 2011 to ensure that the exposure to changes in interest rates are fixed for the respective tranches throughout the tenure of the loans with swap rates between 4.65% to 7.31% (2010: 4.65% to 7.31%) per annum respectively throughout the loan period.

The swaps mature over the next four years match with the maturity of the related loans. The net fair value of swaps entered into by the Group and the Company at 30 June 2011 was a payable of $12,083,000 (2010: $12,998,000) and a payable of $6,688,000 (2010: $5,515,000) respectively. These amounts are recognised as derivative financial instruments and are included within "trade and other payables" (note 27) at 30 June 2011 and 2010 respectively.

33 FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk (continued)

(ii) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the balance sheet date:

	The Group			
	2011		2010	
	Effective interest rate %	Amount $'000	Effective interest rate %	Amount $'000
Net fixed rate borrowings:				
Obligations under finance leases	4.73–7.07%	34,152	4.73–8.29%	45,664
Bank loans	4.35–7.97%	74,562	4.35–12.00%	70,031
Amount due to an associate	12.00%	3,468	N/A	—
		112,182		115,695
Variable rate borrowings:				
Bank overdrafts	7.30–8.10%	11,055	6.80–7.55%	16,500
Bank loans	2.02–7.55%	209,091	1.93–7.30%	201,970
		220,146		218,470
Total borrowings		332,328		334,165
Fixed rate borrowings as a percentage of total net borrowings		34%		35%

	The Company			
	2011		2010	
	Effective interest rate %	Amount $'000	Effective interest rate %	Amount $'000
Variable rate borrowings:				
Bank loans	2.02%	35,000	2.12%	45,000

33 FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk (continued)

(iii) Sensitivity analysis

At 30 June 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained profits by approximately $3,323,000 (2010: $3,342,000). Other components of consolidated equity would not be affected (2010: $Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit for the year (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

(e) Liquidity and cash flow risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as they fall due, and on its ability to obtain external financing, to meet its committed future capital expenditures.

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

33 FINANCIAL INSTRUMENTS (continued)

(e) Liquidity and cash flow risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

		2011				
	Carrying amount at 30 June 2011 $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Bank loans and overdrafts	294,708	320,071	141,416	40,244	134,321	4,090
Obligations under finance leases	34,152	37,005	16,979	9,392	10,634	—
Trade and other payables	146,663	146,663	146,663	—	—	—
Amount due to an associate	3,468	3,780	3,780	—	—	—
Derivative financial instruments (net settled)	12,083	14,483	4,636	4,131	5,716	—
	491,074	522,002	313,474	53,767	150,671	4,090

		2010			
	Carrying amount at 30 June 2010 $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000
Bank loans and overdrafts	288,501	317,522	121,030	36,896	159,596
Obligations under finance leases	45,664	49,134	23,958	15,732	9,444
Trade and other payables	139,971	139,971	139,971	—	—
Derivative financial instruments (net settled)	12,998	17,296	5,132	4,702	7,462
	487,134	523,923	290,091	57,330	176,502

33 FINANCIAL INSTRUMENTS (continued)

(e) Liquidity and cash flow risk (continued)

The Company

	2011				
	Carrying amount at 30 June 2011 $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000
Bank loans	35,000	36,260	10,627	10,425	15,208
Other payables and accrued expenses	774	774	774	—	—
Derivative financial instruments (net settled)	6,688	8,522	2,970	2,566	2,986
	42,462	45,556	14,371	12,991	18,194

	2010				
	Carrying amount at 30 June 2010 $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000
Bank loans	45,000	49,256	11,642	11,259	26,355
Other payables and accrued expenses	1,112	1,112	1,112	—	—
Derivative financial instruments (net settled)	5,515	7,986	2,413	2,062	3,511
	51,627	58,354	15,167	13,321	29,866

(f) Natural risk

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

33 FINANCIAL INSTRUMENTS (continued)

(f) Natural risk (continued)

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

(g) Fair values

Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

2011

	The Group			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivatives financial instruments:				
— Interest rate and cross currency swaps	—	12,083	—	12,083

	The Company			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivatives financial instruments:				
— Interest rate and cross currency swaps	—	6,688	—	6,688

There was no significant transfer between instruments in Level 1, 2 and 3 during the year.

