Annual Report 2007

Creating Value through Sustainability

Samling Global Limited

三林環球有限公司*

(a company incorporated in Bermuda with limited liability)

Stock code : 3938

* *For identification purposes only*

Aerial view of tropical forest in Guyana

Contents

Samling Global Limited

is an integrated forest resource and wood products company with forest resources and processing facilities situated in different regions around the world.

Corporate Structure

Samling Global Limited (Bermuda)
Investment holding

- 100% SGL Trading Inc. (formerly known as Samling Guyana Inc.) — *Trading (BVI)*
- 100% Samling Malaysia Inc. — *Investment holding (BVI)*
  - 100% Syarikat Samling Timber Sdn. Bhd. — *Timber-related business and holding company of the Malaysian Companies (MY)*
    - Malaysian Companies — *Timber-related business (MY)*
  - 59.69% Lingui Developments Berhad — *Malaysia listed and holding company of the Malaysian and New Zealand Companies (MY and NZ)*
    - Glenealy Plantations (Malaya) Berhad — *Malaysia listed and engaged in investment holding, operation of oil palm plantations, oil mills and forest plantations. (MY)*
    - Malaysian and New Zealand Companies — *Timber-related business and non-timber related business such as quarry, and rubber retread operations (MY and NZ)*
- 100% Samling Tongling Co. Ltd. — *Dormant (HK)*
- 100% Samling Riverside Co. Ltd. — *Dormant (HK)*
- 100% Caribbean Esskay Limited — *Investment holding (BVI)*
  - 100% Barama Company Limited — *Extraction and sale of logs, manufacture and sale of plywood and sawn timber (Guyana)*
    - 100% Barama Buckhall Inc. — *Manufacture and sale of sawn timber (Guyana)*
    - 100% Barama Housing Inc. — *Dormant (Guyana)*
- 100% Samling Foothill Co. Ltd. — *Dormant (HK)*
- 100% Samling Global USA Inc. — *Sale of veneer and plywood (USA)*
- 100% Samling China Inc. — *Investment holding (BVI)*
  - 100% Riverside Plywood Corporation — *Manufacture and sale of plywood and veneer (PRC)*
  - 100% Foothill LVL & Plywood (Cangshan) Co. Ltd. — *Manufacture and sale of laminated veneer lumber (PRC)*
- 100% Samling Trademark Inc. — *Holding intellectual property rights (BVI)*

Legend:

PRC – People's Republic of China
HK – Hong Kong
BVI – British Virgin Islands
USA – United States of America
MY – Malaysia
NZ – New Zealand

Corporate Structure

Lingui Developments Berhad (Malaysia)
Investment holding

- 100% Ang Cheng Ho Quarry Sdn. Bhd. — *Quarry licensee and operator*
  - 100% Bukit Pareh Quarry Sdn. Bhd. — *Dormant*
- 100% Stigang Resources Sdn. Bhd. — *Quarry licensee and operator*
- 100% Hock Lee Plantations Sdn. Bhd. — *Investment holding*
  - 100% Hock Lee Rubber Products Sdn. Bhd. — *Manufacture and sale of rubber retread compounds*
  - 100% Hock Lee Enterprises (M) Sendirian Berhad — *Property investment and letting of industrial properties*
- 100% Lingui Corporation Sdn. Bhd. — *Provision of management services*
- 100% Alpenview Sdn. Bhd. — *Investment holding*
  - 36.42% Glenealy Plantations (Malaya) Berhad — *Investment holding, operation of oil palm plantations, oil mills and forest plantations*
- 100% Samling Plywood (Bintulu) Sdn. Bhd — *Manufacture and sale of plywood and veneer, extraction and sale of timber logs*
- 100% Samling Power Sdn. Bhd. — *Operation of power generating facilities*
- 100% Samling Plywood (Baramas) Sdn. Bhd. — *Manufacture and sale of plywood and veneer, extraction and sale of timber logs*
- 100% Ainokitchen (Malaysia) Sdn. Bhd. — *Kitchen retail, tendering of kitchen products in housing development projects*
- 100% Samling Plywood (Miri) Sdn. Bhd. — *Manufacture and sale of plywood, extraction and sale of timber logs*
- 97% TreeOne Logistic Services Sdn. Bhd. — *Provision of logistic services*
- 100% Samling Plywood (Lawas) Sdn. Bhd. — *Extraction and sale of logs*
- 100% Tamex Timber Sdn. Bhd. — *Contractor for timber extraction*
  - 100% Miri Parts Trading Sdn. Bhd. — *Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services*
  - 100% Tinjar Transport Sdn. Bhd. — *Riverine transportation services*
- 80% Grand Paragon Sdn. Bhd. — *Investment holding*
  - 50% Foremost Crest Sdn. Bhd. — *Manufacture and sale of doors*
- 35% Samling DorFoHom Sdn. Bhd. — *Investment holding and wood residual trading*
  - 50% Magna-Foremost Sdn. Bhd. — *Manufacture and sale of fibreboard door facings*
  - 70% Samling Manufacturing Plantation Sdn. Bhd. — *Dormant*
- 40% Sepangar Chemical Industry Sdn. Bhd. — *Manufacture and sale of formalin and various types of formaldehyde adhesive resins*
- 100% TreeOne (Malaysia) Sdn. Bhd. — *Investment holding*
  - 100% TreeOne (NZ) Limited — *Investment holding*
    - 100% Hikurangi Forest Farms Limited — *Forest plantation*
      - 100% East Coast Forests Limited — *Dormant*
      - 100% Tasman Forestry (Gisborne) Limited — *Dormant*
  - 30% Daiken Miri Sdn. Bhd. — *Manufacture and sale of high and medium density fibreboard*

Place of incorporation	
■ (red)	Malaysia
■ (green)	New Zealand

Place of incorporation: New Zealand — TreeOne (NZ) Limited, Hikurangi Forest Farms Limited, East Coast Forests Limited, Tasman Forestry (Gisborne) Limited; all others Malaysia.

Corporate Structure

Syarikat Samling Timber Sdn. Bhd. (Malaysia)
Contractor for timber extraction, tree plantation and investment holding

Interest	Company	Principal activity	Interest	Company	Principal activity
100%	Samling Wood Industries Sdn. Bhd.	*Extraction and sale of logs*	40%	Rimalco Sdn. Bhd.	*Manufacture and sale of sawn timber*
100%	Sorvino Holdings Sdn. Bhd.	*Provision of machinery repairs and re-conditioning services*			
100%	Samling Resources Sdn. Bhd.	*Rental of equipments*	49%	Samling-PDT Resources Sdn. Bhd.	*Dormant*
100%	S.I.F. Management Sdn. Bhd.	*Extraction and sale of logs, manufacturing and sale of veneer*			
100%	Bedianeka Sdn. Bhd.	*Sales agent*			
100%	Syarikat Reloh Sdn. Bhd.	*Extraction and sale of logs*			
100%	Kayuneka Sdn. Bhd.	*Agent for sale of logs*			
100%	Ravenscourt Sdn. Bhd.	*Extraction and sale of logs*			
65%	Samling DorFoHom Sdn. Bhd.	*Investment holding and wood residual trading*	50%	Magna-Foremost Sdn. Bhd.	*Manufacture and sales of fibreboard door facings*
			70%	Samling Manufacturing Plantation Sdn. Bhd.	*Dormant*
100%	KTN Timor Sdn. Bhd.	*Extraction and sale of logs*			
100%	Samling Flooring Products Sdn. Bhd.	*Manufacture and sale of flooring products, veneer and plywood*			
100%	Merawa Sdn. Bhd.	*Extraction and sale of logs*			
54%	Samling Housing Products Sdn. Bhd.	*Manufacture and sale of housing products*	100%	Samling Chipboard Sdn. Bhd.	*Manufacture and sale of particleboard*
70%	Dayalaba Sdn. Bhd.	*Extraction and sale of logs*			
100%	Samling Reforestation (Bintulu) Sdn. Bhd.	*Tree plantation*			
70%	Majulaba Sdn. Bhd.	*Extraction and sale of logs*			
100%	Sertama Sdn. Bhd.	*Extraction and sale of logs*			

Corporate Information

Board of Directors
Chan Hua Eng *(Chairman)*
Fung Ka Pun *(Deputy Chairman)*
Yaw Chee Ming *(Chief Executive Officer)*
Cheam Dow Toon *(Chief Finance Officer)*
David William Oskin
Tan Li Pin, Richard

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

Joint Company Secretaries
Yau Chung Fat *(ACIS, ACS)*
Veronica Lin Siu Mui *(ACS, ACIS, FCIS(ICSA), FCS(HKICS))*

Compliance Adviser
CIMB-GK Securities (HK) Limited
25/F., Central Tower
28 Queen's Road Central
Hong Kong

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
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

AmBank Berhad
ANZ Investment Bank
Bank Muamalat Malaysia Berhad
CIMB Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank (Malaysia) Berhad

Stock Code

Hong Kong Stock Exchange 3938

Website

www.samling.com

Financial Highlights

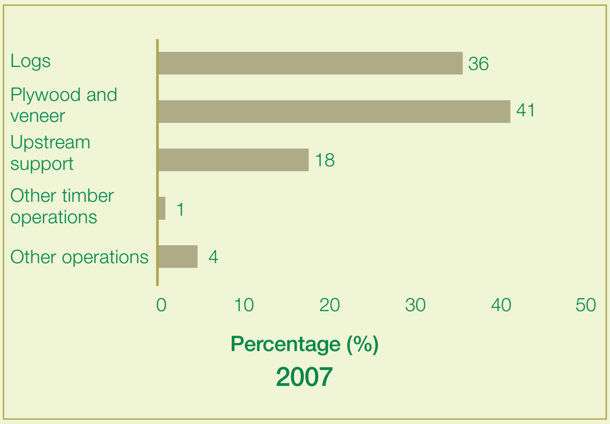
	For the year ended 30 June			
	2007	2006	2005	2004
	US$'000	*US$'000*	*US$'000*	*US$'000*
Turnover	**561,223**	388,686	409,132	364,291
Profit/(Loss) before taxation	**147,301**	(199)	44,567	54,064
Profit attributable to shareholders	**98,430**	5,128	23,118	23,521
EBITDA [(i)]	**196,679**	83,487	111,555	97,771
Shareholders' funds	**598,775**	167,428	247,788	124,480
Total assets	**1,314,051**	892,467	957,143	907,945
Earnings per share (US cents) [(ii)]	**6.03**	0.17	0.75	0.76
Gearing ratio (%) [(iii)]	**28.4%**	41.5%	32.2%	38.6%

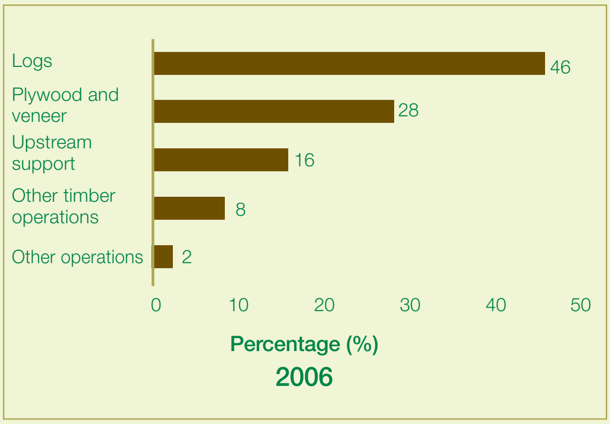
(i) EBITDA is equal to earnings/(losses) before net of financing costs, tax, depreciation, amortisation and gain/(loss) from changes in fair value of plantation assets less estimated point-of-sales costs.

(ii) The calculation of basic earnings per share for the years ended 30 June 2004, 2005 and 2006 is based on the profit attributable to equity holders of the Company and divided by 3,094,236,830 shares in issue as at the date of the prospectus of 23 February 2007, as if the shares were outstanding throughout the year.

(iii) Gearing ratio is equal to total borrowings divided by total assets times 100%.

EBITDA Contribution in Percentage (%) by Segment





Integrated Business Creates Value

Chairman's Statement

Dear Valued Shareholders,

On behalf of Directors of Samling Global Limited ("the Company"), it gives me great pleasure to present to you the Group's first annual report since its successful listing on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") on 7 March 2007.

Review of Results

The financial year under review was a success with the Group achieving a significant improvement in its operating results recording a 1,025.0% increase in operating profits from US$11.2 million in the preceding financial year to US$125.7 million in the financial year under review. Turnover has also correspondingly increased from US$388.7 million in the preceding financial year to US$561.2 million in the current financial year. Profit attributable to shareholders was US$98.4 million which was above the US$72.2 million forecasted in the initial public offering prospectus. The significant improvement in prices for the Group's timber products was a major contributing factor to this improvement in turnover, operating profits and profits attributable to shareholders. On an EBITDA basis, the Group achieved US$196.7 million which was 135.6% higher than that of the preceding financial year.

The plywood and veneer segment remained the largest contributor to operating profits, accounting for 50.3%. Volume of plywood sold of 615,170 cubic metres ("m^3") and volume of veneer sold of 161,368 m^3 increased by 28.0% and 24.5% respectively compared to that of the preceding financial year. The increase in volume is due to a combination of factors, amongst others, the increased utilisation of the mills as a result of ramping up of production, especially from the new veneer mills and the plywood plant in Sibu, East Malaysia as well as the increased volume of logs available for processing. With the significant upward trend in plywood and veneer prices, the profit margin has also increased from 2.9% in the preceding financial year to 17.5% in the financial year under review.

Review of Results (continued)

The log trading division was the second largest contributor to operating profits, accounting for 46.0%. With normal weather conditions having returned to the Group's operational areas in East Malaysia in the financial year under review, higher volume of logs were extracted by the Group, resulting in higher log volumes being sold. Volumes reached 1.2 million m^3 as compared to 1.1 million m^3 for the preceding financial year. Log prices achieved in the financial year under review also showed a distinct improvement over that of the preceding financial year. Consequently, profit margin for log trading improved from 7.1% to 22.3% compared to the preceding financial year.

The upstream support operations which provide the log extraction, logistics support and spare parts sourcing contributed 6.9% to operating profits compared to a negative 75.4% for the preceding financial year. Profit margins have increased from a negative 5.4% in the preceding financial year to 4.2% for the financial year under review. This was principally attributable to an increase in productivity and cost containment efforts.

Timber Market Overview

Demand and supply dynamics played a positive role in the favourable rebound of the timber market for tropical wood towards the end of the preceding financial year which continued into the financial year under review.

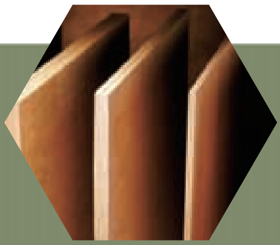
Timber Market Overview (continued)

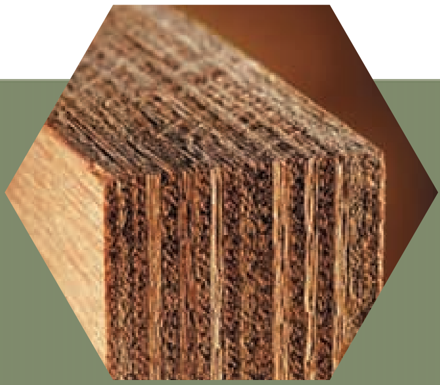
On the demand side, Japan's improved housing starts provided the impetus for an upward movement in prices, in particular log and plywood prices. Japan, being one of the largest tropical plywood users, remained the key factor in the determination of price movements of tropical plywood. For logs, Japan still imports a significant portion of its domestic processing needs. China, with its robust economic growth and construction related spending continued to require wood resources which boosted the demand for tropical wood. The higher level of demand for hardwood resources is because of its rapid urbanisation and infrastructure developments, increase in housing starts and the growing home renovation sector brought about by rising affluence and income levels which augur well for the timber industry. Being wood deficient, China had been the largest importer of tropical logs for the past few years and continues to import a significant amount to cater for its domestic production needs. This is further encouraged by a zero tariff incentive on log imports as its authorities had imposed restrictions on harvesting of logs from its natural forests. India, with its construction related spending and rapid urbanisation, has also experienced an increase in demand, especially for the harder tropical wood species.

On the supply side, tropical log supplies from East Malaysia has returned to normal levels following the normalisation of precipitation rates around the Group's operational areas. Log supplies from Indonesia continues to drop as measures taken by the Indonesian authorities to curb illegal logging intensified. The Indonesian government is focusing more on forest conservation and is therefore limiting the number of new concessions thereby contributing to a general log supply shortage in the market.

Updates on Growth Strategies and Future Plans

The Group continues to focus on increasing its sustainable woodflow from its existing resources. In Malaysia, with woodflows from the existing concession base of 1.4 million hectares remaining stable at about 1.8 million m^3 per annum, the Group is focusing its efforts on expanding its tree plantation areas by increasing planting activities in the coming years. Salvage logs from the clearing of areas for tree planting activities will supplement the logs extracted from the concessions and it will be processed by the Group's four veneer mills. Plywood manufacturing equipments will, under the scheduled replacement programme, be replaced by newer and better equipment to improve on wood recovery and also with the capability to peel smaller diameter logs.





Updates on Growth Strategies and Future Plans (continued)

In Guyana, the marketing efforts in promoting the hard log species has reaped some benefits as more customers, especially from India, are accepting these log species for their application uses such as for flooring and structural use. As the hard species from the Guyana forest are uncommon, the Group intends to further promote these hard species, especially the exotic variety to increase the Group's sales from this country. With the planned increase of woodflow from Guyana, the construction of another two sawmills in Buckhall, Guyana is in progress.

Plans to ramp up the woodflows in New Zealand to a sustainable level of 800,000 m^3 is progressing as scheduled with the necessary preparatory works being done especially on road construction and infrastructural development. To add value to the increased woodflow, the construction of a downstream manufacturing facility in the town of Gisborne is progressing as planned. With the land for the processing site being secured, work has commenced on the mill design specifications and equipment requirements.

On plans to increase the Group's woodflow through the acquisition of new concessions and plantations, the Group is still considering and evaluating various proposals that will strategically fit into the Group's overall plans and provide the Group with synergistic advantages.

With a fully integrated operation which stretches from owning and operating the forest resources to downstream operations, the Group recognises the next level is to further move down the supply chain and to be closer to the end customers. It serves to understand the customers' needs better as well as being able to respond quickly to any new changes in demand or new product requirements. This also helps in the promotion of the Samling global brand name to a wider group of end customers. To achieve this objective, the Group plans to invest in sales and distribution networks in the key markets that it operates. Various means to achieve this are being considered, including but not limited to strategic tie-ups, potential joint ventures and acquisitions of distribution companies which serves the Group's objectives.

To improve wood yields and wood quality from the tree plantations, the Group continues to invest in research and development to identify improved planting materials through tissue culture, cloning and genetic improvements. In addition, research and development activities on silviculture practices such as thinning intensities and pruning will be undertaken to achieve larger diameter logs within the tree plantations and within the harvesting rotation timeframes.

Updates on Growth Strategies and Future Plans (continued)

The availability of up to date management information on the key areas of the business is important for decision making. The Group is in the midst of implementing a new Enterprise Resource Planning ("ERP") system, Microsoft Dynamics AX from Microsoft, to improve on the processes of tracking of the wood resource movement from the forest to the processing plants and to the point of final sale. Reporting information across the organisation will be enhanced.

Forest certification is voluntary and the Group intends to stay committed to forest certification. The Group has received forest certification for approximately 56,000 hectares on natural forests in Malaysia and approximately 35,000 hectares of tree plantations in New Zealand. Certification will assist in building brand identity as well as prepare the Group to meet future market demands for certified wood products. The Group is also currently working actively with the Forest Stewardship Council on the audit of the Guyana forest for its reinstatement. The Group's practice of sustainable forest management is designed to ensure the long term supply of our forest resources and to certify the legality of log sources. Best practices which are adopted in the management of all the Group's forestry areas will be continuously improved upon.

Dividends

The Directors recommend the payment of a final dividend of 5.00 HK cents (equivalent to approximately 0.641 US cents) per share amounting to HK$215.1 million in respect of the financial year ended 30 June 2007 to shareholders whose names appear on the Register of Members of the Company on 19 November 2007. The proposed final dividend will be paid on 18 December 2007 following approval at the forthcoming Annual General Meeting.

Corporate Governance

The Board of Directors are committed to achieving and maintaining high standards of corporate governance in managing the business and affairs of the Group guided by the principles and best practices as set out in the Hong Kong Code on Corporate Governance and developments of recognised best governance practices. These practices are instilled throughout the Group's operations. These are further described in the Corporate Governance Report found on pages 46 to 53.

Human Resource Development

As the Group expands, there is a need to ensure that it continues to develop its human resource capabilities to take on new challenges and requirements. Besides the need to develop the knowledge of staff for effective succession planning, there is also the need to ensure that all staff are adequately trained to recognise opportunities as well as detect potential risk and correspondingly, respond in a timely manner. The Group has a team of dedicated employees who are committed to the achievement of the Company's vision. To ensure this culture permeates across the whole Group, especially for new employees as the Group expands, greater efforts are being placed on training, teamwork, effective communications and clear key performance indicators for incentive schemes. The Group's incentive scheme ensures that performances that meet or surpass the targets set are recognised and rewarded.

Corporate Responsibility

The Group's Corporate Responsibility emphasis is on achieving commercial success in a balanced, responsible manner taking into account the interest of all stakeholders. A key focus area will be on the practices of the Group, in particular in the forest concession areas and in the surrounding communities. The Group stays committed to the principles of sustainable forest management to ensure that the forest resources is operated in an environmentally friendly and sustainable way that will ensure the availability of the forest resource for future generations. The Group will continue to assist the various communities by providing necessities and assistance in various infrastructural developments to upgrade their standard of living. The Group practises open communication and will continue to improve on this by having more dialogues with all interested stakeholders.

Prospects

Although timber prices have eased slightly due to the overstocked position in Japan, the current outlook for the timber market remains promising with continued demand from China and India. The greater demand for wood products globally, especially from the Asia Pacific region, driven by strong economic growth, expansion of construction activities and increased infrastructure developments, should help maintain timber prices at the higher levels experienced in the financial year under review. Japan, being one of the largest importers of tropical timber will be an important factor to the price equation. Although demand of plywood from Japan has slowed down in the first two months of the current financial year, principally due to overstocked position and lower housing starts, Japan will continue to be a significant market for higher premium timber products. China and India, with their continued economic growth will be the other factor providing the expected growth in demand for timber. Timber supply is expected to remain constrained due to a general shrinkage in harvestable areas with more focus on forest conservation and also due to Indonesia's efforts in curbing illegal logging, which augurs well for timber prices. Other development which may have a positive impact on timber prices is the Russian announcement on the gradual increase in export taxes on logs which will take effect from 1 July 2007. The recent announcement by China on the reduction in value added tax rebates on plywood exports also augurs well for plywood prices. On a bearish level, a continued slowdown in housing starts in Japan and adverse economic developments in the United States of America, notably the housing sector and the sub-prime lending situation may have a contagion effect on other world economies should there be a slowdown. A sharp sustained rise of crude oil prices will also affect growth in the Group's export markets in consequence, the overall demand for timber.