33 FINANCIAL INSTRUMENTS (continued)

(g) Fair values (continued)

Financial instruments carried at fair value (continued)

The carrying amount of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2011 and 2010 except as follows:

	2011		2010	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
The Group				
Financial liabilities				
— Unsecured borrowings	49,980	44,821	60,436	54,607
— Obligations under finance leases	18,623	17,074	23,685	21,954

(h) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Derivatives

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

(ii) Interest-bearing bank loans and obligations under finance leases

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS (continued)

(h) Estimation of fair values (continued)

(iii) Interest rates used for determining fair value

The entity uses the government yield curve as of 30 June 2011 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2011	2010
Derivatives	0.31%–3.29%	0.53%–3.18%
Bank loans	2.02%–7.55%	1.85%–7.30%
Obligations under finance leases	6.00%	5.64%

34 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Useful lives of fixed assets

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

(b) Fair value of plantation assets

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

(c) Income taxes

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

34 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Impairment of trade receivables

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

(e) Net realisable value of inventories

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

(f) Impairment of non-current assets

The Group reviews the carrying amounts of the non-current assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the asset's carrying amount and value-in-use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the related impairment loss and affect the Group's net profit and net asset value in future years.

(g) Business combinations

For the business combinations undertaken by the Group, the Group allocates the costs of the acquired entities to the assets acquired and the liabilities assumed based on their estimated fair value on the date of acquisition. This process is commonly referred to as the purchase price allocation. As part of the purchase price allocation, the Group is required to determine the fair value of any identifiable intangible assets acquired. The determination of the fair value of the intangible assets acquired involves certain judgement and estimates. These judgements can include, but are not limited to, the cash flows that an asset is expected to generate in the future.

The fair values of the identifiable intangible assets were determined by the Group with inputs from the independent appraisers using mainly the income approach. Future cash flows are predominately based on the historical pricing and expense levels, taking into consideration the relevant market and growth factors. The resulting cash flows are then discounted at a rate approximately the Group's weighted average cost of capital.

A change in the amount allocated to identifiable intangible assets would have an offsetting effect on the amount of goodwill recognised arising from the acquisition and would change the amount of amortisation expense recognised relate to those identifiable intangible assets.

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35 PARTICULARS OF SUBSIDIARIES

As at 30 June 2011, the Company has direct and indirect interests in the following subsidiaries.

Except for Caribbean Esskay Limited, Samling Malaysia Inc., SGL Trading Inc., Samling China Inc., Samling Trademark Inc., Samling Global USA Inc., Samling Japan Corporation, Australian Wood Panels Group Pty. Ltd. (formerly known as Brewster Pty. Ltd.) and Anhui Tongling Anlin Wood Plantation Co., Ltd., all subsidiaries are held indirectly by the Company through intermediate investment holding companies.

Details of the subsidiaries at 30 June 2011 are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Syarikat Samling Timber Sdn. Bhd.	Malaysia, 26 October 1976	11,979,950 ordinary shares of RM1 each	100	Contractor for timber extraction, forest plantation and investment holding
Kayuneka Sdn. Bhd.	Malaysia, 2 September 1993	80,000 ordinary shares of RM1 each and 20,000 preference shares of RM1 each	100	Agent for sale of logs
KTN Timor Sdn. Bhd.	Malaysia, 24 January 1983	6,000,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Ravenscourt Sdn. Bhd.	Malaysia, 30 May 1984	500,000 ordinary shares of RM1 each	100	Extraction and sale of logs
S.I.F. Management Sdn. Bhd.	Malaysia, 28 December 1993	300,000 ordinary shares of RM1 each	100	Extraction and sale of logs, manufacture and sale of veneer
Samling Flooring Products Sdn. Bhd.	Malaysia, 17 January 1984	10,000,000 ordinary shares of RM1 each	100	Manufacture and sale of flooring products, veneer and plywood
Samling Housing Products Sdn. Bhd.	Malaysia, 21 August 1993	10,000,000 ordinary shares of RM1 each	56.1	Manufacture and sale of housing products
Samling Chipboard Sdn. Bhd.	Malaysia, 5 April 1994	100,000 ordinary shares of RM1 each	56.1	Manufacture and sale of particle board
Samling Resources Sdn. Bhd.	Malaysia, 8 May 1985	1,000,000 ordinary shares of RM1 each and 50,000 preference shares of RM1 each	100	Rental of equipment
Samling Reforestation (Bintulu) Sdn. Bhd.	Malaysia, 5 April 1994	500,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Samling Wood Industries Sdn. Bhd.	Malaysia, 15 June 1970	10,907,002 ordinary shares of RM1 each	100	Extraction and sale of logs

(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Sorvino Holdings Sdn. Bhd.	Malaysia, 22 January 1992	2,000,000 ordinary shares of RM1 each	100	Provision of machinery repairs and re-conditioning services
Syarikat Reloh Sdn. Bhd.	Malaysia, 7 May 1983	100,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Majulaba Sdn. Bhd.	Malaysia, 29 April 1985	25,000 ordinary shares of RM1 each	70	Extraction and sale of logs
Sertama Sdn. Bhd.	Malaysia, 10 November 1986	1,000,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Samling DorFoHom Sdn. Bhd.	Malaysia, 5 April 1994	40,000,000 ordinary shares of RM1 each, 347,143 CRPS (Class A) of RM1 each, 379,885 CRPS (Class B1) of RM1 each and 5,700,000 CRPS (Class B2) of RM1 each	88.53	Investment holding and wood residual trading
Samling Manufacturing Plantation Sdn. Bhd.	Malaysia, 2 April 1998	200,000 ordinary shares of RM1 each	61.97	Dormant
Lingui Developments Berhad	Malaysia, 27 December 1967	659,630,441 ordinary shares of RM0.5 each	67.23	Investment holding
Samling Plywood (Baramas) Sdn. Bhd.	Malaysia, 22 August 1987	20,250,000 ordinary shares of RM1 each	67.23	Manufacture and sale of plywood and veneer , extraction and sale of logs
Samling Plywood (Lawas) Sdn. Bhd.	Malaysia, 9 May 1986	3 ordinary shares of RM1 each	67.23	Extraction and sale of logs
TreeOne (Malaysia) Sdn. Bhd.	Malaysia, 20 January 1997	1,000,000 ordinary shares of RM1 each, 6,182,947 redeemable preference shares "A" of RM1 each, 1,400 redeemable preference shares "C" of RM1 each and 50,000 deferred shares of RM1 each	67.23	Investment holding

(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Samling Plywood (Bintulu) Sdn. Bhd.	Malaysia, 19 March 1986	25,000,000 ordinary shares of RM1 each	67.23	Manufacture and sale of plywood and veneer, extraction and sale of logs
Tamex Timber Sdn. Bhd.	Malaysia, 23 December 1980	1,001,000 ordinary shares of RM1 each, 50,000 redeemable preference shares (type 1) of RM1 each and 50,000 redeemable preference shares (type 2) of RM1 each	67.23	Contractor for timber extraction, riverine transportation services, spare parts, petrols, oil and lubricant traders, insurance agents and provision of repair services
Samling Power Sdn. Bhd.	Malaysia, 28 May 1996	2,000,000 ordinary shares of RM1 each	67.23	Operation of power generating facilities
Ang Cheng Ho Quarry Sdn. Bhd.	Malaysia, 28 February 1970	66,000 ordinary shares of RM100 each	67.23	Quarry licensee and operator
Stigang Resources Sdn. Bhd.	Malaysia, 15 July 1976	6,121,530 ordinary shares of RM1 each	67.23	Quarry licensee and operator
Alpenview Sdn. Bhd.	Malaysia, 11 October 1991	1,000,000 ordinary shares of RM1 each and 3,070,038 redeemable preference shares of RM1 each	67.23	Investment holding
Lingui Corporation Sdn. Bhd.	Malaysia, 29 March 1985	2 ordinary shares of RM1 each	67.23	Provision of management services
Hock Lee Plantations Sdn. Bhd.	Malaysia, 8 April 1970	72,624 ordinary shares of RM100 each and 100 redeemable preference shares of RM100 each	67.23	Investment holding
TreeOne Logistic Services Sdn. Bhd.	Malaysia, 1 April 1997	300,000 ordinary shares of RM1 each	65.21	Provision of logistic services
Grand Paragon Sdn. Bhd.	Malaysia, 11 October 1996	2,000,000 ordinary shares of RM1 each	67.23	Investment holding