Prospects (continued)

The Group, with its wood resource, manufacturing capacities and integrated operations, will be well positioned to take advantage of the expected favourable pricing environment. Significant investments in logging equipment and the construction of infrastructure within the Group's forest resources which have been made in recent years will enable the Group to increase its log production as its tree plantation matures. The expansion of downstream processing capacities in recent years and the replacement programme for newer and better equipment will also ensure that the Group continues to add value from the additional timber that will be available in the years to come. The Group will continue striving to maintain its competitiveness by being efficient in its operations and production in order to face the many challenges ahead in the globalised market. Various cost containment programme are being implemented to ensure that major costs are controlled, especially fuel where co-generation plants are being built to reduce fuel costs by utilising wood waste from the various processing plants. On the marketing side, the Group will continue to work towards brand building, the production of higher margin niche products and sale to more end customers. However, it must be cautioned that any further appreciation of the Malaysian Ringgit against the US Dollars will continue to impact upon cost and margins unless US Dollars sale prices move in tandem. To manage this foreign exchange exposure, the Group will apply appropriate hedge measures for its sales proceeds and payment obligations.

Acknowledgement

On behalf of the Board of Directors, I would like to thank all the Directors, the Management and employees for their strong commitment and contribution towards the continued success of our Group. We also wish to thank our valued customers, business partners, bankers, the authorities and shareholders for the constant support for the Group.

Finally, to our shareholders, a special thanks to you all for your continued support for the Group. We assure you that we will continue to work to uphold the trust you have placed in us.

Chan Hua Eng
Chairman

30 August 2007

Practising Better Standards Everyday

Forest Management and Forest Certification

We continually try to improve our management of forest resources so that the supply of wood meets the needs of society today and in the future. Our forest concession areas are managed and controlled under systematic Forest Management Plans, according to the regulations of the relevant authorities in the places we operate. We practise selective harvesting of mature, commercial trees of a minimum diameter, on a rotational cycle. Harvested areas are then closed for a prescribed period of time before the next harvesting cycle in the same area, allowing forests to regenerate naturally.

Beyond sustainable practices, we endeavour to certify our concessions, following the prominence of voluntary third-party certification worldwide. While there continues to be a varied approach to evaluating well-managed forests, with multiple certification bodies, we adapt the most appropriate certification for our respective concessions. We understand that forest certification is not a static process, rather it is a means for timber companies to strive for continuous improvements over a period of time throughout their operations.

Forest Stewardship Council Forest Management Certification in New Zealand

Our tree plantation in New Zealand spanning 35,000 hectares is certified under the Forest Stewardship Council ("FSC") in 2006.

We have deliberately improved the seed mixture in order to help stabilise the earth disturbance caused by road construction. Large areas of the Company's plantations grow on soils formed from a fine sedimentary mudstone. We established new seed mix specifically designed to establish good ground cover of grass and legumes that can weather all seasons on mudstone soils, reducing the environmental impact from road construction.

Forest Stewardship Council Forest Management Certification in New Zealand (continued)

As part of a 2-year bio-diversity management programme, the Company is in the process of completing a land-use classification project to quantify the level of bio-diversity across its land estate and to demarcate areas of high conservation value. The results are being progressively captured on the Company's Geographical Information System, while field surveys have been conducted on areas of higher conservation interest.

Malaysian Timber Certification Council Forest Management Certification in Malaysia

Our Sela'an-Linau Forest Management Unit ("FMU") has received forest management certification in approximately 56,000 hectares of natural forest under Malaysian Timber Certification Council ("MTCC") in 2004.

Environmental Aspects

The FMU had continued to maintain the adopted silvicultural principles of maintaining and enhancing structural and species diversity for treatment of harvested forests. Enrichment planting or replacement planting of certain species to increase the population was also carried out in certain sites to rehabilitate the forest.

The FMU would take the initiative to identify and conserve areas with potential unique vegetation and fauna habitats. An additional salt lick has been identified, while previous salt licks are still protected within the 50m buffer zones. An area of about 59 hectares was identified as high conservation forest. An inventory on the tree stand composition was conducted and recorded. Two different areas totalling 128 hectares within the FMU were identified as long term ecological research plots. We are making arrangements to carry out research studies in these plots with the Applied Forest Science and Industrial Business Unit of Sarawak Forestry Corporation.

Social Aspects

We have lived and operated alongside many native groups in Sarawak for several decades. We are mindful that the concession areas where we are licensed to operate is limited to timber harvesting, while the local communities who live in the forests are free to forage and harvest their non-timber forest products in those areas.

We have a track record of communicating and working closely with the local communities. We have a team of community affairs officers as well as a Liaison Committee in the FMU who look into the needs of these communities located within our concession areas. This team is also responsible for resolving the concerns raised by various local groups and advise on how we can help improve their livelihoods in the forest.

The community development projects that have so far been completed include the construction of a 2-block, 20-door, longhouse at Ba'Mubui, a Penan village, gravity-feed water supply together with a mini-hydro dam at Long Main, a Penan village, restoration of a suspension bridge at Long Lellang, a Kelabit village, planting of Arabica coffee together with the community at Long Semiyang, a Kenyah village.

Malaysian Timber Certification Council Forest Management Certification in Malaysia (continued)

Social Aspects (continued)

We are continuing our efforts in helping communities plant Arabica coffee. A total of 5,407 seedlings have been planted while another 300 seedlings were provided to the community at Long Semiyang between 2006 to February 2007. We are extending gravity-feed water supply to Long Sepigen, a Penan village, and have contributed to the pre-school assistance programme in several villages within our operation areas. We have also provided financial assistance to primary and secondary school children and have assisted in the construction of public amenities for the local communities.

The FMU has opened its door for research to the Wildlife Conservation Society, which is conducting its study of forest wildlife there. An eco-tourism guide course, which provides training to members of the local communities, was scheduled in 2007, incorporating sites within the FMU.

A task force was formed, made up of company staff, the Sarawak Forestry Corporation, the Penan community of Long Main, and two local Penan Volunteer Corps members in-charge of liaising with Long Benalih, a Penan village that has raised concerns over road construction by the Company. From our dialogue with the other local communities in the area, we understand that a road will provide better access and convenience to the surrounding neighbourhoods, benefiting the various villages and communities. To date, we have not harvested in the areas of concern, and believe that we need to carry on our community dialogues. It is our practice to offer our assistance and try to accede to their requests. Most of the time, goodwill agreements are achieved following a negotiation process between the Company and the local community, where their demands are met in an amicable manner, allowing us to live and work in a mutually beneficial environment.

FSC Forest Management Certification in Guyana

Our operations in Guyana are at an early stage of development. In 2006, we became the first and only company in Guyana to receive FSC certification for 570,000 hectares of forests in west central Guyana, a process that took three years to achieve. This was a significant milestone as it demonstrated the Company's leadership in meeting the FSC's sustainability criteria. This voluntary certification was suspended a year later, with Samling and all parties involved learning from the process. We look forward to reinstating the certification and are in ongoing discussions with all relevant parties, in working towards fulfilling the dynamic requirements of certification.

In the meantime, we will continue operating, producing and selling logs from our forest concession in Guyana, but the products will not carry FSC certification.

Fulfilling our Commitment to Communities

Corporate Responsibility

The Group is progressively integrating Corporate Responsibility ("CR") practices throughout our business while incorporating broader social and environmental issues into our day-to-day decision making to better enable us to achieve our goals. Our commitment to CR is not simply a response to increase market attention in this area, but such issues reinforce the way that our various businesses operate.

We regard CR as a sustainable approach to business that seeks benefits for all of our stakeholders, be they customers, employees, communities, the environment or the Company and its shareholders. During the year, we have maintained our dialogues with stakeholders in this important area. We are committed to high standards of corporate governance and environmental as well as other CR issues which form part of the overall internal control process.

We focus on issues such as sustainable development, safety, training, and the provision of opportunities for our employees' career growth and development.

Local Indigenous Communities

There are many indigenous people who live in the areas we operate. Our aim is to assist community members lead safer and easier lives, empowering them to develop self-reliant, environmentally-balanced living, while respecting their traditions, cultures and beliefs.

Over the years, we have implemented a variety of community-focused initiatives and engaged the communities even before we begin operations, so as to understand their needs, and better cope with inevitable issues that may arise from time to time.

Local Indigenous Communities (continued)

The Group's community liaison officers, many of whom belong to the indigenous tribes, are recruited specially to look into the needs of the various communities living within our concession areas. This includes regular visits to the communities, keeping abreast of project conditions so that follow-up actions like maintenance are quickly identified and executed.

(a) Community Assistance Programmes

Our "Community Assistance Programmes" makes available basic living necessities such as water, electricity and building materials to the communities.

Reaching out to the Penan community

In Long Jekitan, a Penan village, the Group helped build a Penan Service Centre, consisting of a school, student dormitories, staff quarters and dining and recreational halls. The Centre costs approximately Malaysian Ringgit ("RM") 1,200,000 (equivalent to approximately US$338,000) of which RM230,000 (equivalent to approximately US$65,000) was contributed by the Sarawak State Government. An agriculture office and research and development ("R&D") quarters were also built and plans for a medical centre are in the pipeline. We also contributed a 30 horse power outboard engine for their boat to better transport the villagers in this community.

At Ba'Mubui, another Penan village, we invested approximately RM320,000 (equivalent to approximately US$90,000) and assisted in the full construction of homes for 20 Penan families.

Another 20-door longhouse was built with financial and construction supervision by our Group for Long Beruang, a Penan settlement, including an access road and a generator set at a cost of approximately RM302,000 (equivalent to approximately US$85,000).

Local Indigenous Communities (continued)

(a) Community Assistance Programmes (continued)

Reaching out to the Penan community (continued)

For the Penans at Long Main, we continue to maintain a mini-hydro dam project. This not only provides fresh-water supply, it also gives the villagers access to gravity-feed water providing them with fire-fighting capabilities needed to protect their wooden homes from fire devastation.

Building roads for tomorrow

Forest lands are intricate and often, the terrain is challenging. Rivers provide much needed water and is also a form of transportation. Travel is limited or avoided altogether given the hours, days and sometimes weeks, to get from one village to another. Forest travel consists of jungle trekking, manoeuvring brisk rivers, and walking the timber roads under demanding weather conditions.

Over the years, our road network and bridges have provided much needed access within the forest through a safer and more convenient route. We go out of our way to build and maintain feeder roads to villages at their requests, shortening their travel time when accessing daily necessities.

Restoration of suspension bridge at Long Lellang

As part of a community development project and working with the Forest Department of Sarawak, the Group proposed, planned and paid for the restoration of a suspension bridge, which is the main artery connecting Long Lellang A to Long Lellang B (both Kelabit villages).

In this project, we were heavily involved in delivering large amounts of wire for bridge restoration, and appointed several staff members to collaborate with the government agency on reconstructing the bridge, while community members agreed to contribute timber, boat transportation and labour to the project.

Nahaha Commercial Centre

The Kayan communities at Long Na'ah are involved in a vegetable farm project first started by the State Agriculture Department. The vegetable products are readily marketed to our Group, which buys their produce for our daily use. As part of the project, we provide assistance to the villagers upon their request to level their land in order to facilitate their building project.

Local Indigenous Communities (continued)

(a) Community Assistance Programmes (continued)

Medical Assistance Programme

In Guyana, we have developed a Medical Assistance Programme to provide forest communities access to health care in the forest. It aims to promote the total health of the communities it serves through the identification, training, equipping and supporting of community leaders as a primary tool for improving the health of individuals, families and communities.

Where possible, the programme aims to improve the quality of life of the forest communities by working to prevent, control, and eradicate infectious diseases, when possible. It also brings about awareness through the training and education about possible health threats.

The Medical Assistance Programme is funded and administered by our wholly-owned subsidiary Barama Company Limited.

(b) Community Skills Programmes

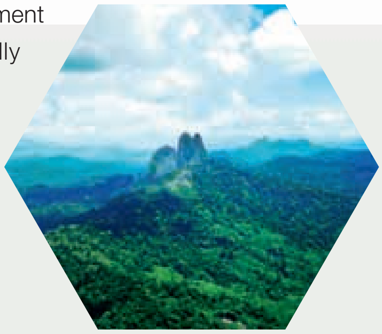
A measure of success in any community programme is to impart life skills that enable communities to become more self reliant and independent for the long term. We aim to help the various communities enhance their self-sufficiency by teaching them to farm vegetables, grow fruit trees, tend to fish ponds and practise animal husbandry, all of which provide a consistent food supply.

Arabica Coffee Plantation, Long Semiyang

The Arabica coffee project undertaken by Long Semiyang, a Kenyah community was aided by the State Agriculture Department. This community was selected for the Arabica coffee planting project, following comprehensive research was conducted on the suitability of 100 hectares located nearby the village. A reforestation nursery and goods store was set up as a result of the coffee planting project. Our Group played an active role in this pilot project and acted as a conduit between the government agency and the community, while helping to create a collection, processing and packaging centre for the harvested coffee. The Group also provided guidance in project implementation and overall maintenance of the plantation.

Eco-Tourism

We support an eco-tourism project organised by the Sarawak Skills Development Centre. Fifteen members of different indigenous groups have successfully undergone a nature guide course held in our area of operation between April and May 2007. Apart from financial sponsorship, our Group provided support in allocating our concession, Sela'an Linau FMU, as a pilot area for the nature tours. We also provided training facilities and logistical support to ensure the smooth running of the course.



Local Indigenous Communities (continued)

(b) Community Skills Programmes (continued)

Janji

Janji, which means promise in Malay language, is an initiative that promotes indigenous art and handicraft, and is supported by the Group. The Group engages members of the local communities to help guide, motivate and share ideas to improve both the quality and process of making these handicrafts, while providing retailing opportunities in a wider market. A Janji sales outlet has been established in Suria KLCC, Malaysia's leading shopping centre, and the Group hopes to add further value to this initiative by helping the communities involved set up smaller outlets across Malaysia. This will help sharpen the business acumen and develop further specialisation in the various stages of the production process.

Scholarship for Malaysian Students

The Group recognises the need to promote higher learning among young people, who are the key to a brighter future. Each year we grant scholarships to students with outstanding academic results, further enriching the talents and skills force in the countries we operate. We have so far granted 29 scholarships to outstanding students from across various disciplines related to forestry and engineering in Malaysia.

Our Engagement Process

We believe that being a responsible company includes respecting the interests of all our stakeholders, and this involves listening to them, responding to their concerns, being honest in our expectations and fair in how we report our performance.

We work proactively with non-governmental organisations ("NGOs"), responding to their requests for information and entering into constructive engagement on campaign issues that we believe should be supported. Examples include our work with the Wildlife Conservation Society on a project designed to implement the Master Plan for Wildlife in Sarawak — in particular the legal restrictions on the trade in wildlife — and to work with local communities to reduce hunting pressure on wildlife.

This has involved conservation education for local communities and company staff, enforcement operations in our camps, and regular wildlife surveys and hunting interviews to assess wildlife populations and hunting patterns.

Customers

We aim to deal honestly with our customers and secure their loyalty and trust by providing outstanding choice, value and service. We like to hear what our customers think and we want to know how we can do things better. Only by gathering feedback on our products and services can we maintain and raise our standards of customer service and keep customers satisfied.

We do our best to encourage customers to give us feedback, both positive and negative, by being open to comments and making it clear how customers can contact us.

Investors

The Group practises open communication and will continue to improve on this by having more dialogue with all interested stakeholders. Investors are kept informed of key business activity via regular meetings, press releases and the Group's website.

Responsibility through Accountability

Key Financial Highlights

	Logs US$'000	Plywood and Veneer US$'000	Upstream Support US$'000	Other Timber Operations US$'000	Other Operations US$'000	Elimination US$'000	Consolidated US$'000
Segment Revenue							
2007							
External customers	**172,563**	**336,631**	**16,131**	**26,716**	**9,182**	**—**	**561,223**
Inter-segment revenue	**86,161**	**25,108**	**190,952**	**2,534**	**3,751**	**(308,506)**	**—**
Total revenue	**258,724**	**361,739**	**207,083**	**29,250**	**12,933**	**(308,506)**	**561,223**
2006							
External customers	121,124	207,547	22,060	29,298	8,657	—	388,686
Inter-segment revenue	55,731	19,478	133,514	1,549	1,285	(211,557)	—
Total revenue	176,855	227,025	155,574	30,847	9,942	(211,557)	388,686

Key Financial Highlights (continued)

	Logs *US$'000*	Plywood and Veneer *US$'000*	Upstream Support *US$'000*	Other Timber Operations *US$'000*	Other Operations *US$'000*	Consolidated *US$'000*
Segment Gross Profit						
2007	**59,052**	**74,200**	**13,384**	**1,180**	**2,573**	**150,389**
Percentage of segment contribution (%)	**39.3**	**49.3**	**8.9**	**0.8**	**1.7**	**100.0**
2006	29,543	14,387	(2,449)	3,527	1,897	46,905
Percentage of segment contribution (%)	63.0	30.7	(5.2)	7.5	4.0	100.0

Key Financial Highlights (continued)

Profit Attributable to Equity Holders of the Company

	2007 US$'000	2006 US$'000
Gross profit	**150,389**	46,905
Other expenses net of other income before gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	**(28,242)**	(20,451)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	**3,508**	(15,285)
Profit from operations	**125,655**	11,169
Net financing income/(costs)	**11,981**	(15,501)
Share of profits less losses of associates and jointly controlled entities	**9,665**	4,133
Income tax	**(16,420)**	1,745
Profit for the year	**130,881**	1,546
Minority interest	**(32,451)**	3,582
Profit attributable to equity holders of the Company	**98,430**	5,128

Review of Group Results

For the financial year under review, the Group achieved a turnover of US$561.2 million representing a 44.4% increase from the turnover of US$388.7 million achieved in the preceding financial year. This increase was primarily attributable to an increase in revenue from log, plywood and veneer sales which benefited from improved selling prices and increased sales volume.

Review of Group Results (continued)

Gross profit has correspondingly increased to US$150.4 million from US$46.9 million achieved in the preceding financial year. Principally as a result of the improved selling prices, gross profit margin has increased to 26.8% compared to 12.1% for the preceding financial year. Concurrently, other expenses net of other income has increased to US$28.2 million, which was 38.1% higher than the preceding financial year. After recognising a gain of US$3.5 million from changes in fair value of plantation assets less estimated point-of-sale costs, profit from operations was US$125.7 million, a significant improvement from the US$11.2 million recorded in the preceding financial year. After accounting for net financing income of US$12.0 million, share of profits less losses of associates and jointly controlled entities of US$9.7 million and net of income tax of US$16.4 million and minority interest of US$32.5 million, profits attributable to shareholders was US$98.4 million which was above the US$72.2 million forecasted in the initial public offering prospectus. On an EBITDA basis, the Group achieved US$196.7 million which was 135.6% higher than that of the preceding financial year.

Review of Business Segment Results

Log Trading

Log trading is a major contributor to turnover. It accounted for approximately 30.7% and 31.2% of total turnover for the financial year under review and the preceding financial year respectively. The following table shows selected operating and financial data with respect to our sales volume, weighted average price and revenue of logs sold, including inter-company log sales.

	Year Ended 30 June 2007			Year Ended 30 June 2006		
	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000
Hardwood logs — export sales	**792,995**	**168.71**	**133,785**	595,008	143.39	85,317
Hardwood logs — local sales	**345,345**	**93.44**	**32,269**	377,760	78.37	29,603
Softwood logs — export sales	**67,132**	**70.10**	**4,706**	67,804	55.98	3,796
Softwood logs — local sales	**22,997**	**78.40**	**1,803**	33,892	71.05	2,408
Total external log sales	**1,228,469**	**140.47**	**172,563**	1,074,464	112.73	121,124
Internal log sales[(i)]	**979,548**	**87.96**	**86,161**	755,440	73.77	55,731
Total log sales	**2,208,017**	**117.17**	**258,724**	1,829,904	96.65	176,855

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

Review of Business Segment Results (continued)

Log Trading (continued)

The Group sold 1.14 million m^3 of hardwood logs and 90,129 m^3 of softwood logs which was 17.0% higher and 11.4% lower respectively than the preceding financial year.

The volume of hardwood logs sold represents approximately 42.7% of total hardwood logs extracted with the balance being processed in the Group's downstream mills. Compared to the preceding financial year when logging operations in East Malaysia were hampered by prolonged adverse weather conditions which resulted in lower volumes of logs being extracted, the weather returned back to normal in the financial year under review. As a result the volumes of logs extracted from East Malaysia increased, resulting in a higher volume of logs being available for sale. In Guyana, the Group continued to ramp up its log extraction with greater acceptance by buyers of the various hardwood species that are extracted from its forest. To ensure that returns from logs are maximised, there was constant coordination between the log marketing team and the plywood mills to determine the best use of the logs, either by a direct sale or to be used in the mills to manufacture value added products. The average hardwood log prices achieved for the financial year under review was US$145.9 per m^3 compared to US$118.1 per m^3 achieved for the preceding financial year.

The 90,129 m^3 of softwood logs sold were from the Group's maturing Radiata pine tree plantations in New Zealand. Plans to ramp up the woodflows in New Zealand to a sustainable level of 800,000 m^3 is progressing as scheduled with the necessary preparatory works being done especially on road construction and infrastructural development. The average softwood log prices achieved of US$72.2 per m^3 was 18.4% higher than that of the preceding financial year.

Strong demand from the Group's traditional markets of China and Japan as well as India becoming a major buyer and the effects of a lower log supply situation resulted in a significant increase in prices, especially hardwood logs. China, with its strong economic growth driving an increase in construction and infrastructure development activities remains the largest importer of both tropical hardwood and softwood logs. Logs demand has grown as wood manufacturing plants were built or expanded to meet the increase in demand for wood products. Partly due to the Natural Forest Protection Programme, these plants have to source its requirements through imports as local resources were unable to cope with their demand. Zero tariff on imported logs further encouraged log imports. The Group sold 34.6% of its log exports to China. In Japan, the improved housing starts augured well for log exports, both hardwood and softwood logs, as Japan normally sources for the best quality logs at premium prices for its domestic consumption. The Group sold 14.9% of its log exports to Japan. The Group continued on its strategy to maintain strong ties with its Japanese customers, meeting their requirements not only in terms of quality but also consistency and timeliness of supply. As the Indian economy expands, log demand has also increased especially for the harder species which fetches higher prices and which is the preference for flooring, furniture and construction industry. The Group sells its harder species from both Malaysia and Guyana to India which accounts for 17.3% of its total log exports. On the supply side, the volume of hardwood logs available in the market has generally fallen due to constriction of available tropical forest areas and a decrease in supplies from Indonesia with stricter enforcement efforts by the Indonesian government to curb illegal logging taking its effect. For softwood logs, Russia still supplies a significant volume to the market, especially to China, but with the recent announcement of the step up increase in export taxes, a certain level of uncertainty on the supply from this source has entered the market.

In line with the significant improvement in selling prices and the higher volumes sold, gross profits from log trading improved from US$29.5 million in the preceding financial year to US$59.1 million for the financial year under review. Gross profit margin also improved to 22.8% from 16.7% in the preceding financial year.

Review of Business Segment Results (continued)

Log Trading (continued)

The changes in fair value of plantation assets less estimated point-of-sale costs was a gain of US$3.5 million compared to a loss of US$15.3 million from the preceding financial year. The change for the current financial year was due to higher prices as at the end of the financial year and the growth of the planted trees.

At the operating profit level, the log trading segment recorded a profit of US$57.8 million which is 363.0% higher than the US$12.5 million achieved in the preceding financial year end.