(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Samling Plywood (Miri) Sdn. Bhd.	Malaysia, 18 January 1984	40,000,000 ordinary shares of RM1 each	67.23	Manufacture and sale of plywood, extraction and sale of logs
Tinjar Transport Sdn. Bhd.	Malaysia, 15 September 1976	2,476,000 ordinary shares of RM1 each	67.23	Riverine transportation services
Miri Parts Trading Sdn. Bhd.	Malaysia, 29 November 1980	200,000 ordinary shares of RM1 each	67.23	Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services
AinoFurnishing Sdn. Bhd. (formerly known as Ainokitchen (Malaysia) Sdn. Bhd.)	Malaysia, 7 April 2005	20,000,000 ordinary shares of RM1 each	67.23	Kitchen, cookware, dining ware retail and tendering of kitchen products in housing development projects
Bukit Pareh Quarry Sdn. Bhd.	Malaysia, 29 September 1977	3 ordinary shares of RM1 each	67.23	Dormant
TreeOne (NZ) Limited	New Zealand, 13 January 1997	1 ordinary share of NZ$10,000 each	67.23	Investment holding
Hikurangi Forest Farms Limited	New Zealand, 19 June 1980	1,200,000 ordinary shares of NZ$1 each	67.23	Forest plantation
East Coast Forests Limited	New Zealand, 23 April 1951	1,000 ordinary shares of NZ$2 each	67.23	Dormant
Tasman Forestry (Gisborne) Limited	New Zealand, 16 April 1980	42,500,000 ordinary shares of NZ$1 each	67.23	Dormant
Hock Lee Rubber Products Sdn. Bhd.	Malaysia, 15 January 1980	13,000,000 ordinary shares of RM1 each	67.23	Manufacture and sale of rubber retread compounds
Hock Lee Enterprises (M) Sdn. Bhd.	Malaysia, 28 November 1967	137,000 ordinary shares of RM100 each	67.23	Property investment and letting of industrial properties
Fuji Milestone Sdn. Bhd.	Malaysia, 1 January 2011	2 ordinary shares of RM1 each	67.23	Dormant
Propel Formula Sdn. Bhd.	Malaysia, 1 January 2011	2 ordinary shares of RM1 each	67.23	Dormant

(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Prominent Target Sdn. Bhd.	Malaysia, 11 January 2011	2 ordinary shares of RM1 each	67.23	Dormant
Plenitude Spectrum Sdn. Bhd.	Malaysia, 11 January 2011	2 ordinary shares of RM1 each	67.23	Dormant
Samling Malaysia Inc.	British Virgin Islands, 24 June 2005	35,835,000 ordinary share of US$1 each	100	Investment holding
Barama Company Limited	Guyana, 20 August 2001	18,000,000 ordinary shares of US$1 each	100	Extraction and sale of logs, manufacture and sale of plywood and sawn timber
Barama Buckhall Inc.	Guyana, 15 April 2005	500,000 ordinary shares of G$1 each	100	Manufacture and sale of sawn timber
Barama Housing Inc.	Guyana, 27 October 2003	2 ordinary shares of G$1 each	100	Dormant
Caribbean Esskay Limited	British Virgin Islands, 8 May 1992	4 ordinary shares of US$1 each	100	Investment holding
SGL Trading Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100	Trading
Australian Wood Panels Group Pty. Ltd.	Australia, 13 June 1954	1,147,000 ordinary shares of A$1 each	100	Sale and distribution of building materials
Samling Japan Corporation	Japan, 1 July 2005	60 ordinary shares of Yen 50,000 each	100	Market research and letting of industrial properties
Samling China Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100	Investment holding
Samling Trademark Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100	Ownership of trademark
Samling Trading Co. Limited (formerly known as "Samling Tongling Co., Ltd.")	Hong Kong, 30 December 2004	1 ordinary share of HK$1 each	100	Trading
Samling Riverside Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1 each	100	Sale of plywood and flooring products

(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Samling Foothill Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1 each	100	Investment holding
Samling Elegant Living Group Co., Ltd.	British Virgin Islands, 26 February 2008	US$61,670,000	70	Investment holding
Samling Baroque Holding (Hong Kong) Limited	Hong Kong, 29 February 2008	23,400,001 ordinary share of HK$1 each	70	Investment holding
Samling Baroque Trading (Hong Kong) Limited	Hong Kong, 29 February 2008	1 ordinary share of HK$1 each	70	Investment holding
Samling Elegant Living Holding (Hong Kong) Limited	Hong Kong, 29 February 2008	176,367,992 ordinary share of HK$1 each	70	Investment holding
Samling Labuan Limited	Malaysia, 31 January 2008	35,835,000 ordinary share of US$1 each	100	Investment holding
Dayalaba Sdn. Bhd.	Malaysia, 29 April 1985	25,000 ordinary shares of RM1 each	70	Extraction and sale of logs
Bedianeka Sdn. Bhd.	Malaysia, 10 September 1993	2 ordinary shares of RM1 each	100	Trading of logs
Merawa Sdn. Bhd.	Malaysia, 24 August 1987	25,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Riverside Plywood Corporation	The PRC, 13 August 2002	US$12,300,000	100	Manufacture and sale of plywood and flooring products
Foothill LVL & Plywood (Cangshan) Co., Ltd.	The PRC, 26 November 2002	US$1,840,000	100	Manufacture and sale of laminated veneer lumber
Samling Global USA, Inc.	United States of America, 20 September 2006	US$1,500	100	Sale of plywood and flooring products
Anhui Tongling Anlin Wood Plantation Co., Ltd.	The PRC, 23 October 1995	RMB9,000,000	100	Forest plantation
Baroque Timber (Zhongshan) Co., Ltd.	The PRC, 12 May 2006	RMB130,000,000	70	Manufacture, sale and distribution of flooring products

(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES (continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Baroque Timber Industry (Tianjin) Co., Ltd.	The PRC, 25 January 2007	RMB15,309,944	70	Manufacture, sale and distribution of flooring products
Shanghai Elegant Living Timber Products Co., Ltd.	The PRC, 25 May 2005	RMB1,000,000	70	Sale of flooring products
Samling Credits (Labuan) Limited	Malaysia, 15 June 2009	1 ordinary share of US$1 each	100	Dormant
Samling NZ Inc.	British Virgin Islands, 9 December 2008	1 ordinary share of US$1 each	100	Dormant
Xylos Arteriors India Private Limited	India, 31 March 2009	3,114,800 ordinary shares of Rs10 each	100	Sale and distribution of wood products
Riverside Flooring Corporation	The PRC, 30 March 2009	US$2,000,000	100	Manufacture and sale of flooring products
Ambang Setia Labuan Limited	Malaysia, 12 May 2008	2 ordinary shares of US$1 each	100	Trading
Samling Elegant Living Trading (Labuan) Limited	Malaysia, 16 July 2009	1 ordinary share of US$1 each	70	Trading of flooring products
SGL Resources Holding Limited	United Arab Emirates, 12 November 2009	1,000 ordinary shares of AED1 each	100	Dormant
SGL Plantations Holding Limited	United Arab Emirates, 16 November 2009	1,000 ordinary shares of AED1 each	100	Investment holding
Suzhou Times Flooring Co., Ltd.	The PRC, 8 December 2005	US$1,920,000	100	Manufacture and sale of flooring products
Baroque Timber Industry (Sichuan) Co., Ltd.	The PRC, 4 September 2009	US$6,000,000	70	Manufacture and sale of flooring products
PT Inti Agro Makmur	Indonesia, 12 June 2006	5,800 ordinary shares of IDR1,000,000 each	95	Plantation
PT Alamanda Lestari Alam	Indonesia, 27 December 2007	13,000 ordinary shares of IDR1,000,000 each	95	Plantation
Persada Trade Limited	Malaysia, 28 February 2011	1 ordinary share of US$1 each	100	Trading

(Expressed in United States dollars unless otherwise indicated)

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2011

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and interpretations and new standards which are not yet effective for the year ended 30 June 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Revised IAS 24, *Related party disclosures*	1 January 2011
IFRS 9, *Financial instruments*	1 January 2013
Improvements to IFRSs 2010	1 January 2011
Amendments to IAS 12, *Income taxes*	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

37 PARENT AND ULTIMATE CONTROLLING PARTY

At 30 June 2011, the directors consider the immediate parent and ultimate controlling party of the Company to be Samling Strategic Corporation Sdn. Bhd. and Yaw Holding Sdn. Bhd. respectively, both of which are incorporated in Malaysia. Neither of them produces financial statements available for public use.