Besides practising sustainable forest management to ensure a sustained supply of logs from the natural forests which the Group operates in, the Group has also incurred costs amounting to US$8.1 million to tend and expand its forest plantation areas. The New Zealand Radiata pine plantation with a planted area of 26,274 hectares is continuously maintained and pruned to ensure that it provides the highest percentage of clear pruned logs when harvested. It is a strategic long term asset that will complement the Group’s hardwood resource. In Malaysia, an additional 3,284 hectares were planted with acacia, khaya and rubberwood species in the financial year under review. This wood resource will complement the sustainable wood resource from the natural forest in East Malaysia in the future.

Plywood and Veneer

Plywood and veneer was the largest contributor to turnover for the financial year under review and the preceding financial year, accounting for 60.0% and 53.4% of total turnover respectively. The following table shows selected operating and financial data with respect to our sales volume, weighted average price and revenue of plywood and veneer sold, including inter-company sales.

Plywood

	Year Ended 30 June 2007			Year Ended 30 June 2006		
	Sales Volume *m^3*	Weighted Average *US\$/m^3*	Revenue *US\$'000*	Sales Volume *m^3*	Weighted Average *US\$/m^3*	Revenue *US\$'000*
Plywood — export sales	580,921	470.26	273,185	451,837	370.39	167,355
Plywood — local sales	34,249	347.78	11,911	28,872	291.56	8,418
Total external plywood sales	615,170	463.44	285,096	480,709	365.66	175,773
Internal plywood sales	5,790	455.96	2,640	6,814	401.38	2,736
Total plywood sales	620,960	463.37	287,736	487,523	366.16	178,509

Review of Business Segment Results (continued)

Plywood and Veneer (continued)

Veneer

	Year Ended 30 June 2007			Year Ended 30 June 2006		
	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000
Veneer — export sales	99,175	338.58	33,579	78,495	259.43	20,364
Veneer — local sales	62,193	288.71	17,956	51,137	223.13	11,410
Total external veneer sales	161,368	319.36	51,535	129,632	245.11	31,774
Internal veneer sales	72,334	310.61	22,468	63,544	263.47	16,742
Total veneer sales	233,702	316.66	74,003	193,176	251.15	48,516

The Group sold 615,170 m^3 of plywood and 161,368 m^3 of veneer to external parties which when compared to 480,709 m^3 of plywood and 129,632 m^3 of veneer sold in the preceding financial year was a 28.0% and 24.5% improvement respectively.

The improvement in volumes of plywood sold was due to various factors. To capitalise on the surge on plywood prices, production levels were ramped up and this effort was complemented by increased logs availability as improved weather conditions in Sarawak enabled the extraction of a higher volume of logs from the Group's forest resources. Further the Group has the benefit of a full year of production from the plywood mill in Sibu, Sarawak which for the preceding financial year has six (6) months of production as it commenced operations in January 2006. The Group's plywood plant in Guyana also recorded an improvement in volumes.

Plywood recorded a significant rise in prices with exported plywood rising by as much as 27.0% compared to the preceding financial year. The Group sold 49.6% of its total plywood sales to Japan which was key factor for the surge in plywood prices, although there was a slight softening towards the end of the financial year under review due to an overstocked position by Japanese traders. The demand for timber has remained fairly stable in Japan in spite of the slowdown in housing starts towards the end of the financial year under review. Japan buys and also produces a sizeable amount of combi-plywood which has a softwood component in its construction to meet its requirements but the demand for hardwood plywood remained strong due to its intrinsic strengths and properties. Although the USA housing market has softened with rising interest rates and the sub-prime lending situation, it continues to be a key market for the Group accounting for 19.2% of total plywood sales. The Group continues to sell various products like thin ply and jumbo plywood to the USA. With its wide customer base, the Group has been able to divert sales from the USA to other markets following the softening of the USA housing and construction sector. China remains as a competitor in the plywood market, being the third largest exporter of plywood after Malaysia and Indonesia. However, its continued economic growth which fuelled the expansion of the construction industry provided the necessary domestic demand for plywood and keeping plywood prices at current levels. The Group sold 8.6% of its total plywood sales to China. The rise in plywood prices in the financial year under review was also attributed to the tight log supply situation and the containment in illegal logging, especially in Indonesia. As a consequence of the log supply situation, the production of plywood in Indonesia has declined due to under-utilisation of capacities due to shortage of logs, thereby, affecting the supply of plywood into the market.

Review of Business Segment Results (continued)

Plywood and Veneer (continued)

The Group has four (4) veneer mills, constructed from 2003 to 2005, which are located near to the forest resource to peel fresh logs that are just harvested to maximise log recovery. The location of the mills also reduces overall cost per m^3 of veneer as only the peeled veneer is transported down from the forest for sale. The improvement in the volumes of veneer sold was mainly attributable to the increased production in these four (4) plants utilising salvage logs from the plantation areas as inputs.

Veneer prices, in line with the surge in logs and plywood prices, also recorded a significant percentage increase. Export prices, which average US$259.4 per m^3 for the preceding financial year, rose to an average of US$338.6 per m^3 for the financial year under review. The Group's veneer products were sold mainly to domestic plywood mills and to Taiwan. The focus of the Group is to maximise extraction of higher face and back veneer, which has a higher selling price. The Group also processed some veneer in its plywood mills for certain customers.

The Group's plywood and veneer division were affected by higher log, glue and other processing costs which affected the cost of production per m^3. However, the impact of this cost per m^3 increase was offset by the positive price trend and as a result gross profit margin improved to 20.5% from 6.3% in the preceding financial year.

Due to the higher volumes of plywood and veneer sold and the effects of a higher gross profit margin, the gross profit of US$74.2 million was US$59.8 million higher than that of the preceding financial year.

The Group continues to work towards maximising its return on its timber resource by comparing the incremental contribution of processing logs into plywood or veneer versus its sale in its raw form. With an integrated operations supported by an adequate wood resource, the Group has the flexibility to switch between selling logs externally and processing it internally. To maximise wood recovery, the Group has invested in additional machinery that are able to peel smaller logs, including those from the plantations.

Upstream Support

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

Revenue from upstream support for external sales decreased by US$5.9 million, or approximately 26.9%, to US$16.1 million for the financial year under review from US$22.1 million for the preceding financial year. This decrease reflects our acquisition on 29 June 2006 of Merawa Sdn. Bhd., which we provide upstream support services. Due to the acquisition, our revenue from the provision of upstream support services to Merawa Sdn. Bhd. is subject to inter-company elimination for the current financial year, thereby decreasing our revenue from upstream support in the current financial year as a result of the required accounting treatment of post-acquisition sales to such company. Total revenue from billings to internal companies for the financial year amounted to US$191.0 million compared to US$133.5 million for the previous financial year. This increase in billings was principally due to the higher volumes extracted and the impact of higher costs.

As the upstream support services involves a large fleet of machinery and vehicles operating at the forest resource, controlling operating costs and increasing productivity is of paramount importance. The focus of the Group for the financial year under review was on increasing productivity and containing costs. To ensure that all equipments are operating at the optimal level, scheduled repairs and maintenance is strictly followed. Performance based incentive schemes with specific targets that were implemented to improve on workers' productivity has resulted in a more target focused workforce. As the cost of extraction of a log is similar irrespective of species and grades, on-going monitoring with on-the-job training for the logging teams ensure that only the best value logs are extracted to optimise margins. The central purchasing company is also working on sourcing cheaper spare parts both from existing and new suppliers without compromising on the quality of the parts. With increased productivity and cost containment efforts, gross profit achieved for the timber support services was US$13.4 million which was US$15.8 million higher than that of the preceding financial year. In terms of gross profit margin, there was an increase from negative 1.6% for the preceding financial year to 6.5% for the financial year under review.

Review of Business Segment Results (continued)

Other Timber Operations

Other timber operations comprise the operations of housing products, flooring, chipboard, wood chip processing and sawn timber. These operations are efforts by the Group to move further downstream into more value added products, using either the Company's primary product of plywood or wood waste from the plywood operations as a production input.

Revenue from other timber operations decreased US$2.6 million or approximately 8.8%, to US$26.7 million in the financial year under review from US$29.3 million in the preceding financial year. This decrease was primarily due to a decrease in revenue from the housing and flooring products operations.

In terms of gross profit, other timber operations achieved US$1.2 million which was 66.5% lower than the preceding financial year. This was due to lower sales recorded by housing and flooring products. The highest contributor to the gross profit was from wood chip operations at US$1.5 million followed by the sawmill operations at US$0.9 million.

Other Operations

The other operations of the Group basically comprise of the quarry, rubber retread compound and property investment operations.

Revenue from other operations increased by US$0.5 million or approximately 6.1%, to US$9.2 million in the financial year under review from US$8.7 million in the preceding financial year.

Other operations achieved a gross profit of US$2.6 million for the financial year under review compared to US$1.9 million achieved in the preceding financial year. The highest contributor to the gross profit was from the quarry operations at US$1.3 million followed by the rubber retread compound operations at US$0.6 million.

Net Financing Income/(Costs)

The Group recorded a net financing income of US$12.0 million compared to a net financing costs of US$15.5 million for the preceding financial year. This was due to an increase in financial income of US$24.1 million and a decrease in financial expenses of US$3.4 million from the preceding financial year.

The increase in financial income was primarily due to the interest earned of US$18.5 million from the subscription monies during the listing of the Company's shares in March 2007 and the proceeds from the Initial Public Offering. The increase in financial income was also due to the recognition of unrealised foreign exchange gains of US$11.7 million as compared to unrealised foreign exchange losses of US$7.5 million in the preceding financial year, which was recognised as a financial expense. As there was no unrealised foreign exchange losses recognised in the financial year under review, financial expenses was lower compared to the preceding financial year.

Share of Profits less Losses of Associates

The Group recognised a profit of US$7.8 million as our net share of profits less losses of associates, an increase of US$6.4 million from the profit of US$1.3 million recognised as our net share of profits less losses of associates for the preceding financial year. This change was primarily attributable to an increase in net profits from our associated company, Glenealy Plantations (Malaya) Berhad ("Glenealy") which benefited from a significant increase in crude palm oil prices.

Review of Business Segment Results (continued)

Share of Profits less Losses of Jointly Controlled Entities

The Group recognised US$1.9 million as our net share of profits of a jointly controlled entity, a decrease of approximately 32.4%, from the US$2.8 million recognised in the preceding financial year. This decrease was primarily attributable to a decrease in the net profits of our door facing manufacturing joint venture, Magna-Foremost Sdn. Bhd. due to a decrease in sales volume in the USA.

Income Tax

An income tax expense of US$16.4 million was accounted for in the financial year under review as compared to an income tax credit of US$1.7 million for preceding financial year. The effective tax rate was 11.1% as certain income of the Group were non taxable income and there were tax credits available for double deduction claims in respect of freight charges for certain subsidiary companies in the Group.

Liquidity and Capital Resources

As at 30 June 2007, the Group's cash and bank balances amounted to US$326.5 million compared to US$21.1 million as at 30 June 2006 principally due to the proceeds from the Initial Public Offering.

Our gearing ratio was 28.4% and 41.5% as at 30 June 2007 and 30 June 2006, respectively. Our gearing ratio is derived by dividing the total of bank overdrafts, loans and borrowings, finance lease liabilities and bonds by total assets. The improving gearing ratio in the financial year under review was primarily due to the proceeds received from the successful listing of the Company's shares of US$309.8 million and improved financial results.

Available facilities that were not drawndown as at 30 June 2007 amounted to US$34.7 million compared to US$31.3 million as at 30 June 2006. At 30 June 2007, the Group has outstanding indebtedness of US$372.8 million compared to US$370.1 million as at 30 June 2006. Of the US$372.8 million of indebtedness, US$176.4 million is repayable within one year with the balance of US$196.4 million having a maturity of more than one year as presented below:

	US$'000
Within one year	176.4
After one year but within two years	40.1
After two years but within five years	80.2
After five years	76.1
Total	372.8

Liquidity and Capital Resources (continued)

	US$'000
Secured	229.4
Unsecured	143.4
Total	372.8

The indebtedness carry interest rates ranging from 3.0% to 15.0%.

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. Several of our secured and unsecured debt facilities carry interest at floating rates. Exposure to floating interest rates presents us with risk when there are unexpected adverse interest rate movements. The Group 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 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 and Renminbi in the PRC operations. The sales and operations in Malaysia, Guyana, New Zealand and the PRC 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.

Foreign Exchange Risk (continued)

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, including capitalised interest, as of 30 June 2007 of US$54.8 million. As HFF's functional currency is the New Zealand Dollars, 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 not 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.

Property Interest and Valuation of Properties

Greater China Appraisal Limited, an independent property valuer, has valued our property interests as at 31 December 2006. The aggregate revalued amount of the property interests of the Group as at 31 December 2006 was about HK$1,794.6 million (approximately US$230.3 million). The unaudited net book value of these property interests as at 31 December 2006 was about US$151.1 million. The revaluation surplus is about US$79.2 million and has not been included in the financial statements of the Group for the year ended 30 June 2007 as the Group's property interests are carried at cost model. If such revaluation surplus would be included to the financial statements of the Group for the year ended 30 June 2007, an additional depreciation of approximately US$1.4 million per annum would be incurred.

Capital Commitments

The Group's authorised but not contracted for total commitments as at 30 June 2007 amounted to US$112.8 million.

Charge on Assets

As at 30 June 2007, the Group pledged assets with aggregate carrying value of US$281.8 million (2006: US$204.3 million) to secure bank loans facilities of the Group.

Contingent Liabilities

As at 30 June 2007, the Group had no material contingent liabilities except as disclosed in note 35(c) of the financial statements. No contingent liabilities has arisen since the last annual balance sheet date.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group had no material acquisition or disposal of subsidiaries and associated companies during the year ended 30 June 2007.

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

The Company's shares were listed on the SEHK on 7 March 2007 and 1,050,000,000 new shares were issued to the public. In relation to the exercise of an Over-allotment Option, the Company issued an additional 157,500,000 new shares which were listed on 20 March 2007.

Other than the above, neither the Company nor any of its subsidiaries purchased or sold any of the listed securities of the Company. In addition, the Company had not redeemed any of its listed securities during the year.

Employees

As at 30 June 2007, the Group employed a total of 13,127 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 2007, there were no options granted to any employees.

Use of Proceeds

The Company was successfully listed on the SEHK and the net proceeds raised from the placing and public offer after deducting the relevant expenses were approximately US$309.8 million.

The planned usage of proceeds was as follow:

Use		Planned Amount *(US$ million)*	Actual Progress *(US$ million)*
(a)	Acquisition opportunities and expansion of operations	263.8	0.3
(b)	Plantation development	16.0	—
(c)	Research, development and information systems	8.0	1.2
(d)	Repayment of debts	13.0	13.0
(e)	Working capital and other general corporate purposes	9.0	1.2
Total		309.8	15.7

The unutilised net proceeds has been placed as short term bank deposits.

Final Dividend

The Directors recommend the payment of a final dividend of 5.00 HK cents (equivalent to approximately 0.641 US cents) per share amounting to HK$215.1 million in respect of the financial year ended 30 June 2007 to shareholders whose names appear on the Register of Members of the Company on 19 November 2007. The proposed final dividend will be paid on 18 December 2007 subject to the approval at the forthcoming Annual General Meeting.

Directors' Profile

Executive Directors

Yaw Chee Ming

Yaw Chee Ming, 48, has been a director of our Company since 29 June 2005 and has been 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, where he was appointed as 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. ("Samling Strategic"), 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 ("MBA") degree.

Cheam Dow Toon

Cheam Dow Toon, 53, has been a director of our Company since 29 June 2005 and has been the Chief Finance Officer and an Executive Director of our Company since 20 August 2006. He is also the Finance Director of both Lingui and Glenealy, where he was appointed as an executive director on 7 March 1994 and 24 July 1995, respectively. He has been with our Group since 1987. He has over 17 years of experience in the timber industry and over 10 years in the oil palm industry. Mr. Cheam is an associate member of The Chartered Institute of Management Accountants, a graduate of The Institute of Chartered Secretaries and Administrators in the United Kingdom, and a member of the Malaysian Institute of Accountants. Prior to returning to Malaysia in 1981, he was trained in the United Kingdom with a multinational company in management accounting and served as a Divisional Accountant in one of its operating divisions. Subsequently, he served in a few public listed companies in Malaysia. He was the Financial Controller and Company Secretary of Dunlop Estates Berhad from 1983 to 1987, and the Group Company Secretary of Multi-Purpose Holdings Berhad from 1986 to 1987. He completed the Wharton Advanced Management Programme at Wharton Business School of the University of Pennsylvania.

Chan Hua Eng

Non-Executive Director

Chan Hua Eng, 79, has been the Chairman of the Board and a director of our Company since 17 October 2005 and was classified by the Hong Kong Stock Exchange as a Non-Executive Director of our Company since 20 August 2006. He was appointed to the Board of Lingui as an Independent Non-Executive Director on 28 March 1990 and has been the Chairman since 8 November 1990. He was also appointed the Chairman of the Board and an Independent Non-Executive Director of Glenealy on 28 September 1995 and has held these positions since then. Mr. Chan is also currently a director of other public listed companies in Malaysia, namely Lafarge Malayan Cement Berhad, Pacific & Orient Berhad and Rohas-Euco Industries Berhad. 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 was called to the Bar in the United Kingdom. He was admitted as a partner of Shearn Delamore & Co, Advocates & Solicitors in Malaysia in 1960 and retired as its senior partner in 1987. He is an advocate and solicitor of the High Court of Malaya. He graduated from the University of Bristol with a Bachelor of Law (Honours) degree.

Fung Ka Pun (alias K. B. Fung)

Independent Non-Executive Directors

Fung Ka Pun (alias K. B. Fung), 62, 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 is the Executive Co-chairman of E2-Capital (Holdings) Limited, a company listed on the Stock Exchange. He is also the founder and Chairman of Goodwill International (Holdings) Limited, a substantial shareholder (as defined in the Listing Rules) of E2-Capital (Holdings) Limited. Mr. Fung has over 30 years of experience in finance, securities and commodities trading and corporate finance. He is a 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 a member of the Institute of Chartered Secretaries and Administrators. Mr. Fung is also a director of a number of other listed companies in Hong Kong. He is an Independent Non-Executive Director of GZI Transport Limited, Lei Shing Hong Limited, Lee Hing Development Limited and Denway Motors Limited. He was a director and Co-Chairman of Capital Publications Limited from August 2002 to November 2006. Mr. Fung is the Chairman of the audit committee of Lei Shing Hong Limited, and was a member of the audit committee of Denway Motors Limited, Lee Hing Development Limited and GZI Transport Limited.

David William Oskin

Independent Non-Executive Directors (continued)

David William Oskin, 65, 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 Investment Company, an Independent Director of Goodman Global Inc and chair of the audit committee, an Independent Director of Verso Paper Holdings and a Director of Big Earth Publishing. Mr. Oskin has more than 25 years of experience in the timber, wood processing, paper and packaging industries. From 1975 to 1992, he held various leadership positions at International Paper Company, responsible for managing world-wide human resources, quality management, the 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 listed on the New Zealand and Australian Stock Exchanges. From 1996 to 2003, he served as the Executive Vice President of International Paper Company. From 2003, he has served as an advisor to various companies in the paper, packaging and publishing industries. Mr. Oskin graduated from Widener University in the United States with a Bachelor of Arts degree and was awarded an honorary Doctor of Public Service degree. He is the chair of the Board of Trustees of Widener University.

Tan Li Pin, Richard

Tan Li Pin, Richard, 52, 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 is the founder and the Chief Executive Officer of various companies under the Pacific Millennium Group since 1990. He is also a Director of Domtar Corporation, the largest producer of white paper in North America. Mr. Tan participates actively in public services. He is the Vice Chairman of the Shanghai International Chamber of Commerce, the Vice Chairman of the China Chamber for the Promotion of International Trade (Shanghai), an Advisor of the Shanghai Modern Management Center, an elected member of the Anhui Province Political Consultative Committee and a Business Advisor of Chongqing Municipality. He has an MBA degree from the University of Southern California.

Senior Management Profile

James Ho Yam Kuan, 61, has been with our Group since 1993. He is currently the Vice President of the Forest Resource Division of our upstream operations in Malaysia, responsible for managing its various operational requirements. He joined the Log Marketing Division of our Group in 1993 and served as its Vice President (Marketing) until 1997. In 1997, the scope of his responsibilities in the upstream operations expanded to include managing various operational requirements, from human resources, management of the fleet of machinery and equipment, to transportation and logistics management of logs and spare parts and fuel. Mr. Ho has in-depth industry knowledge and over 14 years of operational and managerial experience in the timber industry. He graduated from the University of Strathclyde in the United Kingdom with an MBA degree. Mr. Ho also qualified as a barrister-in-law in the United Kingdom.

Yaw Chee Chik, 47, has been with our Group since 1988. He is currently the Vice President of our downstream operations in Malaysia, responsible for overseeing the operations of our downstream division. Mr. Yaw has over 19 years of experience in the timber industry. He has held various managerial positions within our Group. Upon joining our Group in 1988, Mr. Yaw served as a Camp Manager of our Forest Operations Division in Sarawak, Malaysia. Subsequently, he was transferred to our Log Marketing Division in Sarawak, Malaysia, working as its Marketing Manager, overseeing the logistics and the export of logs. In 1993, he was appointed as the General Manager of our sawmill operations, and then, the Vice President of our Plywood Division, responsible for management of our plywood manufacturing facilities in Sarawak, Malaysia. 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.

Tan Seng Hock, 55, has been with our Group since 1993. He is currently the Vice President of Marketing (Plywood) of our downstream operations in Malaysia. Prior to joining our Group, Mr. Tan has held various senior marketing and management positions in several leading companies, including Harrisons & Crossfield Malaysia, Citibank Berhad and Dunlop Estates Berhad. He is currently an Executive Committee Member of the Malaysia Panel Products Manufacturers' Association. In 2003, he was appointed as a Project Consultant by International Tropical Timber Organisation ("ITTO") to undertake a market study on global tropical hardwood plywood trade. He is also the co-author of the 2004 ITTO Publication Technical Series 20 — "Reviving Tropical Plywood". Mr. Tan graduated from the University of Malaya in Malaysia with an Honors Bachelor's degree in Economics and completed an Advanced Management Program at the University of Hawaii in the United States.

Peter Ho, 52, joined our Group in 2007. He is the Chief Executive Officer of Barama Company Limited, Guyana. Mr. Ho has more than 25 years of global experience in the downstream oil business. He last served as General Manager — Sites and Engineering Facilities of Maxis Communications Berhad, Kuala Lumpur from January 2005 to June 2007. In addition, Mr. Ho previously served in a variety of senior executive positions with the Shell Group, including General Manager — Retail Network and Engineering (Asia/Pacific) of Shell Oil Products, covering the Middle East and Asia/Pacific regions, General Manager — Commercial Business (Malaysia/Singapore) of Shell Oil Products, Managing Director of Shell Timur Sdn. Bhd. and Director of Shell Malaysia Trading Sdn. Bhd.. Mr. Ho obtained his Bachelor of Science in Chemical Engineering in 1978 from the University of Wales (Swansea) in the United Kingdom.