Five Year **Summary**

(Expressed in United States dollars)

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Revenue	729,047	598,248	478,960	545,293	561,223
Cost of sales	(645,837)	(540,897)	(445,778)	(493,538)	(410,834)
Gross profit	83,210	57,351	33,182	51,755	150,389
Other operating income	11,256	11,615	6,334	7,817	5,927
Distribution costs	(24,574)	(21,745)	(17,118)	(10,417)	(6,527)
Administrative expenses	(41,012)	(33,292)	(35,480)	(29,733)	(27,508)
Other operating expenses	(8,736)	(69)	(4,930)	(170)	(140)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	1,585	4,232	(1,952)	(3,034)	3,600
Profit/(loss) from operations	21,729	18,092	(19,964)	16,218	125,741
Financial income	17,880	17,409	8,695	10,010	30,929
Financial expenses	(13,640)	(17,297)	(28,021)	(19,893)	(18,950)
Net financing income/(costs)	4,240	112	(19,326)	(9,883)	11,979
Share of profits less losses of associates	31,819	9,225	96	19,539	7,760
Share of profits less losses of jointly controlled entities	(11)	1,631	800	1,762	1,905
Profit/(loss) before taxation	57,777	29,060	(38,394)	27,636	147,385
Income tax	(12,160)	(592)	(4,593)	(1,523)	(16,443)
Profit/(loss) for the year	45,617	28,468	(42,987)	26,113	130,942
Attributable to:					
Equity shareholders of the Company	20,746	12,645	(37,447)	14,035	98,491
Non-controlling interests	24,871	15,823	(5,540)	12,078	32,451
Profit/(loss) for the year	45,617	28,468	(42,987)	26,113	130,942
Dividend attributable to the year:					
Final dividend proposed after the balance sheet date	5,522	3,441	3,441	3,441	27,574
	5,522	3,441	3,441	3,441	27,574
Earnings/(loss) per share (US cents)					
Basic and diluted	0.48	0.29	(0.87)	0.33	6.03

Five Year **Summary**

(Expressed in United States dollars)

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Non-current assets					
Fixed assets					
— Investment properties	23,020	15,925	7,525	10,322	9,940
— Other property, plant and equipment	381,556	379,804	370,430	428,051	415,253
Construction in progress	2,614	13,696	15,401	9,153	5,480
Interests in leasehold land held under operating leases	42,396	35,035	34,216	27,939	27,172
Intangible assets	39,116	44,560	50,107	32,725	29,616
Plantation assets	285,321	239,263	213,396	241,209	228,716
Interests in associates	142,079	82,360	68,497	75,372	54,675
Interests in jointly controlled entities	12,266	13,494	10,828	14,887	14,592
Available-for-sale financial asset	325	34	31	34	32
Deferred tax assets	7,416	6,103	2,789	5,853	3,578
Total non-current assets	936,109	830,274	773,220	845,545	789,054
Current assets					
Inventories	161,802	144,655	135,457	139,049	110,554
Trade and other receivables	144,271	122,235	74,105	80,039	78,693
Current tax recoverable	16,594	18,121	20,378	19,395	12,013
Pledged bank deposits	3,873	7,356	29,636	7,280	9,153
Cash and cash equivalents	125,980	156,498	211,240	266,036	317,498
Total current assets	452,520	448,865	470,816	511,799	527,911
Total assets	1,388,629	1,279,139	1,244,036	1,357,344	1,316,965
Current liabilities					
Bank loans and overdrafts	132,926	112,008	101,084	120,829	103,782
Obligations under finance leases	15,529	21,979	28,047	32,510	29,222
Bonds	—	—	—	—	43,422
Trade and other payables	162,214	152,969	124,176	132,349	115,602
Current tax payable	5,779	2,461	1,787	263	2,633
Total current liabilities	316,448	289,417	255,094	285,951	294,661
Net current assets	136,072	159,448	215,722	225,848	233,250
Total assets less current liabilities	1,072,181	989,722	988,942	1,071,393	1,022,304

Five Year **Summary**

(Expressed in United States dollars)

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Non-current liabilities					
Bank loans	161,782	176,493	206,398	179,327	132,904
Obligations under finance leases	18,623	23,685	34,292	57,120	63,590
Deferred tax liabilities	57,033	54,423	53,008	55,320	59,681
Total non-current liabilities	237,438	254,601	293,698	291,767	256,175
Total liabilities	553,886	544,018	548,792	577,718	550,836
Capital and reserves					
Share capital	430,174	430,174	430,174	430,174	430,174
Reserves	195,357	133,751	88,352	167,716	169,941
Total equity attributable to equity shareholders of the Company	625,531	563,925	518,526	597,890	600,115
Non-controlling interests	209,212	171,196	176,718	181,736	166,014
Total equity	834,743	735,121	695,244	779,626	766,129
Total liabilities and equity	1,388,629	1,279,139	1,244,036	1,357,344	1,316,965

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