Norman Robert Hunter, 57, has been with our Group since 1995. He is currently the General Manager of our New Zealand operations and the Managing Director of HFF, our wholly-owned subsidiary in New Zealand. Mr. Hunter has worked in the forest industry for 36 years and has extensive forest industry experience gained throughout North, South and Central America, Africa, Australasia, the Asia-Pacific region, Eastern and Western Europe and Russia. Prior to joining our Group, he worked for 2 years as the Regional Manager, Papua New Guinea and the Pacific at Acil Australia Pty Ltd., a consulting company in Australia, from 1992 to 1994, and within the H.A. Simons Group of companies, a forest industry consulting group based in Canada, for 21 years from 1971 to 1992, with his last position there being the Deputy Director of South East Asian Operations. Mr. Hunter graduated from the University of Southern California with an MBA 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.

Chia Ti Lin, Colin, 49, has been with our Group since 1992. He is currently the President of Riverside and the Senior Vice President of our PRC and United States 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 United States, building supply chain alliances with end-user customers and developing key strategies and creating a brand identity for our products in the United States. Mr. Chia served in various capacities in our downstream wood-based operations in Malaysia for 9 years from 1994 to 2002, with the position of Senior Vice President of our downstream operations in Sarawak from 1997 to 2002. He has held numerous directorships in our Group companies since 1992, including Samling Plywood (Bintulu) Sdn. Bhd., Samling Plywood (Baramas) Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., Barama Company Limited, Riverside Plywood Corporation ("Riverside") and Foothill LVL & Plywood (Cangshan) Co. Ltd. ("Foothill").

Goh York Pooi, 45, is our General Manager (Finance). He joined our Group in 1993 and is currently responsible for our financial reporting, corporate finance, treasury, tax and other related finance matters. Prior to joining our Group, from 1982 to 1988, he worked at Price Waterhouse (currently known as PricewaterhouseCoopers) where he acquired auditing experience in various industries, including manufacturing and banking. Subsequently, in 1989 to 1993, he joined the Malaysian Sime Darby Group as its Finance Manager. He is a member of Malaysian Institute of Certified Public Accountants. He has a Master of Finance from RMIT University, Melbourne, Australia.

Tan Foong Ching, Katherine, 33, is our Assistant General Manager (Finance). She joined our Group in 2002 and is currently responsible for our financial reporting, corporate finance, treasury, tax 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.

Corporate Governance Report

The Board of Directors of Samling Global Limited ("the Board") is committed to the highest standards of corporate governance throughout the Group and is accountable to the Company's shareholders for good governance.

The Board is pleased to report on the application of the principles of corporate governance contained in the Code on Corporate Governance Practices ("the 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") and the extent of compliance with the best practices of the Code as required under the Listing Rules by the Company. These principles and best practices have been complied by the Group since its listing on 7 March 2007. The Code Provision A.4.1 in respect of the specific term of the non-executive directors has been met by the bye-laws requiring at each annual general meeting of the Company, one-third of the directors for the time-being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third), including the non-executive directors retiring from office by rotation so every director shall be subject to retirement of at least once every three years. A retiring director shall be eligible for re-election.

Directors

The Board

The Group is headed by an effective Board which leads and controls the Group in the discharge of stewardship responsibilities. The Board collectively promotes the success of the Group by directing and supervising the Group's business and affairs.

The Board is responsible for reviewing and adopting strategic plans for the Group, overseeing the conduct of the Group's business to ensure that the Group's businesses are properly managed, identifying principal risks and ensuring that appropriate systems to manage these risks are implemented, reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and regulations. 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 delegates day-to-day operational responsibilities to the executive management under the leadership of the Chief Executive Officer and through various Board Committees.

The Board has adopted a Code of Conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code (Appendix 10 to the Listing Rules) since its listing on the SEHK. Having made specific enquiries to all Directors, they confirmed their compliance with the standards set out in the Model Code.

Composition of the Board

The Board comprises two Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. Mr. Chan Hua Eng is the Chairman and Non-Executive Director of the Board. The Executive Directors are Mr. Yaw Chee Ming and Mr. Cheam Dow Toon, whilst the Independent Non-Executive Directors are represented by Mr. Fung Ka Pun, Mr. David William Oskin and Mr. Tan Li Pin, Richard. Save where a situation of conflict of interest arises when Executive Directors do not vote, the three Independent Non-Executive Directors exercise their duties and functions in the manner expected of them as Independent Directors.

Directors (continued)

Composition of the Board (continued)

The Directors collectively provide the Group with a wealth of technical skills, experience and expertise. 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.

A brief description of the background of each Director is presented on pages 40 to 43.

Supply and Access to 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 quarterly Board meetings are held to discuss and review the quarterly results of the Group for announcement to SEHK, and annual meetings are held to discuss and approve the Group's annual budget and business plans. There have been no changes made to the Company's Articles of Association since its listing.

The Directors have full and unrestricted access to all information pertaining to the Company. In furtherance of their duties, they have constant access to and interaction with senior management and access to the Company Secretary for advice and services to ensure that Board procedures and all applicable rules and regulations are followed.

Board Meetings

There were nine (9) Board meetings held during the last financial year. The number of Directors' meetings held in the period each Director held office during the financial year and the number of meetings attended by each Director was as follows:

Number of meetings attended (first figure)/number of meetings held while in office (second figure)

Name	Board Meeting
Chan Hua Eng	9/9
Fung Ka Pun	9/9
David William Oskin	9/9
Tan Li Pin, Richard	8/9
Yaw Chee Ming	9/9
Cheam Dow Toon	9/9

Chairman and Chief Executive Officer

The Chairman, Mr. Chan Hua Eng, is a Non-Executive Director. The roles and responsibilities of the Chairman and the Chief Executive Officer, Mr. Yaw Chee Ming, are separated so as to ensure a balance of power and authority. This balance 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 minority shareholders.

Board Committees

Formal Board Committees established by the Board in accordance with the Code include the Audit Committee, Nomination Committee and Remuneration Committee. These Committees operate under clearly defined terms of reference and the outcome of the Committee meetings will be reported by the Chairman of the Committee to the Board and such reports are incorporated in the Board papers.

Audit Committee

The Audit Committee was established on 20 August 2006. It comprises four 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. The summary of the activities and term of reference of the Audit Committee are set out on pages 54 to 58.

Remuneration Committee

The Remuneration Committee was established on 20 August 2006. It comprises three 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 members namely Mr. David William Oskin and Mr. Fung Ka Pun met on one occasion to deliberate, review and recommend to the Board the service contracts of the Executive Directors without the presence of the Executive Directors.

Nomination Committee

The Nomination Committee was established on 20 August 2006. It comprises three members namely Mr. Tan Li Pin, Richard (Chairman of the Committee) and Mr. Fung Ka Pun, who are 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 Company's expense, as and when it deems necessary.

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. Nomination Committee meeting has not been held during the financial year since its listing.

Board Committees (continued)

Re-election

The bye-laws of the Company requires 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' Remuneration

The Level and Make-up of Remuneration and Procedures

The levels of remuneration for each 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 Board membership.

The remuneration of the Executive Directors has been structured to link rewards to the individual and Group performance. It reflects his level of responsibility, contribution and commitment that he has 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 aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the Company during the financial year was as follows:

Category	Salaries, Other Emoluments and Benefits-in-Kind *US$'000*	Fees *US$'000*
Executive Directors	814	74
Non-Executive Director	—	54
Independent Non-Executive Directors	40	65

Directors' Remuneration (continued)

The Level and Make-up of Remuneration and Procedures (continued)

The number of directors whose income from the Company falling within the following bands were:

	Number
Executive Directors	
US$500,001 to US$550,000	1
US$450,001 to US$500,000	—
US$400,001 to US$450,000	—
US$350,001 to US$400,000	1
Non-Executive Director	
US$50,000 to US$100,000	1
Independent Non-Executive Directors	
Less than US$50,000	3

Additional details on Directors' remuneration are set out on pages 114 to 115.

Accountability and Audit

Financial Reporting

In presenting the annual financial statements and the quarterly announcements to shareholders, the Board has taken reasonable steps to ensure that the financial statements are 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 Group's Statement of Internal Control is set out on pages 59 to 61.

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 once a year.

The role of the Audit Committee with the external auditors is set out on pages 56 to 57.

Accountability and Audit (continued)

External Auditors (continued)

During the financial year, audit fees paid to the external auditors totalled US$581,000, whilst non-audit fees paid amounted to US$3,073,000. Significant non-audit services rendered by the external auditors were as follows:

Nature of service	Fees paid *(US$'000)*
Professional services provided in respect of initial public offering	2,845
Tax services	133
Other advisory services	95

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 to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution by the Board of Directors dated 30 August 2007.

The responsibility statement made by the Group's auditors in respect of the financial statements is set out in the section headed "Independent Auditor's Report" on page 81 of the annual report.

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 Agreement

In accordance with the arrangements disclosed in the Prospectus, the Independent Non-Executive Directors are to review whether or not to exercise any of the call options granted to the Company in respect of the Remaining Businesses held by the Controlling Shareholders of the Company under the Call Options agreement on a quarterly basis.

The Independent Non-Executive Directors have reviewed the relevant information up to or as at 15 August 2007 and have decided not to exercise any of the call options granted to the Company under the Call Options agreement.

Safeguarding the Interest of Independent Shareholders (continued)

Non-competition Agreement

In accordance with the arrangements disclosed in the Prospectus, the Independent Non-Executive Directors are to review, on a quarterly basis, whether or not to pursue or decline any investment or other commercial opportunity referred to the Company by the Controlling Shareholders of the Company under the non-competition agreement entered into between the Company and the Controlling Shareholders.

Having made specific enquiries to all Controlling Shareholders, they 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 fair and reasonable basis.

The Independent Non-Executive Directors review the terms of any of the Group's transactions with its Controlling Shareholders and their Controlled Companies on a quarterly basis to ensure that the terms of the transactions are in the best interest of the Company and its shareholders as a whole.

The Company's external auditors, Messrs. KPMG ("KPMG"), reviews the continuing Connected Transactions on a quarterly basis and provides confirmation to the Independent Non-Executive Directors that the amounts for the relevant transactions have not exceeded the proposed 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 72 to 80.

Communication with Shareholders

Dialogue Between the Company and Investors

The Board recognises the importance of transparent and effective communications with shareholders and investors and reports on a timely basis all material information relevant to the Group. The Company communicates with the shareholders, investors and the general public through the annual reports, interim 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. Meetings between the members of the press and the Board are normally held after the Annual General Meeting and other General Meeting.

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

Communication with Shareholders (continued)

Annual General Meeting

The Annual General Meeting provides the Board with an important forum for communication with shareholders. The Board, before the passing of the resolution to adopt the accounts, will invite shareholders to ask questions and shareholders are encouraged to actively participate. To enable the shareholders to fully understand certain special business, a full explanation of the effects of the proposed resolutions are included in the notices.

In the case of election or re-election of Directors, the notice of meeting will state which Directors are standing for election or re-election with a brief description of the Director.

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 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 four members, namely Mr. Fung Ka Pun (Chairman), Mr. David William Oskin and Mr. Tan Li Pin, Richard, who are Independent Non-Executive Directors and Mr. Chan Hua Eng, who is a Non-Executive Director. The Board has determined that Mr. Fung Ka Pun has recent and relevant financial experience. The Company Secretary acts as secretary to the Committee.

The main role and responsibilities of the Audit Committee are set out in written terms of reference shown on pages 55 to 58 in this Annual Report.

Meetings

During the financial year since the Company's listing on the SEHK, the Audit Committee met on one occasion when all members attended.

The agenda for the 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, KPMG, the Chief Executive Officer, Chief Finance Officer, Head of Internal Audit, Compliance Officer, General Manager of Finance and certain senior management of the Group also attended the meetings.

Summary of Activities

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

- Reviewed the Group's interim announcement at its scheduled quarterly meeting and the Group's Annual Report and Financial Statements at a meeting held in August 2007. The Audit Committee was briefed on any accounting and judgmental issues requiring attention by either the Company's officers or the external auditors.

  As a matter of routine, the Audit Committee was presented with information on material litigation involving Group companies.

- In August 2007, the Audit Committee considered in detail the results of the audit, KPMG's performance and independence and the effectiveness of the overall audit process. The Audit Committee also met with KPMG, without the presence of management, to facilitate the discussion of any matters relating to its remit and any issues arising from its audit. The Audit Committee recommended KPMG's re-appointment as auditors to the Board and this resolution would be put to shareholders at the Annual General Meeting.

Summary of Activities (continued)

- Reviewed the Internal Audit Department's resources, budget, work programmes, results and management's implementation of its recommendations.
- Reviewed the revision and development of certain policies and procedures and approved the revised Group's policies and procedures manual and levels of delegated authority.
- Reviewed the connected transactions at its scheduled quarterly meeting.
- Discussed issues concerning risks and controls in the operations.
- Reported on its activities at each Board meeting.

Terms and 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 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) members including at least one (1) independent non-executive director.

The Heads of Finance and 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.

Terms and Reference of the Audit Committee (continued)

2. Proceedings (continued)

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 Articles of Association for regulating proceedings of the Board shall apply to the Audit Committee, insofar as they are applicable.

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;

Terms and Reference of the Audit Committee (continued)

4. Duties (continued)

4.1. Relationship with the Company's external auditors (continued)

(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; and

(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.

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 person appointed as the Company's qualified accountant 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 qualified accountant, 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;

(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) where an internal audit function exists, 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;

Terms and Reference of the Audit Committee (continued)

4. Duties (continued)

4.3. Oversight of the Company's financial reporting system and internal control procedures (continued)

(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 of Corporate Governance (Appendix 14 to the Listing Rules); and

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

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;

(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.

Internal Audit Function

Internal Audit Department is independent of business operations and has a Group-wide mandate set out in its Audit Charter. It carried out its work in accordance with Annual Audit Plan approved each year by the Audit Committee. Its responsibilities include reporting to the Audit Committee on the effectiveness of internal control systems operating in all key activities of the Group, focusing on those areas considered to be of the greatest risks. Internal Audit Department also reviewed the connected transactions carried out by Group companies and reported to the Audit Committee on matters that required their attention. The Head of Internal Audit attended the Audit Committee meeting held during the financial year.

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 with their system improvement, focusing primarily on the processes, risks and controls. Internal Audit Department also assisted management in their revision and development of policies and procedures and other control activities.

Statement of Internal Control

Board Responsibility

The Board recognises the importance of sound internal controls and risk management practices and its responsibility for the Group's systems of internal control and risk management, as well as for reviewing the adequacy and integrity of these systems. It is acknowledged that such systems can only manage rather than eliminate risks and that any system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board regards risk management as an integral part of the Group's business operations in accordance with its emphasis on the practice of corporate governance and has established policy and guidelines guided by the principles and practices as set out in the Code of Corporate Governance Practices in Appendix 14 of the Listing Rules.

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 policy and related guidelines include continuous assessment of the existing risk management framework and monitoring of the adequacy of the prevailing system of internal controls to manage risks identified.

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 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 Risk Management Department has implemented a risk management programme which includes the process of risk assessment, evaluation and the managing of critical risks affecting the Group's operating units and its subsidiaries in accordance with internationally recognised practices.

During the financial year end, the Risk Management Department has further enhanced the risk management framework by:

- improving the reporting structure and redefining the roles and responsibilities for risk management;
- conducting Group-wide risk education sessions for the purpose of risk management knowledge sharing and training;
- updating the database of risks for the respective operating units of the Group (key risks to each operating unit are identified, scored and categorised to highlight the source of risk, their financial impacts and the likelihood of occurrence); and

Risk Management Framework (continued)

- major operating units and its key personnel were exposed to good risk management practices, including the consideration of automating the entire risk reporting process.

The on-going framework enhancement process is essential and imperative to keep abreast with the better practices and constant changes in the environment in which the Group is operating.

Risk Reporting

The Group's Risk Management Department coordinates the implementation of the risk management policy and framework, 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 will be reported to the Chief Executive Officer of the Group, the Audit Committee and the Board.

Monitoring and Reviewing of the System of Internal Control

The internal audit function provides independent assurance to the Board on the effectiveness of the Group's system of internal control.

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

- Periodic examination of business processes and the state of internal control by the Group internal audit function. Reports on the review carried out by the internal control audit function are submitted on a regular basis to the Audit Committee and the Board.

- The Risk Management Department adheres to a pre-defined plan that ensures risk management reviews and discussion sessions are conducted with key management staff of the entire Group's operating units. The reviews are intended to strengthen the existing risk management framework, complement risk management initiatives practised by each operating unit and serve to ascertain the effectiveness of the system of internal control which includes highlighting to the Chief Executive Officer, the Audit Committee and the Board, any weaknesses and changes in the risk profile.

Other Key Elements of Internal Control

The Group's system of internal control is based on a framework of regular management information and administrative arrangements, the most pertinent elements of which are described below:

- The Group's operating structure is such that delegation of responsibilities from the Board to the management of the Group's Head Office and operating units are clearly defined and authority limits are strictly enforced.

- The Board of Directors reviews the operational and financial performance of the Group half-yearly and management meetings are conducted at operating division level.

- Budgets are prepared annually and submitted to the Board of Directors for approval. Variances from the budgets are monitored monthly by management.

Other Key Elements of Internal Control (continued)

- Divisions set divisional objectives, which are aligned to Group's overall strategic goals. Individuals agree their personal objectives with their immediate superiors. These objectives are aligned to the divisional objectives. Work activities are supervised and key result indicators are defined to facilitate the monitoring and evaluation of progress against goals.

- Proposals for major capital expenditure and investment by the Group are reviewed and approved by the Board. All other purchases and payments are approved according to formalised limits of authority.

- The remuneration committee evaluates and reviews the remuneration packages of the executive directors and senior management.

- New major contracts and legally enforceable agreements are vetted by the Group's legal department.

- Where appropriate, companies have ISO9001: 2000 accreditation for their operational processes. The Group, via a subsidiary, has achieved MTCC certificate for its upstream operations and this serves as a testament that the Board is placing specific emphasis and commitment towards adherence to sustainable forest management practices.

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

- Periodic reviews of the internal control system are carried out by the internal audit function and results of such reviews are reported quarterly to the Audit Committee.

- The Audit Committee holds quarterly meetings to deliberate upon findings and recommendations for improvement by both the internal and external auditors on the state of the internal control system and reports back to the Board.

The Board is of the opinion that the aforementioned monitoring, review and reporting arrangements give reasonable assurance to interested parties that the internal controls in place are sufficient to ensure that the level of risk to which the Group is exposed to is acceptable. 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 year, all of which have been, or are currently being, addressed and none are of a magnitude that resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

Financial Section

The Board is pleased to present the annual report together with the audited financial statements for the year ended 30 June 2007.

Principal Place of Business

The Company is incorporated in Bermuda and domiciled in Hong Kong and has its registered office and 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 38 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 3 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 30 June 2007 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 83 to 168.

No interim dividend for the six months ended 31 December 2006 was paid. The Board has resolved to recommend payment of a final dividend of 5.00 HK cents (equivalent to approximately 0.641 US cents) per share in respect of the year ended 30 June 2007. The dividend will be paid in Hong Kong dollars.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 30 to the financial statements. Shares were issued during the year pursuant to the Reorganisation and Further Acquisitions and Global Offering of shares in conjunction with the listing of the Company's shares on the SEHK.

Reserves

Profit attributable to equity holders, before dividends, of US$98,430,000 (2006: US$5,128,000) have been transferred to reserves. Other movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

Directors of the Company

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

Executive Directors

Yaw Chee Ming
Cheam Dow Toon

Non-Executive Directors

Chan Hua Eng

Independent Non-Executive Directors

David William Oskin
Tan Li Pin, Richard
Fung Ka Pun

In accordance with the Company's Bye-Law 87(1) and (2) , Mr. Yaw Chee Ming and Mr. Cheam Dow Toon shall retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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 SEHK, and considers all the Independent Non-Executive Directors to be independent.

Directors' Service Contracts

Both Mr. Yaw Chee Ming and Mr. Cheam Dow Toon, who will be offering themselves for re-election at the forthcoming Annual General Meeting, had entered into service contracts with the Company for an unspecified term commencing on 1 July 2006. The service contracts are 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 Directors to the Company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' Rights to Acquire Shares or Debentures

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries 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.

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 2007, 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 (the "SFO") which are required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or 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 the Stock Exchange 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	214,623 ordinary shares (1)	Beneficial owner/Interest in a controlled corporation	Long	0.03%
	Glenealy	32,000 ordinary shares (2)	Beneficial owner/Interest in a controlled corporation	Long	0.03%
Yaw Chee Ming	Yaw Holding Sdn. Bhd.	30,937 ordinary shares	Beneficial owner	Long	39.60%
		2,500 preference shares	Beneficial owner	Long	50%
	Samling Strategic	75,000,000 ordinary shares (3)	Interest in a controlled corporation	Long	100%
		1,497,021 redeemable preference shares (3)	Interest in a controlled corporation	Long	100%
		3,122,467 Class A redeemable preference shares (4)	Interest in a controlled corporation	Long	100%
		4,102,879 Class B redeemable preference shares (4)	Interest in a controlled corporation	Long	100%

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)

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
		100,000 Class C redeemable preference shares (5)	Interest in a controlled corporation	Long	100%
		950,000 Class D redeemable preference shares (4)	Interest in a controlled corporation	Long	100%
	the Company	2,320,290,260 ordinary shares (3)	Interest in a controlled corporation	Long	53.94%
	Glenealy	59,068,522 ordinary shares (6)	Interest in a controlled corporation	Long	51.77%
	Strategic Corporation Sdn. Bhd.	17,040,000 ordinary shares (7)	Beneficial owner/Interest in a controlled corporation	Long	71%
	TSTC Sdn. Bhd.	6,125,000 ordinary shares (8)	Interest in a controlled corporation	Long	100%
Cheam Dow Toon	Lingui	29,030 ordinary shares	Beneficial owner	Long	0.01%
	Glenealy	14,000 ordinary shares	Beneficial owner	Long	0.01%

Notes:

(1) (i) 96,290 ordinary shares of Lingui are held by CIMSEC Nominees (Tempatan) Sdn. Bhd. in favour of Chan Hua Eng. Additionally, Chan Hua Eng is directly interested in 58,333 ordinary shares in Lingui.

(ii) Chan Hua Eng is deemed interested in 60,000 ordinary shares of Lingui since he and his spouse are each interested in 25% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turn holds 60,000 ordinary shares of Lingui.

(2) 2,000 ordinary shares of Glenealy are held by CIMSEC Nominees (Tempatan) Sdn. Bhd. in favour of Chan Hua Eng. Additionally, Chan Hua Eng is deemed interested in 30,000 ordinary shares of Glenealy since he and his spouse are each interested in 25% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turn holds 30,000 ordinary shares of Glenealy.

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: (continued)

(3) Yaw Chee Ming is interested in approximately 39.60% of the issued share capital of Yaw Holding Sdn. Bhd., which in turn is interested in all the ordinary shares and redeemable preference shares of Samling Strategic. Yaw Chee Ming, is, therefore deemed to be interested in all the shares held by Samling Strategic. Samling Strategic in turn holds 2,320,290,260 ordinary shares of our Company.

(4) Samling Strategic and Yaw Holding Sdn. Bhd. hold approximately 45.00% and 25.00% of Perdana Parkcity Sdn. Bhd., respectively. Accordingly, by virtue of note (3) above, Yaw Chee Ming is deemed interested in the 3,122,467 Class A redeemable preference shares and 4,102,879 Class B redeemable preference shares of Samling Strategic held by Yaw Holding Nominee Sdn. Bhd. in favour of Perdana Parkcity Sdn. Bhd., and the 950,000 Class D redeemable preference shares of Samling Strategic held by Perdana Parkcity Sdn. Bhd..

(5) Yaw Holding Sdn. Bhd. holds 100% of Samling Mewah Sdn. Bhd.. Accordingly, by virtue of note (3) above, Yaw Chee Ming is deemed interested in the 100,000 Class C redeemable preference shares of Samling Strategic held by Samling Mewah Sdn. Bhd..

(6) (i) Our Company holds 100% of Samling Malaysia Inc., in turn holds 59.69% of Lingui, which, in turn, holds 36.42% of Glenealy. By virtue of note (3) above, Yaw Chee Ming is deemed to be interested in the 41,548,522 ordinary shares of Glenealy held by Lingui; and

(ii) Samling Strategic holds 15.35% of Glenealy. By virtue of note (3) above, Yaw Chee Ming is deemed to be interested in the 7,520,000 ordinary shares of Glenealy held by Samling Strategic, and the 10,000,000 ordinary shares of Glenealy held by RHB Capital Nominees (Tempatan) Sdn. Bhd., in favour of Samling Strategic which has been pledged as security for bank borrowings by Eternal Grand Sdn. Bhd., a wholly-owned subsidiary of Yaw Holding Sdn. Bhd..

(7) Samling Strategic holds 71.00% of Strategic Corporation Sdn. Bhd.. By virtue of note (3) above, Yaw Chee Ming is deemed to be interested in the 17,039,998 ordinary shares of Strategic Corporation Sdn. Bhd. held by Samling Strategic. Additionally, Yaw Chee Ming is directly interested in 2 ordinary shares of Strategic Corporation Sdn. Bhd..

(8) (i) Strategic Corporation Sdn. Bhd. holds 50.61% of TSTC Sdn. Bhd.. By virtue of notes (3) and (7) above, Yaw Chee Ming is deemed to be interested in the 3,100,000 ordinary shares of TSTC Sdn. Bhd. held by Strategic Corporation Sdn. Bhd., and

(ii) Yaw Chee Ming and his spouse are each interested in 50% of Loyal Avenue (M) Sdn. Bhd., which in turn holds 49.39% of TSTC Sdn. Bhd.. Yaw Chee Ming is, therefore, deemed interested in the 3,025,000 ordinary shares of TSTC Sdn. Bhd. held by Loyal Avenue (M) Sdn. Bhd..

Save as disclosed above, as at 30 June 2007, none of our Directors or chief executive have any interests or short positions in the shares, underlying shares or debentures of the Company, subsidiaries or any of our associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions in Shares and Underlying Shares of Substantial Shareholders and Other Shareholders with Notifiable Interests

As at 30 June 2007, 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	2,320,290,260	53.94%
Datuk Yaw Teck Seng (2)	Beneficial owner/Interest of a controlled corporation	2,592,291,280	60.26%
Yaw Holding Sdn. Bhd. (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 Sdn. Bhd., which owns the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the shares owned by Samling Strategic.

(2) Datuk Yaw Teck Seng is interested in approximately 39.60% of the issued share capital of Yaw Holding Sdn. Bhd., which owns the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the shares owned by Samling Strategic. Datuk Yaw Teck Seng also owns 99.9% of the issued share capital of Samling International Limited ("SIL") and is deemed to be interested in 203,764,310 shares in the Company, representing approximately 4.74% of the Company's issued share capital, owned by SIL. He is also directly beneficially interested in 68,236,710 shares in the Company, representing approximately 1.59% of the Company's issued share capital.

Interests and Short Positions in Shares and Underlying Shares of Substantial Shareholders and Other Shareholders with Notifiable Interests (continued)

Notes: (continued)

(3) Yaw Holding Sdn. Bhd. is interested in the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the shares in the Company owned by Samling Strategic.

(4) Ahmad Bin Su'ut is interested in 99.998% of the issued share capital of Tapah and is deemed to be interested in all the shares in the Company owned by Tapah.

Save as disclosed above, as at 30 June 2007, 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 interests 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		Nature of Interest of the Director in the Entity
Name of Director	Name of Entity	Description of Business	
Yaw Chee Ming	Limbang Trading (Bintulu) Sdn. Bhd.	Timber Licence Holder with rights to extract and sell timber	Indirect interest in shares
	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
	Anhui Tongling Anlin Wood Plantations Co. Ltd.	Tree plantation	Indirect interest in shares
	Interwil Holdings (Proprietary) Limited	Trading of timber products in South America	Indirect interest in shares

Connected Transactions

During the year, the Group entered into connected transactions and continuing connected transactions as defined under Chapter 14A of the Listing Rules of the Stock Exchange are set out on pages 72 to 80.

Directors' Interest in Contracts

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

Controlling Shareholders' Interest in Contracts

Save as disclosed in Connected Transactions above, no contract of significance to which the Company, any of its subsidiaries or any of its fellow 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 year or at any time during the year.

Emolument Policy

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

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

Donations

The Group made charitable and other donations during the financial year amounting to US$0.2 million.

Major Customers and Suppliers

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

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

Yaw Chee Ming
Executive Director

Cheam Dow Toon
Executive Director

Hong Kong, 30 August 2007

Connected Transactions

The continuing connected transactions as noted in paragraphs 1 to 15 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 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 in paragraphs 1 to 15 below:

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

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

(c) have not exceeded the caps disclosed in the Company's listing prospectus.

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 a 17% interest in the Group's subsidiary, Samling Housing Products Sdn. Bhd.. Sojitz Corporation and its subsidiaries are therefore the Group's connected persons.

Sojitz Corporation and its subsidiaries are engaged in, amongst others, trading of plywood, logs, LVL and/or other wood products. Sojitz Corporation is a long term customer and business partner of the Group. The Group's subsidiary, Kayuneka Sdn. Bhd., as agent on behalf of the Group's various subsidiaries, regularly sells logs to Sojitz Corporation and its subsidiaries. Two of the Group's subsidiaries, Samling Plywood (Miri) Sdn. Bhd. and Samling Plywood (Baramas) Sdn. Bhd., regularly sell plywood and other wood products to Sojitz Corporation and its subsidiaries. The Group's other subsidiary, Foothill, regularly sells LVL to Sojitz Corporation and its subsidiaries. The Company and Sojitz Corporation entered into an agreement dated 16 January 2007, whereby the Company and its subsidiaries, including Kayuneka Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., Samling Plywood (Baramas) Sdn. Bhd. and Foothill, sell logs, plywood, LVL and other wood products to Sojitz Corporation and its subsidiaries.

For the financial year ended 30 June 2007, total sales of logs by Kayuneka Sdn. Bhd. to Sojitz Corporation and its subsidiaries, total sales of plywood and other wood products by Samling Plywood (Miri) Sdn. Bhd. and Samling Plywood (Baramas) Sdn. Bhd. to Sojitz Corporation and its subsidiaries and total sales of LVL by Foothill to Sojitz Corporation and its subsidiaries, together amounted to US$40,485,000 compared to a cap of US$62,000,000.

(2) Sale of housing products to Sojitz Building Materials Corporation

Sojitz Building Materials Corporation (previously known as Sun Building Materials Corporation) is a subsidiary of Sojitz Corporation. As Sojitz Corporation is a connected person as discussed in paragraph (1) above, Sojitz Building Materials Corporation is a connected person by virtue of it being an associate of Sojitz Corporation.

Non-Exempt Continuing Connected Transactions (continued)

(2) **Sale of housing products to Sojitz Building Materials Corporation** (continued)

Sojitz Building Materials Corporation is a trading company based in Japan engaged in the sale of construction materials, lumber and residential-related equipment and building interior finish works. The Group's subsidiary, Samling Housing Products Sdn. Bhd., regularly sells housing products to Sojitz Building Materials Corporation. The Company and Sojitz Corporation entered into an agreement dated 16 January 2007, whereby the Company and the Group's subsidiaries, including Samling Housing Products Sdn. Bhd., sell housing products to Sojitz Corporation and its subsidiaries. By selling our products to Sojitz Building Materials Corporation, we would obtain access to the Japanese housing products market.

For the financial year ended 30 June 2007, total sales of housing products by Samling Housing Products Sdn. Bhd. to Sojitz Building Materials Corporation amounted to US$9,734,000 compared to a cap of US$12,000,000.

(3) **Purchases of transportation vehicles and parts from Si Khiong Industries Sdn. Bhd.**

Si Khiong Industries Sdn. Bhd. is a subsidiary of Hap Seng Consolidated Berhad, a company listed on the Malaysia Stock Exchange. Datuk Lau Cho Kun, who is the father-in-law of Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 30% of Si Khiong Industries Sdn. Bhd.. Therefore Si Khiong Industries Sdn. Bhd. is an associate of Mr. Yaw Chee Ming and thus a connected person.

Si Khiong Industries Sdn. Bhd. is a distributor of Mercedes Benz vehicles in Malaysia. As the Group's operations involve extensive use of transportation vehicles, we enter into transactions with Si Khiong industries Sdn. Bhd. to operate and maintain our fleet of vehicles and parts for transportation of logs. Three of the Group's subsidiaries, Tamex Timber Sdn. Bhd., Miri Parts Trading Sdn. Bhd. and Syarikat Samling Timber Sdn. Bhd. ("SST"), buy Mercedes Benz logging trucks and other transportation vehicles and parts from Si Khiong Industries Sdn. Bhd. on a regular basis. Tamex Timber Sdn. Bhd., SST, Miri Parts Trading Sdn. Bhd. and Si Khiong Industries Sdn. Bhd. entered into an agreement dated 12 January 2007, whereby Tamex Timber Sdn. Bhd., SST and Miri Parts Trading Sdn. Bhd. purchase vehicles and parts from Si Khiong Industries Sdn. Bhd..

For the financial year ended 30 June 2007, total purchases by Tamex Timber Sdn. Bhd., Miri Parts Trading Sdn. Bhd. and SST of logging trucks, transportation vehicles and parts from Si Khiong Industries Sdn. Bhd. amounted to US$14,525,000 compared to a cap of US$15,000,000.

(4) **Purchases of plywood, sawn timber and flooring products by SUS Company, LLC**

SUS Company, LLC is a company controlled by Mr. Chia Ti Lin, Colin, a director of the Group's subsidiaries, Riverside and Foothill. SUS company, LLC is therefore a connected person by virtue of being an associate of Mr. Chia Ti Lin, Colin.

SUS Company, LLC is engaged in trading of wood products. Each of the Group's subsidiaries, Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside, entered into an agreement dated 15 September 2006 with SUS Company, LLC, whereby Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside sell plywood and sawn timber, flooring products and plywood, respectively, to SUS Company, LLC. The agreement was entered into with SUS Company, LLC because our Group does not have a sales and distribution network in the United States and therefore engages SUS Company, LLC as an intermediate seller to purchase our plywood and sawn timber, flooring products and plywood for sales in the United States.

For the financial year ended 30 June 2007, total sales of plywood and sawn timber, flooring products and plywood, by Barama Company Limited, Samling Flooring Products Sdn. Bhd. and Riverside, respectively, to SUS Company, LLC amounted to US$20,941,000 compared to a cap of US$23,000,000.

Non-Exempt Continuing Connected Transactions (continued)

(5) Provision of timber extraction, transportation and agency services to, and sale of logs by, Limbang Trading (Bintulu) Sdn. Bhd.

Limbang Trading (Bintulu) Sdn. Bhd. is held as to 60% by Samling Strategic, one of the Group's Controlling Shareholders. Limbang Trading (Bintulu) Sdn. Bhd. is therefore a connected person by virtue of being an associate of one of the Group's Controlling Shareholders.

Limbang Trading (Bintulu) Sdn. Bhd. has the right to extract and sell timber from certain third party forest concession areas licensed to the Sarawak Timber Industry Development Corporation ("STIDC") in Sarawak, Malaysia. Limbang Trading (Bintulu) Sdn. Bhd. entered into transactions with the following subsidiaries of the Group as follows:

(a) logging agreement dated 13 January 2006 with SST;

(b) transportation agreement dated 24 May 2006 with Tinjar Transport Sdn. Bhd.;

(c) agency agreement dated 24 May 2006 with Kayuneka Sdn. Bhd.; and

(d) purchase agreement dated 1 July 2006 with Samling Plywood (Bintulu) Sdn. Bhd..

Under the above agreements, the Group acts as contractors of Limbang Trading (Bintulu) Sdn. Bhd. to fell, extract and transport timber in forest concessions areas in Sarawak, Malaysia on an exclusive basis, the Group acts as its agent to sell logs on an exclusive basis, and the Group also purchases logs from Limbang Trading (Bintulu) Sdn. Bhd..

For the financial year ended 30 June 2007, the following amounts were transacted with Limbang Trading (Bintulu) Sdn. Bhd. compared to the respective caps.

	Actual for the Financial Year Ended 30 June 2007 *US$'000*	Cap for the Financial Year Ended 30 June 2007 *US$'000*
Logging agreement	2,862	3,000
Transportation agreement	398	400
Agency agreement	9	12
Purchase agreement	3,195	3,200

(6) Provision of services on timber extraction, establishment and maintenance of tree plantations to Grand Perfect Sdn. Bhd.

Grand Perfect Sdn. Bhd. is a joint venture company in which Samling Strategic owns a 35% interest. Grand Perfect Sdn. Bhd. is therefore a connected person as an associate of one of the Group's Controlling Shareholders.

Non-Exempt Continuing Connected Transactions (continued)

(6) Provision of services on timber extraction, establishment and maintenance of tree plantations to Grand Perfect Sdn. Bhd. (continued)

Grand Perfect Sdn. Bhd. is a single project company established for acting as a contractor to plant trees in a reforestation project in Sarawak, Malaysia for the Government of the State of Sarawak. Grand Perfect Sdn. Bhd. has been engaged by the Sarawak Government for the project for a term up to 2010. The Group's subsidiary, SST, entered into transactions with Grand Perfect Sdn. Bhd. as evidenced by the following:

(a) two timber extraction agreement both dated 6 October 2003;

(b) agreement for establishment of tree plantations dated 5 December 2002 (as amended by an agreement dated 17 May 2006); and

(c) agreement for maintenance of tree plantations dated 5 December 2002 (as amended by an agreement dated 17 May 2006).

Under the above agreements, Grand Perfect Sdn. Bhd. subcontracted SST to fell and extract timber in preparation of tree planting, establish tree plantations and carry out maintenance works in tree plantations in Sarawak, Malaysia.

For the financial year ended 30 June 2007, the following amounts were transacted with Grand Perfect Sdn. Bhd. compared to the respective caps.

	Actual for the financial year ended 30 June 2007 US$'000	Cap for the financial year ended 30 June 2007 US$'000
Timber extraction agreements	59	320
Agreement for establishment of tree plantations	3,879	4,000
Agreement for maintenance of tree plantations	341	1,000

(7) Rental of sawmill and equipment and sale of logs and parts to Rimalco Sdn. Bhd.

Rimalco Sdn. Bhd. is owned by Samling Wood Industries Sdn. Bhd. as to 40%, one of the Group's wholly-owned subsidiaries, and Titimas Global Agencies Sdn. Bhd. as to 60%. Titimas Global Agencies Sdn. Bhd. is 70% owned by Mr. Pui Kian Onn, a director of the Group's subsidiary, Riverside. Rimalco Sdn. Bhd. is therefore a connected person by virtue of being an associate of Mr. Pui Kian Onn.

Rimalco Sdn. Bhd. is engaged in sawmilling business. Rimalco Sdn. Bhd. entered into transactions with the following Group subsidiaries as evidenced by the following:

(a) Two rental agreements dated 31 July 2003 (as renewed by an agreement dated 24 April 2006) and 10 June 2003 (as renewed by an agreement dated 1 April 2006) respectively, with Samling Wood Industries Sdn. Bhd. and Ravenscourt Sdn. Bhd., respectively;

(b) A log purchase agreement dated 20 Sepember 2006 with each of our following subsidiaries, namely, KTN Timor Sdn. Bhd., Majulaba Sdn. Bhd., Merawa Sdn. Bhd., Ravenscourt Sdn. Bhd., Samling Plywood (Baramas) Sdn. Bhd., Samling Plywood (Bintulu) Sdn. Bhd., Samling Plywood (Lawas) Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., Samling Reforestation (Bintulu) Sdn. Bhd. ("SRB"), Samling Wood Industries Sdn. Bhd., Sertama Sdn. Bhd., SIF Management Sdn. Bhd. and Syarikat Reloh Sdn. Bhd.; and

Non-Exempt Continuing Connected Transactions (continued)

(7) Rental of sawmill and equipment and sale of logs and parts to Rimalco Sdn. Bhd. (continued)

(c) a part purchase agreement dated 20 September 2006 with Miri Parts Trading Sdn. Bhd..

For the financial year ended 30 June 2007, the following amounts were transacted with Rimalco Sdn. Bhd. compared to the respective caps.

	Actual for the financial year ended 30 June 2007 *US$'000*	Cap for the financial year ended 30 June 2007 *US$'000*
Rental agreements	270	270
Log purchase agreements	5,896	5,900
Parts purchase agreements	—	450

(8) Sale of logs to Yong Joo Sawmill Sdn. Bhd.

Yong Joo Sawmill Sdn. Bhd. is owned by Titimas Global Agencies Sdn. Bhd. (as to 36%) and Mr. Pui Kian Onn (as to 11%). As mentioned in paragraph (7) above, Titimas Global Agencies Sdn. Bhd. is 70% owned by Mr. Pui Kian Onn. Accordingly, Yong Joo Sawmill Sdn. Bhd. is a connected person by virtue of being an associate of Mr. Pui Kian Onn, a director of the Group's subsidiary, Riverside.

Yong Joo Sawmill Sdn. Bhd., which is engaged in manufacturing of sawn timber, is the Group's customer and buys logs from the Group from time to time. The Group's subsidiaries, KTN Timor Sdn. Bhd., Majulaba Sdn. Bhd., Merawa Sdn. Bhd., Ravenscourt Sdn. Bhd., Samling Plywood (Baramas) Sdn. Bhd., Samling Plywood (Bintulu) Sdn. Bhd., Samling Plywood (Lawas) Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., SRB, Samling Wood Industries Sdn. Bhd., Sertama Sdn. Bhd., SIF Management Sdn. Bhd. and Syarikat Reloh Sdn. Bhd., have entered into an agreement dated 20 September 2006 with Yong Joo Sawmill Sdn. Bhd., whereby the Group sells logs to Yong Joo Sawmill Sdn. Bhd..

For the financial year ended 30 June 2007, total sales of logs by the Group's subsidiaries to Yong Joo Sawmill Sdn. Bhd. amounted to US$1,062,000 compared to a cap of US$1,400,000.

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

Pi Zhou Yanglin Woodware Co. Ltd. is indirectly wholly-owned by Mr. Chia Ti Lin, Colin, a director of the Group's subsidiaries, Riverside and Foothill. Pi Zhou Yanglin Woodware Co. Ltd. is therefore a connected person by virtue of being an associate of Mr. Chia Ti Lin, Colin.

Pi Zhou Yanglin Woodware Co. Ltd. is engaged in veneer manufacturing. The Group's subsidiary, Riverside, entered into an agreement dated 15 September 2006 with Pi Zhou Yanglin Woodware Co. Ltd., whereby Pi Zhou Yanglin Woodware Co. Ltd. sells veneer to Riverside. Riverside purchases the veneer for its manufacturing purposes.

For the financial year ended 30 June 2007, total sales of veneer by Pi Zhou Yanglin Woodware Co. Ltd. to Riverside amounted to US$2,805,000 compared to a cap of US$8,000,000.

Non-Exempt Continuing Connected Transactions (continued)

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

Pacific Plywood Corporation is indirectly wholly-owned by Mr. Chia Ti Lin. Pacific Plywood Corporation is therefore a connected person by virtue of being an associate of Mr. Chia Ti Lin, Colin.

Pacific Plywood Corporation is engaged in plywood manufacturing. The Group's subsidiary, Riverside, entered into two agreements both dated 15 September 2006 with Pacific Plywood Corporation, whereby Pacific Plywood Corporation sells plywood to Riverside and Riverside sells veneer to Pacific Plywood Corporation, respectively. Pacific Plywood Corporation purchases veneer from Riverside for its manufacturing of plywood, whilst Riverside purchases plywood from Pacific Plywood Corporation to complement our plywood sales when necessary. Riverside sells veneer to Pacific Plywood Corporation to be processed into plywood by Pacific Plywood Corporation. Riverside buys from Pacific Plywood Corporation a significant portion of Pacific Plywood Corporation's plywood production.

For the financial year ended 30 June 2007, total sales of plywood by Pacific Plywood Corporation to Riverside amounted to US$2,992,000 compared to a cap of US$3,000,000 and total sales of veneer by Riverside to Pacific Plywood Corporation amounted to US$275,000 compared to a cap of US$750,000.

(11) Sale of fuel and parts to Samling Plantation Sdn. Bhd.

Samling Plantation Sdn. Bhd. is held as to 30% by Arif Hemat Sdn. Bhd., which is 99.99% owned by Mr. Wan Morshidi Bin Tuanku Abdul Rahman. Mr. Wan Morshidi Bin Tuanku Abdul Rahman is a director of certain of the Group's subsidiaries. Samling Plantation Sdn. Bhd. is therefore a connected person by virtue of being an associate of Mr. Wan Morshidi Bin Tuanku Abdul Rahman.

Samling Plantation Sdn. Bhd. is engaged in oil palm plantation business. The Group's subsidiary, Miri Parts Trading Sdn. Bhd., sells fuel and parts to Samling Plantation Sdn. Bhd. from time to time. Miri Parts Trading Sdn. Bhd. and Samling Plantation Sdn. Bhd. entered into an agreement dated 12 January 2007, whereby Miri Parts Trading Sdn. Bhd. sells fuel and parts to Samling Plantation Sdn. Bhd..

For the financial year ended 30 June 2007, total sales of fuel and parts by Miri Parts Trading Sdn. Bhd. to Samling Plantations Sdn. Bhd. amounted to US$161,000 compared to a cap of US$280,000.

(12) Provision of products marketing and agency services, grant of license to use technical information and supply of consumables by Dainippon Ink & Chemicals, Inc.

Dainippon Ink & Chemicals, Inc., a company listed on the Tokyo Stock Exchange, Inc., the Osaka Securities Exchange Co. Ltd. and the Nagoya Stock Exchange, Inc., holds a 29% interest and is a substantial shareholder of Samling Housing Products Sdn. Bhd., a Group subsidiary, and therefore is a connected person.

Dainippon Ink & Chemicals, Inc. 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 Sdn. Bhd. entered into transactions with Dainippon Ink & Chemicals, Inc. as evidenced by the following:

(a) agreement for housing products marketing services dated 7 November 1996 (as renewed by a memorandum dated 30 October 2003);

Non-Exempt Continuing Connected Transactions (continued)

(12) Provision of products marketing and agency services, grant of license to use technical information and supply of consumables by Dainippon Ink & Chemicals, Inc. (continued)

(b) technical license agreement dated 5 February 1996 (as renewed by two agreements dated 12 October 2005 and 12 September 2006, respectively);

(c) agreement for purchase of laminated paper and consumables dated 16 January 2007; and

(d) agency agreement dated 6 December 2005.

For the financial year ended 30 June 2007, the following amounts were transacted with Dainippon Ink & Chemicals, Inc. compared to the respective caps.

	Actual for the Financial Year Ended 30 June 2007 *US$'000*	Cap for the Financial Year Ended 30 June 2007 *US$'000*
Agreement for housing products marketing services	130	155
Technical license agreement	152	155
Agreement for purchase of laminated paper and consumables	1,977	2,800
Agency agreement	6	10

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

Doyon Development Sdn. Bhd. is an indirect wholly-owned subsidiary of Yaw Holding Sdn. Bhd., which is the holding company of Samling Strategic, one of the Group Controlling Shareholders. Doyon Development Sdn. Bhd. is therefore a connected person by virtue of it being an associate of the Group's Controlling Shareholders.

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

Various of the Group's subsidiaries have entered into various tenancy agreements with Doyon Development Sdn. Bhd. as landlord in relation of two properties containing various lease terms with the latest expiry date being 30 June 2009. These properties are:

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

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

For the financial year ended 30 June 2007, total aggregate rent paid by the Group's subsidiaries to Doyon Development Sdn. Bhd. amounted to US$797,000 compared to a cap of US$800,000.

Non-Exempt Continuing Connected Transactions (continued)

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

Hornbill Travel Agency Sdn. Bhd. is a connected person by virtue of it being an indirect wholly-owned subsidiary of Yaw Holding Sdn. Bhd., which is the holding company of Samling Strategic, one of the Group's Controlling Shareholders.

Hornbill Travel Agency Sdn. Bhd. provides ticket sales agency services to the Group's subsidiaries in Miri. The Group's subsidiaries, SST and Lingui, entered into an agreement dated 20 September 2006 with Hornbill Travel Agency Sdn. Bhd. for the purchase of air tickets on behalf of their respective subsidiaries through Hornbill Travel Agency Sdn. Bhd. as agent.

For the financial year ended 30 June 2007, total aggregate amount paid by the Group's subsidiaries to Hornbill Travel Agency Sdn. Bhd. amounted to US$405,000 compared to a cap of US$560,000.

(15) Sale of fertilisers and agro-chemicals by Hap Seng Sasco Fertilizers Sdn. Bhd.

Hap Seng Sasco Fertilizers Sdn. Bhd. is a subsidiary of Hap Seng Consolidated Berhad. Datuk Lau Cho Kun, who is the father-in-law of Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 30% of Hap Seng Sasco Fertilizers Sdn. Bhd.. Therefore, Hap Seng Sasco Fertilizers Sdn. Bhd. is an associate of Mr. Yaw Chee Ming and thus a connected person.

Hap Seng Sasco Fertilizers Sdn. Bhd. is engaged in the fertilisers and agro-chemicals business. Amalania Koko Berhad, Timor Enterprises Sendirian Berhad ("Timor") and Samling Plantation Sdn. Bhd., subsidiaries of Glenealy, purchase fertilisers and agro-chemicals from Hap Seng Sasco Fertilizers Sdn. Bhd. from time to time for application in the oil palm plantations. Amalania Koko Berhad, Timor and Samling Plantation Sdn. Bhd. and Hap Seng Sasco Fertilizers Sdn. Bhd. entered into an agreement dated 29 January 2007, whereby Amalania Koko Berhad, Timor and Samling Plantation Sdn. Bhd. purchase fertiliser and agro-chemicals from Hap Seng Sasco Fertilizers Sdn. Bhd..

For the financial year ended 30 June 2007, total purchases of fertilisers and agro-chemicals by Amalania Koko Berhad, Timor and Samling Plantation Sdn. Bhd. from Hap Seng Sasco Fertilizers Sdn. Bhd. amounted to US$3,176,000 compared to a cap of US$3,600,000.

Connected Transactions

As announced on 30 August 2007, SRB, a wholly-owned indirect subsidiary of the Company, entered into transactions which constitute connected transactions of the Company under Rule 14A.13(1)(a) of the Listing Rules.

On 30 August 2007, SRB entered into an agreement with Timor pursuant to which SRB agreed to sub-license, and Timor agreed to accept the sub-licence of the oil palm compartment measuring approximately 21,123 hectares within the forest plantation land held under Planted Forest Licence No. LPF/0007 at Tubau District, Bintulu Division, Sarawak, Malaysia for a cash consideration of RM19,237,000 (equivalent to approximately US$5,490,000).

On 30 August 2007, Timor entered into an agreement with SRB pursuant to which Timor agreed to sub-license, and SRB agreed to accept the sub-licence of, the 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 for a cash consideration of RM21,596,000 (equivalent to approximately US$6,163,000).

Timor, being a wholly-owned indirect subsidiary of Glenealy which is held as to 36.42% by Lingui which is held as to 59.69% by the Company, is a connected person of the Company within the meaning of the Listing Rules as SRB is a wholly-owned indirect subsidiary of the Company and Mr. Yaw Chee Ming, a Director, is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of Glenealy through his shareholding in Yaw Holding Sdn. Bhd. which holds the entire issued and paid-up share capital of Samling Strategic which directly holds 53.94% of the Company and 15.35% of Glenealy. Accordingly, the transactions constitute connected transactions of the Company under the Listing Rules.

As the transactions are exempted under Rule 14A.32(1) of the Listing Rules, they are only subject to the reporting and announcement requirements set out in Rules 14A.45, 14A.46 and 14A.47 of the Listing Rules and are exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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") set out on pages 83 to 168, which comprise the consolidated and company balance sheets as at 30 June 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flow 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 and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Company 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 2007 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

30 August 2007

Consolidated Income Statement

For the year ended 30 June 2007

(Expressed in United States dollars)

	Note	2007 $'000	2006 $'000
Turnover	4	**561,223**	388,686
Cost of sales		**(410,834)**	(341,781)
Gross profit		**150,389**	46,905
Other operating income	5	**5,927**	2,780
Distribution costs		**(6,527)**	(4,536)
Administrative expenses		**(27,502)**	(17,157)
Other operating expenses	6	**(140)**	(1,538)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	19	**3,508**	(15,285)
Profit from operations		**125,655**	11,169
Financial income		**30,929**	6,876
Financial expenses		**(18,948)**	(22,377)
Net financing income/(costs)	7	**11,981**	(15,501)
Share of profits less losses of associates		**7,760**	1,317
Share of profits less losses of jointly controlled entities		**1,905**	2,816
Profit/(loss) before taxation	8	**147,301**	(199)
Income tax	9	**(16,420)**	1,745
Profit for the year		**130,881**	1,546

The notes on pages 91 to 168 form part of these financial statements.

Consolidated Income Statement

For the year ended 30 June 2007
(Expressed in United States dollars)

	Note	2007 $'000	2006 $'000
Attributable to:			
Equity holders of the Company	*12, 31(a)*	**98,430**	5,128
Minority interests		**32,451**	(3,582)
Profit for the year		**130,881**	1,546
Dividend attributable to the year:	*11*		
Interim dividend declared during the year		**—**	2,449
Final dividend proposed after the balance sheet date		**27,574**	—
		27,574	2,449
Earnings per share (US cents)	*12*		
— Basic		**6.03**	0.17

The notes on pages 91 to 168 form part of these financial statements.

Consolidated Balance Sheet

at 30 June 2007

(Expressed in United States dollars)

	Note	2007 $'000	2006 $'000
Non-current assets			
Property, plant and equipment, net	15		
— Investment properties		**9,940**	9,581
— Other property, plant and equipment		**415,246**	381,513
Construction in progress	16	**5,480**	1,963
Lease prepayments	17	**27,172**	26,504
Timber concessions	18	**28,945**	31,843
Goodwill		**671**	631
Plantation assets	19	**226,050**	165,299
Interest in associates	21	**54,675**	44,883
Interest in jointly controlled entities	22	**14,592**	15,345
Other investment		**32**	30
Deferred tax assets	23	**3,578**	3,642
Total non-current assets		**786,381**	681,234
Current assets			
Inventories	24	**110,512**	83,471
Trade and other receivables	25	**78,603**	97,261
Current tax recoverable		**12,013**	9,390
Cash and cash equivalents	26	**326,542**	21,111
Total current assets		**527,670**	211,233
Total assets		**1,314,051**	892,467
Current liabilities			
Bank overdrafts, loans and borrowings	27(a)	**103,782**	121,792
Finance lease liabilities	27(b)	**29,222**	22,790
Bonds	28	**43,422**	—
Trade and other payables	29	**114,802**	186,258
Current tax payable		**2,632**	1,842
Total current liabilities		**293,860**	332,682
Net current assets/(liabilities)		**233,810**	(121,449)

The notes on pages 91 to 168 form part of these financial statements.

Consolidated Balance Sheet

at 30 June 2007

(Expressed in United States dollars)

	Note	2007 $'000	2006 $'000
Total assets less current liabilities		**1,020,191**	559,785
Non-current liabilities			
Bank loans and borrowings	*27(a)*	**132,797**	129,241
Finance lease liabilities	*27(b)*	**63,590**	55,509
Bonds	*28*	**—**	40,816
Deferred tax liabilities	*23*	**59,015**	47,899
Total non-current liabilities		**255,402**	273,465
Total liabilities		**549,262**	606,147
Equity			
Share capital	*30*	**430,174**	979
Reserves	*31(a)*	**168,601**	166,449
Equity attributable to equity holders of the Company		**598,775**	167,428
Minority interests		**166,014**	118,892
Total equity		**764,789**	286,320
Total liabilities and equity		**1,314,051**	892,467

Approved and authorised for issue by the Board of Directors on 30 August 2007

Yaw Chee Ming
Director

Cheam Dow Toon
Director

The notes on pages 91 to 168 form part of these financial statements.

Balance Sheet

at 30 June 2007

(Expressed in United States dollars)

	Note	2007 $'000	2006 $'000
Non-current assets			
Property, plant and equipment	15	**185**	—
Interest in subsidiaries	20	**308,434**	284,265
		308,619	284,265
Current assets			
Other receivables and prepayments	25	**1,196**	7,797
Cash and cash equivalents	26	**300,227**	1,081
Total current assets		**301,423**	8,878
Total assets		**610,042**	293,143
Current liabilities			
Bank loans	27(a)	**—**	12,801
Other payables and accrued expenses	29	**22,331**	32,442
Total current liabilities		**22,331**	45,243
Net current assets/(liabilities)		**279,092**	(36,365)
Equity			
Share capital	30	**430,174**	979
Reserves	31(b)	**157,537**	246,921
Total equity		**587,711**	247,900
Total liabilities and equity		**610,042**	293,143

Approved and authorised for issue by the Board of Directors on 30 August 2007

Yaw Chee Ming
Director

Cheam Dow Toon
Director

The notes on pages 91 to 168 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2007

(Expressed in United States dollars)

		Attributable to equity holders of the Company									
	Note	Share capital $'000 (Note 30(a))	Share premium $'000 (Note 31(a))	Currency translation reserve $'000 (Note 31(a))	Revaluation reserve $'000 (Note 31(a))	Other reserve $'000 (Note 31(a))	Capital reserve $'000 (Note 31(a))	Retained earnings $'000 (Note 31(a))	Sub-total $'000	Minority interests $'000	Total equity $'000
At 1 July 2005		50,442	113,753	20,200	6,673	5,031	—	51,689	247,788	207,182	454,970
Issue of shares, net of issue expenses		967	72,276	—	—	—	40,477	—	113,720	—	113,720
Currency translation differences		—	—	174	—	—	—	—	174	(4,747)	(4,573)
Profit for the year	31(a)	—	—	—	—	—	—	5,128	5,128	(3,582)	1,546
Dividends declared and paid	11	—	—	—	—	—	—	(2,849)	(2,849)	(2,185)	(5,034)
Acquisition of additional interest in a subsidiary	31(c)(iv)(b)	—	—	—	—	22,725	—	—	22,725	(58,656)	(35,931)
Arising from Reorganisation	31(c)(iv)(a)	(50,430)	(113,753)	(3,778)	—	(60,858)	—	9,561	(219,258)	(19,120)	(238,378)
At 30 June 2006		979	72,276	16,596	6,673	(33,102)	40,477	63,529	167,428	118,892	286,320
At 1 July 2006		**979**	**72,276**	**16,596**	**6,673**	**(33,102)**	**40,477**	**63,529**	**167,428**	**118,892**	**286,320**
Issue of additional shares pursuant to Reorganisation and Further Acquisitions	30(c)(iii), 31(c)(v)(b)	**308,445**	**18,998**	**—**	**—**	**(269,252)**	**(40,477)**	**—**	**17,714**	**—**	**17,714**
Issue of shares pursuant to global offering, net of issue expenses		**120,750**	**170,646**	**—**	**—**	**—**	**—**	**—**	**291,396**	**—**	**291,396**
Currency translation differences		**—**	**—**	**23,807**	**—**	**—**	**—**	**—**	**23,807**	**17,317**	**41,124**
Profit for the year	31(a)	**—**	**—**	**—**	**—**	**—**	**—**	**98,430**	**98,430**	**32,451**	**130,881**
Dividends declared and paid	11	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,646)**	**(2,646)**
At 30 June 2007		**430,174**	**261,920**	**40,403**	**6,673**	**(302,354)**	**—**	**161,959**	**598,775**	**166,014**	**764,789**

The notes on pages 91 to 168 form part of these financial statements.

Consolidated Statement of Cash Flow

For the year ended 30 June 2007
(Expressed in United States dollars)

	Note	2007 $'000	2006 $'000
Operating activities			
Net cash generated from operations	*33*	**108,113**	91,749
Net income tax paid		**(13,936)**	(7,943)
Net cash generated from operating activities		**94,177**	83,806
Investing activities			
Payment for purchase of property, plant and equipment		**(32,738)**	(54,839)
Capital expenditure in construction in progress		**(4,097)**	(3,970)
Capital expenditure in lease prepayments		**—**	(1,871)
Capital expenditure in plantation assets		**(8,050)**	(5,017)
Proceeds from disposal of property, plant and equipment		**15,489**	8,319
Proceeds from sale of lease prepayments		**335**	—
Additional investment in a jointly controlled entity		**(159)**	—
Dividends received from associate		**666**	651
Acquisition of additional interests in a subsidiary	*31(c)(iv)(b)*	**—**	(35,931)
Acquisition of subsidiaries, net of cash acquired	*32*	**—**	140
Repayment from jointly controlled entity		**3,850**	6,205
Advances and repayments to related parties		**(6,327)**	(15,461)
Repayment from related parties		**—**	25,499
Deposits pledged		**511**	293
Interest received		**19,248**	4,444
Net cash used in investing activities		**(11,272)**	(71,538)

The notes on pages 91 to 168 form part of these financial statements.

Consolidated Statement of Cash Flow

For the year ended 30 June 2007

(Expressed in United States dollars)

	Note	2007 $'000	2006 $'000
Financing activities			
Capital element of finance lease rentals paid		**(30,818)**	(20,317)
Proceeds from the issue of shares, net of issue expenses		**309,831**	72,276
Acquisition of subsidiaries from the controlling shareholders	*31(c)(iv)(a)*	**—**	(72,276)
Dividends paid		**(1,108)**	(5,034)
Proceeds from bank loans and other borrowings		**128,493**	223,744
Repayment of bank loans and other borrowings		**(149,901)**	(203,588)
Interest paid on bank loans and financial lease rentals		**(25,090)**	(20,699)
Net cash generated from/(used in) financing activities		**231,407**	(25,894)
Net increase/(decrease) in cash and cash equivalents		**314,312**	(13,626)
Cash and cash equivalents at beginning of the year		**(17,093)**	(4,408)
Effect of foreign exchange rate changes		**(1,811)**	941
Cash and cash equivalents at end of the year	*26*	**295,408**	(17,093)

The notes on pages 91 to 168 form part of these financial statements.

1. General information and basis of presentation

The Company was incorporated in Bermuda on 27 June 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Pursuant to a group reorganisation (the "Reorganisation") of the timber and forestry related businesses of Datuk Yaw Teck Seng, Yaw Chee Ming, Yaw Holding Sdn. Bhd., Samling Strategic Corporation Sdn. Bhd., and companies controlled by them in Malaysia, Guyana and New Zealand which was completed on 30 June 2006, and the acquisitions of equity interests in several companies from third parties (the "Further Acquisitions") in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation and the Further Acquisitions are set out in Appendix VIII to the Company's prospectus dated 23 February 2007. The Company's shares were listed on the Main Board of SEHK on 7 March 2007.

The Group is regarded as a continuing entity resulting from the Reorganisation and has been accounted for on the basis of merger accounting. The consolidated financial statements have been prepared on the basis that the Company is the holding company of the Group for both years presented, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation. Accordingly, the consolidated results of the Group for the year ended 30 June 2006 include the results of the Company and its subsidiaries as if the current group structure had been in existence throughout the years presented. All material intra-group transactions and balances have been eliminated on consolidation.

In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

2. 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.

The IASB has issued certain new and revised IFRSs which are effective for accounting periods on or after 1 January 2006. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies applied in these financial statements for the years presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(Expressed in United States dollars unless otherwise indicated)

2. Significant accounting policies (continued)

(b) Basis of preparation

The financial statements are presented in United States dollars ("US$"), rounded to the nearest thousand. It is prepared on the historical cost basis except plantation assets (see note 2(j)) and derivative financial instruments (see note 2(v)) that are stated at their fair value.

A summary of the significant accounting policies adopted by the Group is set out below.

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 estimates with a significant risk of material adjustment in the next year are discussed in note 37.

(c) Basis of consolidation

The consolidated financial statements for the year ended 30 June 2007 include the financial statements of the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The power to govern an entity could also exist when the Group is the single largest shareholder of an entity, the balance of shareholdings in the entity is dispersed and the other shareholders have not organised their interests in such a way that they exercise more votes than the Group. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount 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 an associate.

(iii) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity. An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method.

(iv) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Transactions with minority interests

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Transactions with minority shareholders of the Group are classified as equity transactions. Accordingly, differences between the carrying values of minority interests on acquisitions and disposals are credited or charged to reserves.

In the Company's balance sheet, its investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment losses (see note 2(n)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. Significant accounting policies (continued)

(d) 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 easy reference to 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 taken directly to reserves.

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(n)).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the investment properties. The estimated useful lives are as follows:

Investment properties	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 2(s)(iv).

2. Significant accounting policies (continued)

(f) 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 2(n)). 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 2(n)).

(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 2(j)) 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.

2. Significant accounting policies (continued)

(g) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(n)).

Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment 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 substantially ready for its intended use.

(h) Intangible assets

(i) Goodwill

All business combinations, except for business combinations involving entities under common control, are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see note 2(n)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the income statement.

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

(ii) Timber concessions

Timber concession licences acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see note 2(n)). These licences give the Group rights to harvest trees in the allocated concession forests in designated areas in Malaysia and Guyana.

(iii) 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. Other intangible assets are amortised from the date they are available for use. The estimated useful life is as follows:

Timber concessions	Over the remaining terms of the concessions

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

2. Significant accounting policies (continued)

(i) Lease prepayments

Lease prepayments represent payments made to acquire leasehold land. Leasehold land are carried at cost less accumulated amortisation and impairment losses (see note 2(n)). Amortisation is charged to the income statement on a straight-line basis over the remaining lease term.

(j) Plantation assets

Plantation assets comprise forest crop in Malaysia and New Zealand.

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.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for doubtful debts, except where the receivables are interest free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for doubtful debts. Trade and other receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is immaterial.

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 the income statement. A reversal of an impairment loss shall not result in the carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(l) 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.

2. Significant accounting policies (continued)

(l) Inventories (continued)

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 2(j)). Any change in value through the date of harvest is recognised in the income statement.

(m) 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 statement of cash flow.

(n) Impairment

The carrying amounts of the Group's assets, other than plantation assets (see note 2(j)), inventories (see note 2(l)) and deferred tax assets (see note 2(u)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Recognition of impairment losses

An impairment loss is recognised in the income statement whenever 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.

(iii) Reversals of impairment

An impairment loss, other than in respect of goodwill, is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2. Significant accounting policies (continued)

(o) 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.

(p) 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.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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.

(r) 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.

(s) Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.

(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.

2. Significant accounting policies (continued)

(s) Revenue (continued)

(iii) Dividend income

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

(iv) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the terms of the respective leases. Lease incentives granted are recognised as an integral part of the total rental income.

(t) 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

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested that are recognised in the income statement.

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.

Cost of issuance of bonds has been deferred and capitalised as part of the fair value of the bonds. The cost of issuance is amortised to the income statement using the effective interest rate method.

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

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

2. Significant accounting policies (continued)

(u) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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 is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(v) 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 investment 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 current interest rates and the current creditworthiness of the swap counterparties.

(Expressed in United States dollars unless otherwise indicated)

2. Significant accounting policies (continued)

(w) 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.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Segment reporting

Segment information is presented in the financial statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Group is comprised of the following main business segments:

Logs	:	The sale of timber logs from concession and tree plantation area.
Plywood and veneer	:	The manufacture and sale of plywood and veneer.
Upstream support	:	The provision of supporting services such as tree-felling, barging, repairs and re-conditioning of equipment and machineries.
Other timber operations	:	The manufacture and sale of timber related products such as flooring, chipboard, door facings, doors, housing products and sawn timber.
Other operations	:	Other operations include the manufacture and sale of granite aggregates, rubber compound, glue, logistic services, power generating facilities, oil palm, property investment, and investment companies.

Notes to the Financial Statements

(Expressed in United States dollars unless otherwise indicated)

3. Segment reporting (continued)

Business segments (continued)

	2006						
	Logs $'000	Plywood and veneer $'000	Upstream support $'000	Other timber operations $'000	Other operations $'000	Eliminations $'000	Consolidated $'000
Revenue from external customers	121,124	207,547	22,060	29,298	8,657	—	388,686
Inter-segment revenue	55,731	19,478	133,514	1,549	1,285	(211,557)	—
Total revenue	176,855	227,025	155,574	30,847	9,942	(211,557)	388,686
Cost of sales	(147,312)	(212,638)	(158,023)	(27,320)	(8,045)	211,557	(341,781)
Other income and expenses	(1,786)	(7,741)	(5,976)	(1,861)	(3,087)	—	(20,451)
Segment result before changes in fair value of plantation assets	27,757	6,646	(8,425)	1,666	(1,190)	—	26,454
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	(15,285)	—	—	—	—	—	(15,285)
Segment result	12,472	6,646	(8,425)	1,666	(1,190)	—	11,169
Net financing costs							(15,501)
Share of profits less losses of associates and jointly controlled entities	—	—	—	2,565	1,568	—	4,133
Income tax							1,745
Profit for the year							1,546
Segment assets	294,413	282,913	147,912	52,165	32,143	—	809,546
Interest in associates and jointly controlled entities	—	—	—	17,956	42,272	—	60,228
Unallocated assets							22,693
Total assets							892,467
Segment liabilities	96,390	94,024	192,609	24,048	41,802	—	448,873
Unallocated liabilities							157,274
Total liabilities							606,147
Capital expenditure	26,936	29,174	47,137	623	11,639	—	115,509
Depreciation and amortisation	10,335	16,703	21,646	2,711	1,505	—	52,900
Non-cash expenses other than depreciation and amortisation	1,056	—	—	74	—	—	1,130

3. Segment reporting (continued)

Business segments (continued)

	2007						
	Logs *$'000*	Plywood and veneer *$'000*	Upstream support *$'000*	Other timber operations *$'000*	Other operations *$'000*	Eliminations *$'000*	Consolidated *$'000*
Revenue from external customers	172,563	336,631	16,131	26,716	9,182	—	561,223
Inter-segment revenue	86,161	25,108	190,952	2,534	3,751	(308,506)	—
Total revenue	258,724	361,739	207,083	29,250	12,933	(308,506)	561,223
Cost of sales	(199,672)	(287,539)	(193,699)	(28,070)	(10,360)	308,506	(410,834)
Other income and expenses	(4,809)	(11,000)	(4,657)	(3,276)	(4,500)	—	(28,242)
Segment result before changes in fair value of plantation assets	54,243	63,200	8,727	(2,096)	(1,927)	—	122,147
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	3,508	—	—	—	—	—	3,508
Segment result	57,751	63,200	8,727	(2,096)	(1,927)	—	125,655
Net financing income							11,981
Share of profits less losses of associates and jointly controlled entities	—	—	—	2,570	7,095	—	9,665
Income tax							(16,420)
Profit for the year							130,881
Segment assets	358,829	311,770	173,313	51,387	26,373	—	921,672
Interest in associates and jointly controlled entities	—	—	—	18,085	51,182	—	69,267
Unallocated assets							323,112
Total assets							1,314,051
Segment liabilities	80,620	98,360	185,831	16,773	12,219	—	393,803
Unallocated liabilities							155,459
Total liabilities							549,262
Capital expenditure	32,393	23,809	40,193	1,918	324	—	98,637
Depreciation and amortisation	15,901	18,340	26,590	1,925	2,111	—	64,867
Non-cash expenses other than depreciation and amortisation	2,591	—	—	104	12	—	2,707

3. Segment reporting (continued)

Geographical segments

All the segments are primarily managed and operated in Malaysia, Guyana, New Zealand and China (including Hong Kong and Taiwan). In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets are based on the geographical location of the assets.

	2006							
	Malaysia *$'000*	Guyana *$'000*	New Zealand *$'000*	China *$'000*	Japan *$'000*	North America *$'000*	Other regions *$'000*	Consolidated *$'000*
Revenue from external customers	78,913	4,569	2,407	60,384	101,711	46,881	93,821	388,686
Segment assets	547,298	53,105	190,834	18,309	—	—	—	809,546
Capital expenditure	90,438	10,957	14,114	—	—	—	—	115,509

	2007							
	Malaysia ***$'000***	**Guyana** ***$'000***	**New Zealand** ***$'000***	**China** ***$'000***	**Japan** ***$'000***	**North America** ***$'000***	**Other regions** ***$'000***	**Consolidated** ***$'000***
Revenue from external customers	**81,051**	**5,097**	**1,803**	**109,996**	**172,963**	**56,370**	**133,943**	**561,223**
Segment assets	**569,334**	**69,529**	**257,354**	**24,372**	**—**	**1,083**	**—**	**921,672**
Capital expenditure	**67,537**	**15,792**	**14,533**	**775**	**—**	**—**	**—**	**98,637**

4. Turnover

Turnover 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 machineries services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2007 *$'000*	2006 *$'000*
Sales of goods	**545,092**	366,626
Revenue from provision of services	**16,131**	22,060
	561,223	388,686

5. Other operating income

	2007 *$'000*	2006 *$'000*
Gain on disposal of property, plant and equipment	**3,880**	667
Gain on disposal of lease prepayment	**68**	—
Reversal of impairment losses for doubtful debts	**77**	92
Rental income	**565**	588
Sundry income	**1,337**	1,433
	5,927	2,780

6. Other operating expenses

	2007 *$'000*	2006 *$'000*
Inventories loss	**—**	991
Others	**140**	547
	140	1,538

Inventories loss for the year ended 30 June 2006 represented the carrying value of damaged inventories, net of insurance compensation, during a fire in one of the warehouses of the Group in Bintulu, Malaysia.

7. Net financing income/(costs)

	2007 *$'000*	2006 *$'000*
Interest on loans from banks and other borrowings	**(26,657)**	(22,902)
Less: Borrowing costs capitalised into plantation assets *(note 19)*	**8,368**	8,046
Interest expense	**(18,289)**	(14,856)
Net loss on change in fair value of financial instruments	**(659)**	—
Foreign exchange losses	**—**	(7,521)
Financial expenses	**(18,948)**	(22,377)
Interest income	**19,248**	4,444
Net gain on change in fair value of financial instruments	**—**	2,432
Foreign exchange gains	**11,681**	—
Financial income	**30,929**	6,876
	11,981	(15,501)

Borrowing costs have been capitalised at a rate of 5.29% to 7.78% per annum (2006: 5.12% to 8.11%).

8. Profit/(loss) before taxation

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

(a) Personnel expenses

	2007 $'000	2006 $'000
Salaries, wages, bonuses and benefits	**78,766**	60,136
Contributions to retirement schemes	**4,552**	3,409
	83,318	63,545

Pursuant to the relevant labour rules and regulations in Malaysia, Guyana and the People's Republic of China ("PRC"), the companies comprising the Group participate in defined contribution retirement benefit 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 12% to 20% of the eligible employees' salaries. Contributions to the Schemes vest immediately.

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

(b) Other items

	2007 $'000	2006 $'000
Impairment losses for doubtful receivables	**77**	74
Auditors' remuneration	**581**	248
Depreciation *(note 15(a))*	**59,395**	50,392
Amortisation of lease prepayments *(note 17)*	**669**	729
Amortisation of timber concessions *(note 18)*	**4,803**	1,779
Royalties *(note 18)*	**32,540**	24,703
Share of associates' taxation	**199**	716
Share of jointly controlled entities' taxation	**617**	871

9. Income tax

	2007 $'000	2006 $'000
Current tax		
Current year	**13,170**	5,310
(Over)/under-provision in respect of prior years	**(1,167)**	1,073
	12,003	6,383
Deferred tax *(note 23)*		
Origination and reversal of temporary differences	**5,621**	(8,128)
Reduction in tax rate *(note c)*	**(1,204)**	—
	4,417	(8,128)
Total income tax expense/(credit) in consolidated income statement	**16,420**	(1,745)

Notes:

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

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 30 June 2007 and 2006.

(c) Pursuant to the income tax rules and regulations of Malaysia, the companies comprising the Group in Malaysia are liable to Malaysian income tax at a rate of 28% for the year ended 30 June 2006. In September 2006, the Malaysian government announced a reduction in the income tax rate from 28% to 27% for the year of assessment 2007 and from 27% to 26% for the year of assessment 2008. Accordingly, the provision for Malaysian income tax for the year ended 30 June 2007 is calculated at 27% of the estimated assessable profits for the year.

(d) The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45%. One of the subsidiaries of the Group in Guyana was granted a tax holiday period for 5 years by the Ministry of Finance of Guyana from March 2005. No provision for Guyana income tax has been made as the subsidiaries either did not have assessable profits subject to Guyana income tax during the years ended 30 June 2007 and 2006 or was exempted from income tax.

(e) The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 33%. No provision for New Zealand income tax has been made as the subsidiaries did not have assessable profits subject to New Zealand income tax during the years ended 30 June 2007 and 2006. In May 2007, the New Zealand government announced a reduction in the income tax rate from 33% to 30% for the year of assessment 2008/2009.

9. Income tax (continued)

Notes: (continued)

(f) Pursuant to the approval obtained from the relevant PRC tax authorities, the subsidiaries in the PRC are entitled to a tax concession period whereby the subsidiaries are fully exempted from PRC enterprise income tax for the two years starting from its first profit-making year, followed by a 50% reduction in the PRC enterprise income tax for the next three years. The standard income tax rate in the PRC is 33%.

The first profit-making year of Foothill LVL & Plywood (Cangshan) Co., Ltd. ("Foothill"), a subsidiary acquired by the Group on 29 June 2006, was 2003. Foothill was fully exempted from PRC enterprise income tax from 1 January 2003 to 31 December 2004 and subject to a preferential tax rate of 15% from 1 January 2005 to 31 December 2007.

Being a production oriented enterprise in the Nantong Economic Development Zone of the PRC, Riverside Plywood Corporation ("Riverside"), a subsidiary acquired by the Group on 29 June 2006, was entitled to a preferential PRC enterprise income tax rate of 15%. The first profit-making year of Riverside was 2004. Riverside was fully exempted from PRC enterprise income tax from 1 January 2004 to 31 December 2005 and subject to a preferential tax rate of 7.5% from 1 January 2006 to 31 December 2008.

According to the income tax law that was passed at the plenary session of the Tenth National People's Congress of the PRC, the standard income tax rate is changed from 33% to 25% effective from 1 January 2008.

	2007 *$'000*	2006 *$'000*
Reconciliation of effective income tax expense/(credit)		
Profit/(loss) before taxation	**147,301**	(199)
Income tax using the corporate tax rates applicable to profits in the countries concerned	**35,811**	(52)
Effect of non-deductible expenses *(note (i))*	**3,943**	3,561
Effect of non-taxable income *(note (ii))*	**(12,324)**	(2,803)
Effect of tax credit *(note (iii))*	**(6,448)**	(5,419)
Effect of utilisation of temporary differences not recognised in prior years	**(2,191)**	—
Effect of unused temporary differences and tax losses not recognised	**—**	1,895
Effect of change in tax rate	**(1,204)**	—
(Over)/under-provision of income tax expense in prior years	**(1,167)**	1,073
Income tax expense/(credit)	**16,420**	(1,745)

9. Income tax (continued)

Notes:

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

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

(iii) Tax credit mainly comprises certain expenses incurred by Samling Plywood (Baramas) Sdn. Bhd. ("SPB"), Samling Plywood (Bintulu) Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., and Samling Housing Products Sdn. Bhd. 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 Company in respect of the export of wood-based products.

10. Profit attributable to equity holders of the Company

The consolidated profit attributable to equity holders of the Company includes a profit of $30,735,000 (2006: loss of $447,000) which has been dealt with in the financial statements of the Company.

11. Dividends

Dividends for the year ended 30 June 2006 represent dividends declared by subsidiaries of the Company to their then shareholders.

(a) Dividend attributable to the year

	2007 ***$'000***	2006 *$'000*
Interim dividend declared and paid:		
Syarikat Samling Timber Sdn. Bhd.	**—**	1,361
Samling Housing Products Sdn. Bhd.	**—**	1,088
	—	2,449
Final dividend proposed after the balance sheet date of 0.641 US cents (2006: Nil US cents) per share	**27,574**	—
	27,574	2,449

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

11. Dividends (continued)

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

	2007 $'000	2006 $'000
Final dividend in respect of the previous financial year, approved and paid during the year	–	2,500

12. Earnings per share

The calculation of basic earnings per share for the year ended 30 June 2007 is based on the profit attributable to equity holders of the Company for the year of $98,430,000 and the weighted average number of 1,633,531,000 shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007 '000
Issued ordinary shares at 1 July	979
Effect of shares subdivision	3,549
Effect of issue of additional shares pursuant to Reorganisation and Further Acquisitions	1,242,229
Effect of issue of shares pursuant to global offering	386,774
Weighted average number of ordinary shares at 30 June	1,633,531

The calculation of basic earnings per share for the year ended 30 June 2006 is based on the profit attributable to equity holders of the Company for the year of $5,128,000 and the 3,094,236,830 shares in issue as at the date of the prospectus of 23 February 2007, as if the shares were outstanding throughout the year.

There were no dilutive potential ordinary shares during the years ended 30 June 2007 and 2006 and, therefore, diluted earnings per share are not presented.

13. Directors' remuneration

	2006				
	Fees *$'000*	Basic salaries, allowances and benefits in kind *$'000*	Bonus *$'000*	Retirement scheme contributions *$'000*	Total *$'000*
Executive directors					
Yaw Chee Ming	32	135	41	25	233
Cheam Dow Toon	32	72	30	18	152
Non-executive director					
Chan Hua Eng	48	—	—	—	48
Independent non-executive directors					
David William Oskin	20	20	—	—	40
Tan Li Pin, Richard	20	20	—	—	40
Fung Ka Pun	25	—	—	—	25
Total	177	247	71	43	538

13. Directors' remuneration (continued)

	2007				
	Fees $'000	Basic salaries, allowances and benefits in kind $'000	Bonus $'000	Retirement scheme contributions $'000	Total $'000
Executive directors					
Yaw Chee Ming	37	391	72	23	523
Cheam Dow Toon	37	259	53	16	365
Non-executive director					
Chan Hua Eng	54	—	—	—	54
Independent non-executive directors					
David William Oskin	20	20	—	—	40
Tan Li Pin, Richard	20	20	—	—	40
Fung Ka Pun	25	—	—	—	25
Total	193	690	125	39	1,047

14. Individuals with highest emoluments

The five highest paid individuals of the Group include two (2006: one) directors whose emoluments are disclosed in note 13. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	2007 *$'000*	2006 *$'000*
Basic salaries, allowances and benefits in kind	**608**	705
Discretionary bonuses	**46**	81
Retirement scheme contributions	**—**	22
	654	808

The emoluments of these individuals are within the following band:

	Number of individuals	
	2007	2006
HK$1,000,000 to HK$2,000,000	**2**	4
HK$2,000,000 to HK$3,000,000	**1**	—

15. Property, plant and equipment, net

	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 2005	114,736	77,275	440,476	20,084	5,702	658,273	12,092	670,365
Additions through business combinations *(note 32)*	1,778	4,107	2,246	74	31	8,236	—	8,236
Additions	8,948	7,681	77,643	2,219	114	96,605	—	96,605
Transfer from construction in progress *(note 16)*	1,932	—	4,990	50	27	6,999	—	6,999
Disposals	(164)	(1,567)	(17,784)	(392)	—	(19,907)	—	(19,907)
Exchange differences	330	1,300	12,941	526	64	15,161	411	15,572
At 30 June 2006	127,560	88,796	520,512	22,561	5,938	765,367	12,503	777,870
At 1 July 2006	127,560	88,796	520,512	22,561	5,938	765,367	12,503	777,870
Additions	5,043	5,500	66,129	1,090	345	78,107	15	78,122
Transfer from construction in progress *(note 16)*	204	—	516	4	7	731	—	731
Disposals	—	(357)	(21,762)	(245)	(1)	(22,365)	(43)	(22,408)
Exchange differences	11,105	7,131	30,183	589	134	49,142	799	49,941
At 30 June 2007	143,912	101,070	595,578	23,999	6,423	870,982	13,274	884,256
Accumulated depreciation:								
At 1 July 2005	18,057	30,112	266,416	16,523	5,412	336,520	2,599	339,119
Charge for the year	2,272	7,655	39,119	1,198	135	50,379	234	50,613
Written back on disposal	(28)	(1,041)	(10,897)	(289)	—	(12,255)	—	(12,255)
Exchange differences	515	815	7,418	408	54	9,210	89	9,299
At 30 June 2006	20,816	37,541	302,056	17,840	5,601	383,854	2,922	386,776
At 1 July 2006	20,816	37,541	302,056	17,840	5,601	383,854	2,922	386,776
Charge for the year	3,218	8,759	45,888	1,453	125	59,443	226	59,669
Written back on disposal	—	(229)	(10,464)	(99)	(1)	(10,793)	(6)	(10,799)
Exchange differences	1,814	2,853	17,658	787	120	23,232	192	23,424
At 30 June 2007	25,848	48,924	355,138	19,981	5,845	455,736	3,334	459,070
Carrying amount:								
At 30 June 2007	118,064	52,146	240,440	4,018	578	415,246	9,940	425,186
At 30 June 2006	106,744	51,255	218,456	4,721	337	381,513	9,581	391,094

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

(Expressed in United States dollars unless otherwise indicated)

15. Property, plant and equipment, net (continued)

	The Company Furniture and fittings $'000
Cost:	
At 1 July 2006	—
Additions	209
At 30 June 2007	209
Accumulated depreciation:	
At 1 July 2006	—
Charge for the year	24
At 30 June 2007	24
Carrying amount:	
At 30 June 2007	185

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

	The Group	
	2007	2006
	$'000	*$'000*
Expensed in income statement	**59,395**	50,392
Capitalised as plantation assets	**274**	221
	59,669	50,613

(b) Certain leasehold land and buildings, and plant and machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 27(a).

15. Property, plant and equipment, net (continued)

(c) Net book value of plant and machinery held under finance leases:

	The Group	
	2007	2006
	$'000	*$'000*
Net book value of plant and machinery held under finance leases	**127,519**	103,146

(d) The Group leases out investment property under operating leases. The leases typically run for an initial period of 3 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The fair values of investment property amounted to $15,057,000 and $14,339,000 at 30 June 2007 and 2006 respectively, which were determined based on valuations carried out by an independent firm of surveyors, HASB Consultants Sdn. Bhd., who have among their staff members of The Institution of Surveyors, Malaysia with recent experience in the location and category of property being valued.

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

	The Group	
	2007	2006
	$'000	*$'000*
Outside Hong Kong		
— freehold	**43,108**	39,159
— long-term leases	**24,908**	17,442
— medium-term leases	**55,155**	55,277
— short-term leases	**4,833**	4,447
	128,004	116,325

16. Construction in progress

	The Group	
	2007	2006
	$'000	*$'000*
At 1 July	**1,963**	4,825
Additions through business combinations *(note 32)*	**—**	14
Other additions	**4,097**	3,970
Transfer to property, plant and equipment *(note 15)*	**(731)**	(6,999)
Exchange differences	**151**	153
At 30 June	**5,480**	1,963

17. Lease prepayments

	The Group	
	2007	2006
	$'000	*$'000*
Cost:		
At 1 July	**31,815**	27,365
Additions through business combinations *(note 32)*	**—**	1,648
Other additions	**—**	1,871
Disposal	**(832)**	—
Exchange differences	**1,961**	931
At 30 June	**32,944**	31,815
Accumulated amortisation:		
At 1 July	**5,311**	4,431
Charge for the year	**669**	729
Written back on disposal	**(565)**	—
Exchange differences	**357**	151
At 30 June	**5,772**	5,311
Carrying amount:		
At 30 June	**27,172**	26,504

Lease prepayments represent leasehold land in Malaysia and the PRC, which expire between 2013 to 2923.

18. Timber concessions

	The Group	
	2007	2006
	$'000	*$'000*
Cost:		
At 1 July	**40,913**	23,684
Additions through business combinations *(note 32)*	**—**	16,423
Exchange differences	**2,612**	806
At 30 June	**43,525**	40,913
Accumulated amortisation:		
At 1 July	**9,070**	7,052
Charge for the year	**4,803**	1,779
Exchange differences	**707**	239
At 30 June	**14,580**	9,070
Carrying amount:		
At 30 June	**28,945**	31,843

The Group acquired five timber concession licences through acquisitions of subsidiaries prior to 2004 for a total consideration of $23,684,000 and through acquisition of Merawa Sdn. Bhd. in 2006 for $16,423,000. 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 2008 to 2041. Under the terms of the timber concession licences, the Group is required to pay royalties to the respective governments based on the volume by species harvested each year, subject to an annual minimum royalty payment (see note 35(b)).

The amortisation charge and royalties for the years ended 30 June 2007 and 2006 are included in "cost of sales" in the consolidated income statement.

19. Plantation assets

	The Group	
	2007	2006
	$'000	*$'000*
At 1 July	**165,299**	193,785
Additions	**16,692**	13,284
Harvested timber transferred to inventories	**(2,660)**	(1,056)
Change in fair value less estimated point-of-sale costs	**3,508**	(15,285)
Exchange differences	**43,211**	(25,429)
At 30 June	**226,050**	165,299

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

	The Group	
	2007	2006
	$'000	*$'000*
New Zealand	**214,327**	157,545
Malaysia	**11,723**	7,754
	226,050	165,299

Included in additions to the Group's plantation assets are interest capitalised of $8,368,000 (2006: $8,046,000), and depreciation of property, plant and equipment of $274,000 (2006: $221,000) for the year ended 30 June 2007.

A significant portion of trees in New Zealand are planted on freehold forest and a small portion on leasehold forest with 79 years term, expiring in 2060. The Group has been granted 6 plantation licences for a gross area of approximately 438,000 hectares in Malaysia. The licences are for 60 years, the earliest of which expires in December 2058.

At 30 June 2007, plantation assets represent standing timber planted by the Group and comprise approximately 38,927 (2006: 35,714) hectares of tree plantations, which range from newly established plantations to plantations that are 27 years old. During the year ended 30 June 2007, the Group harvested approximately 91,677m^3 (2006: 95,608m^3) of wood, which had a fair value less estimated point-of-sale costs of $2,660,000 (2006: $1,056,000) at the date of harvest.

19. Plantation assets (continued)

The Group's plantation assets in Malaysia and New Zealand were independently valued by Pöyry Forest Industry Pte Ltd ("Pöyry") and Chandler Fraser Keating Limited ("CFK"), respectively. In view of the non-availability of market value for trees in New Zealand and Malaysia, 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 8.5% (2006: 8.5%) for plantation assets in New Zealand and 10.2% (2006: 10.2%) for plantation assets in Malaysia for the year applied to pre-tax cash flows to provide a current market 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 published discount rates, 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. In the absence of forest sales transactions in Malaysia, the discount rate used in Malaysia was based on the weighted average cost of capital which recognises the weighted average cost of debt funded capital and equity capital.

The principal valuation methodology and assumptions adopted 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 income taxation 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.

Certain plantation assets are pledged to banks for certain banking facilities granted to the Group as disclosed in note 27(a).

20. Interest in subsidiaries

	The Company	
	2007	2006
	$'000	*$'000*
Unlisted shares, at cost	**26,427**	26,425
Amounts due from subsidiaries	**282,007**	257,840
	308,434	284,265

Included in amounts due from subsidiaries is an amount of $251,151,000 which is unsecured, interest bearing at 1-year London Inter Bank Offer Rate ("LIBOR") and not expected to be recovered within one year. The remaining balance is unsecured, interest free and not expected to be recovered within one year.

Details of the subsidiaries as at 30 June 2007 are set out in note 38.

21. Interest in associates

	The Group	
	2007	2006
	$'000	*$'000*
Share of net assets:		
— Associates listed outside Hong Kong	**44,668**	36,685
— Unlisted associates	**10,007**	8,198
	54,675	44,883
Market value of listed associates	**40,657**	22,614

(Expressed in United States dollars unless otherwise indicated)

21. Interest in associates (continued)

Details of the Group's associates, 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 activities
Glenealy Plantations (Malaya) Berhad	Malaysia	21.74	36.42	RM115,361,892 divided into 115,361,892 ordinary shares of RM1 each	Investment holding, operation of oil palm plantations, oil mills and forest plantations
Daiken Miri Sdn. Bhd. (formerly known as Samling Fibre Board Sdn. Bhd.)	Malaysia	17.91	30	RM149,960,000 divided into 149,960,000 ordinary shares of RM1 each	Manufacture and sale of high and medium-density fibre board
Sepangar Chemical Industry Sdn. Bhd.	Malaysia	23.88	40	RM20,000,000 divided into 20,000,000 ordinary shares of RM1 each	Manufacture and sale of formalin and various formaldehyde adhesive resins
Rimalco Sdn. Bhd.	Malaysia	40	40	RM200,000 divided into 200,000 ordinary shares of RM1 each	Manufacture and sales of sawn timber
Samling-PDT Resources Sdn. Bhd.	Malaysia	49	49	RM1,000,000 divided into 1,000,000 ordinary shares of RM1 each	Dormant

(Expressed in United States dollars unless otherwise indicated)

21. Interest in associates (continued)

Summary financial information of associates:

	Assets *$'000*	Liabilities *$'000*	Equity *$'000*	Revenue *$'000*	Profit *$'000* *(note)*
2006					
100 per cent	247,828	(106,420)	141,408	125,526	3,409
Group's effective interest	88,998	(44,115)	44,883	47,046	1,317
2007					
100 per cent	**294,073**	**(143,710)**	**150,363**	**166,559**	**21,151**
Group's effective interest	**106,169**	**(51,494)**	**54,675**	**62,328**	**7,760**

Note: The profit for the year (Group's effective interest) includes gain from changes in fair value of plantation assets less estimated point-of-sale costs of $2,335,000 and $2,433,000 for the years ended 30 June 2007 and 2006 respectively.

22. Interest in jointly controlled entities

	The Group	
	2007 ***$'000***	2006 *$'000*
Group's share of net assets, unlisted	**8,542**	6,039
Loan to a jointly controlled entity	**6,050**	9,306
	14,592	15,345

22. Interest in jointly controlled entities (continued)

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 %	Percentage of ownership interest: Held by a subsidiary %	Issued and fully paid share capital	Principal activities
Foremost Crest Sdn. Bhd.	Malaysia	23.88	50	RM22,613,230 divided into 22,613,230 ordinary shares of RM1 each	Manufacture and sale of doors
Magna-Foremost Sdn. Bhd.	Malaysia	42.95	50	RM76,459,480 divided into 76,459,480 ordinary shares of RM1 each	Manufacture and sale of fibreboard door facings

Loan to a jointly controlled entity is unsecured, interest bearing at 1% above LIBOR per annum and repayable in 2009.

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

	2007 $'000	2006 $'000
Non-current assets	**24,325**	23,875
Current assets	**12,985**	13,064
Total assets	**37,310**	36,939
Current liabilities	**3,983**	6,485
Non-current liabilities	**16,243**	18,376
Total liabilities	**20,226**	24,861
Revenue	**23,708**	26,773
Expenses	**19,899**	21,141
Group's share of profit after tax	**1,905**	2,816

23. Deferred tax

The amounts recognised on the balance sheet are as follows:

	The Group	
	2007	2006
	$'000	*$'000*
Net deferred tax liabilities	**59,015**	47,899
Net deferred tax assets	**(3,578)**	(3,642)
	55,437	44,257

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the years ended 30 June 2006 and 2007 are as follows:

	The Group				
	At 1 July 2005	Charged/ (credited) to income statement	Acquisition of subsidiaries	Exchange differences	At 30 June 2006
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
		(note 9)	*(note 32)*		
Deferred tax liabilities					
Property, plant and equipment	20,465	(2,406)	483	644	19,186
Plantation assets	27,041	(1,927)	—	(3,285)	21,829
Timber concessions	4,655	(498)	4,598	158	8,913
Others	7,998	(2,285)	—	76	5,789
Total	60,159	(7,116)	5,081	(2,407)	55,717
Deferred tax assets					
Property, plant and equipment	5,967	3,502	—	183	9,652
Unutilised tax losses	3,438	(1,454)	2	84	2,070
Others	747	(1,036)	—	27	(262)
Total	10,152	1,012	2	294	11,460
Net deferred tax liabilities	50,007	(8,128)	5,079	(2,701)	44,257

23. Deferred tax (continued)

	The Group			
	At 1 July 2006 *$'000*	Charged/ (credited) to income statement *$'000* *(note 9)*	Exchange differences *$'000*	At 30 June 2007 *$'000*
Deferred tax liabilities				
Property, plant and equipment	19,186	(4,519)	901	15,568
Plantation assets	21,829	2,283	5,644	29,756
Timber concessions	8,913	(1,466)	350	7,797
Others	5,789	—	142	5,931
Total	55,717	(3,702)	7,037	59,052
Deferred tax assets				
Property, plant and equipment	9,652	(6,169)	325	3,808
Unutilised tax losses	2,070	(2,011)	(40)	19
Others	(262)	61	(11)	(212)
Total	11,460	(8,119)	274	3,615
Net deferred tax liabilities	44,257	4,417	6,763	55,437

23. Deferred tax (continued)

No deferred tax assets is recognised for the following items:

	The Group	
	2007	2006
	$'000	*$'000*
Net deductible temporary differences	**63,546**	64,272
Unutilised tax losses	**120,097**	104,138
	183,643	168,410

The unutilised tax losses and net deductible temporary differences do not expire under the current tax legislation in Malaysia, Guyana and New Zealand. Tax losses in Guyana could be used to offset only up to 50% of the assessable profits for the year. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

24. Inventories

	The Group	
	2007	2006
	$'000	*$'000*
Timber logs	**31,546**	18,916
Raw materials	**9,394**	6,767
Work-in-progress	**13,506**	8,867
Manufactured inventories	**27,881**	17,849
Stores and consumables	**28,185**	31,072
	110,512	83,471

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

	The Group	
	2007	2006
	$'000	*$'000*
Carrying amount of inventories sold	**410,834**	341,781

25. Trade and other receivables

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Trade receivables	**47,372**	47,478	**—**	—
Prepayments, deposits and other receivables	**31,231**	24,600	**1,196**	7,780
Amounts due from related parties	**—**	25,183	**—**	17
	78,603	97,261	**1,196**	7,797

Amounts due from related parties comprised advances, which were unsecured, interest free and recoverable on demand.

Included in trade receivables are amounts due from related parties of $18,356,000 and $13,777,000 at 30 June 2007 and 2006, respectively.

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	
	2007	2006
	$'000	*$'000*
Within 30 days	**22,454**	24,505
31–60 days	**3,486**	5,192
61–90 days	**4,800**	5,201
91–180 days	**5,817**	6,157
181–365 days	**5,796**	2,673
1–2 years	**2,735**	3,198
Over 2 years	**2,284**	552
	47,372	47,478

(Expressed in United States dollars unless otherwise indicated)

26. Cash and cash equivalents

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Deposits	**310,789**	9,975	**300,092**	1,062
Cash at bank and in hand	**15,753**	11,136	**135**	19
Cash and cash equivalents in the consolidated balance sheet	**326,542**	21,111	**300,227**	1,081
Bank overdrafts *(note 27(a))*	**(21,981)**	(28,540)		
Fixed deposits and bank balances held as security	**(9,153)**	(9,664)		
Cash and cash equivalents in the consolidated statement of cash flow	**295,408**	(17,093)		

Certain deposits are pledged to banks against certain banking facilities granted to the Group as disclosed in note 27(a).

27. Bank and other borrowings

(a) Bank overdrafts, loans and borrowings

The bank overdrafts, loans and borrowings were repayable as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year or on demand	**103,782**	121,792	**—**	12,801
After 1 year but within 2 years	**14,136**	10,932	**—**	—
After 2 years but within 5 years	**42,542**	34,156	**—**	—
After 5 years	**76,119**	84,153	**—**	—
	132,797	129,241	**—**	—
	236,579	251,033	**—**	12,801

The bank overdrafts, loans and borrowings were secured as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Overdrafts *(note 26)*				
— unsecured	**20,195**	16,435	**—**	—
— secured	**1,786**	12,105	**—**	—
	21,981	28,540	**—**	—
Bank loans and borrowings				
— unsecured	**123,221**	94,121	**—**	—
— secured	**91,377**	128,372	**—**	12,801
	214,598	222,493	**—**	12,801
	236,579	251,033	**—**	12,801

27. Bank and other borrowings (continued)

(a) Bank overdrafts, loans and borrowings (continued)

The carrying value of assets secured for bank loans and borrowings were as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Property, plant and equipment	**55,309**	35,634	**–**	—
Lease prepayments	**2,967**	1,462	**–**	—
Plantation assets	**214,327**	157,545	**–**	—
Cash and cash equivalents	**9,153**	9,664	**–**	1,062
	281,756	204,305	**–**	1,062

In addition, the Company's bank loan of $12,801,000 as at 30 June 2006 was secured by the Company's 59.69% equity interests in Lingui Developments Berhad ("Lingui"). The security was released in March 2007 upon repayment of the loan.

Included in bank loans and borrowings were $54,786,000 and $54,776,000 at 30 June 2007 and 2006 respectively which were denominated in a currency other than the functional currency of the entity to which they relate.

Certain bank loans and borrowings totalling $56,539,000 were guaranteed by Samling Strategic Corporation Sdn. Bhd. ("SSC"), a company controlled by the controlling shareholders, members of the Yaw Family, Merawa Holding Sdn. Bhd. ("Merawa Holding") and Anhui Hualin Wood-based Panel Co., Ltd. ("Anhui Hualin") at 30 June 2006. These guarantees were released prior to the listing of the Company's shares on the SEHK.

The banking facilities of the Group amounted to $271,243,000 and $282,327,000, and were utilised to the extent of $236,579,000 and $251,033,000 at 30 June 2007 and 2006, respectively.

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 36(e). As at 30 June 2007 and 2006, none of the covenants relating to drawn down facilities had been breached.

27. Bank and other borrowings (continued)

(b) Finance lease liabilities

Finance lease liabilities are payable as follows:

	The Group					
	2007			2006		
	Gross	**Interest**	**Principal**	Gross	Interest	Principal
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Less than one year	**34,257**	**5,035**	**29,222**	27,386	4,596	22,790
Between one and two years	**29,588**	**3,611**	**25,977**	24,785	3,061	21,724
Between two and five years	**39,999**	**2,386**	**37,613**	36,152	2,367	33,785
	69,587	**5,997**	**63,590**	60,937	5,428	55,509
	103,844	**11,032**	**92,812**	88,323	10,024	78,299

28. Bonds

	The Group	
	2007	2006
	$'000	*$'000*
Nominal value	**43,422**	40,816
Less: Current portion	**(43,422)**	—
	—	40,816

The bonds were offered by Lingui to sophisticated third party investors in 2001. The bonds are held by the bondholders in a scripless trading system operated by the Central Bank of Malaysia.

28. Bonds (continued)

The terms of the bonds are as follows:

Outstanding balance	Redemption terms	Interest
RM150 million (equivalent to $43 million (2006: $41 million))	Redeemable at par in April 2008	8.5% per annum

The bonds are secured by Debt Service Reserve Accounts which are maintained for coupon payments and principal repayment. Debt Service Reserve Accounts are part of the "Fixed deposits and bank balances held as security" disclosed in note 26.

29. Trade and other payables

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Trade payables	**47,652**	67,824	**—**	—
Other payables	**35,886**	32,211	**841**	2,963
Accrued expenses	**31,264**	36,784	**—**	—
Amounts due to group companies	**—**	—	**21,490**	—
Amounts due to related parties	**—**	49,439	**—**	29,479
	114,802	186,258	**22,331**	32,442

Amounts due to group companies and related parties are unsecured, interest free and repayable on demand.

Included in trade payables are amounts due to related parties of $6,935,000 and $10,818,000 at 30 June 2007 and 2006, respectively.

29. Trade and other payables (continued)

An ageing analysis of trade payables is as follows:

	The Group	
	2007	2006
	$'000	*$'000*
Within 30 days	**20,613**	18,070
31–60 days	**7,737**	8,950
61–90 days	**4,929**	6,403
91–180 days	**3,790**	9,978
181–365 days	**6,044**	13,264
1–2 years	**1,059**	10,856
Over 2 years	**3,480**	303
	47,652	67,824

30. Share capital

(a) Authorised and issued share capital

		2007		2006	
	Note	**Number of shares *('000)***	***$'000***	Number of shares *('000)*	*$'000*
Authorised:					
Ordinary shares of $0.1 (2006: $1) each	(b)	**5,000,000**	**500,000**	1,200	1,200

30. Share capital (continued)

(a) Authorised and issued share capital (continued)

		2007		2006	
	Note	Number of shares ('000)	$'000	Number of shares ('000)	$'000
Ordinary shares of $0.1 (2006: $1) each, issued and fully paid:					
At 1 July		**979**	**979**	12	12
Shares subdivision	(c)(iii)	**8,812**	**—**	—	—
Issue of additional shares pursuant to Reorganisation and Further Acquisitions	(c)(iii)	**3,084,446**	**308,445**	—	—
Issue of shares pursuant to global offering	(c)(iv)	**1,207,500**	**120,750**	—	—
Issue of one share to immediate holding company	(c)(i)	**—**	**—**	—	—
Issue of new shares pursuant to Reorganisation	(c)(ii)	**—**	**—**	967	967
At 30 June		**4,301,737**	**430,174**	979	979

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) Increase in authorised share capital

Pursuant to resolutions in writing on 2 February 2007, each of the ordinary shares of $1 each was subdivided into 10 ordinary shares of $0.1 each. The authorised share capital was increased from $1,200,000 to $500,000,000 by the creation of an additional 4,988,000,000 shares of $0.1 each.

30. Share capital (continued)

(c) Issue of shares

(i) On 20 April 2006, the Company allotted and issued 1 ordinary share of $1 each to SSC at $72,276,000. On 4 February 2007, the Company allotted and issued additional 1 ordinary share of $0.1 each to SSC at $17,714,000.

(ii) On 30 June 2006, the Company allotted and issued 967,102 ordinary shares of $1 each pursuant to the Reorganisation.

(iii) On 2 February 2007, each of the ordinary shares of $1 each was subdivided into 10 ordinary shares of $0.1 each which resulted in the issuance of additional 8,811,927 ordinary shares of $0.1 each. On 4 February 2007, the Company allotted and issued 3,084,445,799 ordinary shares of $0.1 each as the remaining consideration for the acquisition of subsidiaries pursuant to the Reorganisation and Further Acquisitions (note 31).

(iv) On 7 March 2007, an additional 1,050,000,000 ordinary shares of $0.1 each were issued and offered for subscription at a price of HK$2.08 each upon the listing of the shares of the Company on the SEHK. On 20 March 2007, an additional 157,500,000 ordinary shares of $0.1 each were issued and offered for subscription under the over-allotment option. The proceeds of $120,750,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately $170,646,000, after deducting share issue expenses of approximately $30,003,000, were credited to share premium.

Notes to the Financial Statements

(Expressed in United States dollars unless otherwise indicated)

31. Reserves

(a) The Group

	Share premium $'000	Currency translation reserve $'000	Revaluation reserve $'000	Other reserve $'000	Capital reserve $'000	Retained earnings $'000	Total $'000
At 1 July 2005	113,753	20,200	6,673	5,031	—	51,689	197,346
Issue of new shares, net of issue expenses	72,276	—	—	—	40,477	—	112,753
Currency translation differences	—	174	—	—	—	—	174
Profit for the year	—	—	—	—	—	5,128	5,128
Dividends declared and paid	—	—	—	—	—	(2,849)	(2,849)
Acquisition of additional interest in a subsidiary *(note 31(c)(iv)(b))*	—	—	—	22,725	—	—	22,725
Arising from Reorganisation *(note 31(c)(iv)(a))*	(113,753)	(3,778)	—	(60,858)	—	9,561	(168,828)
At 30 June 2006	72,276	16,596	6,673	(33,102)	40,477	63,529	166,449
At 1 July 2006	**72,276**	**16,596**	**6,673**	**(33,102)**	**40,477**	**63,529**	**166,449**
Issue of additional shares pursuant to Reorganisation and Further Acquisitions *(notes 30(c)(iii) and 31(c)(v)(b))*	**18,998**	**—**	**—**	**(269,252)**	**(40,477)**	**—**	**(290,731)**
Issue of shares pursuant to global offering, net of issue expenses	**170,646**	**—**	**—**	**—**	**—**	**—**	**170,646**
Currency translation differences	**—**	**23,807**	**—**	**—**	**—**	**—**	**23,807**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**98,430**	**98,430**
At 30 June 2007	**261,920**	**40,403**	**6,673**	**(302,354)**	**—**	**161,959**	**168,601**

31. Reserves (continued)

(b) The Company

	Share premium $'000	Currency translation reserve $'000	Other reserve $'000	Capital reserve $'000	(Accumulated losses)/ retained earnings $'000	Total $'000
At 1 July 2005	—	—	—	—	—	—
Issue of new shares	72,276	—	—	175,058	—	247,334
Currency translation differences	—	34	—	—	—	34
Loss for the year	—	—	—	—	(447)	(447)
At 30 June 2006	72,276	34	—	175,058	(447)	246,921
At 1 July 2006	**72,276**	**34**	**—**	**175,058**	**(447)**	**246,921**
Issue of additional shares to pursuant to Reorganisation and Further Acquisitions	**18,998**	**—**	**(134,671)**	**(175,058)**	**—**	**(290,731)**
Issue of shares pursuant to global offering, net of issue expenses	**170,646**	**—**	**—**	**—**	**—**	**170,646**
Currency translation differences	**—**	**(34)**	**—**	**—**	**—**	**(34)**
Profit for the year	**—**	**—**	**—**	**—**	**30,735**	**30,735**
At 30 June 2007	**261,920**	**—**	**(134,671)**	**—**	**30,288**	**157,537**

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Act 1981 of Bermuda, the share premium account may be applied by the Company in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(ii) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(d)(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.

31. Reserves (continued)

(c) Nature and purpose of reserves (continued)

(iv) Other reserve

(a) On 18 April 2006, the controlling shareholders transferred its 39.87% equity interest in a listed company, Lingui, to the Company for a cash consideration of $72,276,000. The difference between the carrying value of the shares acquired and acquisition consideration is treated as an equity movement, and recorded in 'Other reserve'.

In June 2006, the controlling shareholders transferred the equity interests in its private companies in Malaysia and Guyana to the Company, which was satisfied by the assignment of non-trade amounts due from related parties from Syarikat Samling Timber Sdn. Bhd. ("SST") to SSC totalling $150,181,000 and shares of the Company. The difference between the nominal value of the shares acquired and acquisition consideration is treated as an equity movement, and recorded in 'Other reserve'.

(b) As a consequence of the transfer of the 39.87% equity interest in Lingui from Yaw Family to the Company, in compliance with the Malaysia Code on Take-overs and Mergers, the Company had on the same day made a Mandatory General Offer ("Offer") for the remaining Lingui shares not already held by the Company. On 9 May 2006, the Company received valid acceptances pursuant to the Offer which had resulted in the Company holding more than 50% of the voting shares of Lingui. Consequently, the Offer was declared unconditional on 9 May 2006.

As at 24 May 2006, on the closing date of the Offer, the Company received valid acceptances from shareholders other than the Yaw Family, representing 19.82% of the voting shares of Lingui, for cash consideration of $35,931,000. The difference between the carrying value of the minority interests and acquisition consideration is recorded in 'Other reserve'. The Group's equity interest in Lingui increased from 39.87% to 59.69% thereafter.

(v) Capital reserve

(a) The capital reserve represents the nominal value of ordinary shares not yet issued by the Company at 30 June 2006 as consideration for acquisition of subsidiaries pursuant to the Reorganisation and Further Acquisitions (note 32) which will be converted into share capital, and other reserve and share premium (if any) upon issuance of additional shares.

(b) On 4 February 2007, 3,084,445,799 ordinary shares of $0.1 each were issued as the remaining consideration for the acquisition of these subsidiaries. The issuance of these additional shares to the controlling shareholders and third parties resulted in a debit to other reserve of approximately $269,252,000 and a credit to share premium of approximately $1,284,000, respectively.

On 4 February 2007, the Company capitalised the net amount due to related parties (note 34(d)) by issuing 1 share of $0.1 to SSC. The issuance of the additional share resulted in a credit to share premium of approximately $17,714,000.

(vi) Distributable reserves

The aggregate amount of distributable reserves at 30 June 2007 was $30,288,000 (2006: $Nil).

32. Acquisitions of subsidiaries

Acquisitions

As part of the Reorganisation, the Company acquired the following timber related businesses in Malaysia and the PRC owned by the certain business associates of the controlling shareholders (the "Further Acquisitions"):

Name of company	Date of acquisition	Principal activities	Fair value at date of acquisition *$'000*
Dayalaba Sdn. Bhd.	29 June 2006	Extraction and sale of logs	44
Bedianeka Sdn. Bhd.	29 June 2006	Sales agent	1,915
Merawa Sdn. Bhd.	29 June 2006	Extraction and sale of logs	16,781
Foothill LVL & Plywood (Cangshan) Co., Ltd.	29 June 2006	Manufacture of plywood and veneer	965
Riverside Plywood Corporation	29 June 2006	Manufacture of plywood and veneer	6,787

The considerations for the Further Acquisitions were satisfied by issuance of 190,669 ordinary shares in SST and 64,686,840 ordinary shares in the Company which were issued prior to the listing of the Company's shares on the SEHK.

The total fair value of the shares in SST and the Company issued as consideration for the Further Acquisitions was estimated at approximately $26,492,000, which represented the fair value of the identifiable assets and liabilities of the acquired companies at the date of acquisition.

The revenue and net profit attributable to the equity holders of the Group for the year ended 30 June 2006 as if the dates of the Further Acquisitions had been the beginning of the year were $439,155,000 and $11,735,000 respectively.

32. Acquisitions of subsidiaries (continued)

Acquisitions (continued)

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	2006		
	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised value of acquisition $'000
Property, plant and equipment, net	8,236	—	8,236
Construction in progress	14	—	14
Lease prepayments	1,648	—	1,648
Timber concessions	—	16,423	16,423
Deferred tax assets	2	—	2
Inventories	4,982	—	4,982
Trade and other receivables	18,279	—	18,279
Cash and cash equivalents	140	—	140
Bank and other borrowings	(5,823)	—	(5,823)
Trade and other payables	(11,984)	—	(11,984)
Tax payable	(344)	—	(344)
Deferred tax liabilities	(483)	(4,598)	(5,081)
Net identifiable assets and liabilities	14,667	11,825	26,492
Total purchase consideration			(26,492)
			—
Less: Cash acquired			(140)
Net cash inflow in respect of the acquisitions			(140)

33. Note to the consolidated statement of cash flow

(a) Reconciliation of profit/(loss) before taxation to net cash generated from operations:

	2007 $'000	2006 $'000
Profit/(loss) before taxation	**147,301**	(199)
Adjustments for:		
— Depreciation and amortisation	**64,867**	52,900
— Interest income	**(19,248)**	(4,444)
— Interest expense	**18,289**	14,856
— Share of profits less losses of associates	**(7,760)**	(1,317)
— Share of profits less losses of jointly controlled entities	**(1,905)**	(2,816)
— (Gain)/loss from changes in fair value of plantation assets less estimated point-of-sale costs	**(3,508)**	15,285
— Loss/(gain) from changes in fair value of financial instruments	**659**	(2,432)
— Gain on disposal of property, plant and equipment	**(3,880)**	(667)
— Gain on disposal of lease prepayment	**(68)**	—
— Foreign exchange (gains)/losses	**(11,681)**	7,737
Operating profit before changes in working capital	**183,066**	78,903
Increase in inventories, including harvested timber transferred to inventories	**(18,302)**	(6,098)
(Increase)/decrease in trade and other receivables	**(18,300)**	7,679
(Decrease)/increase in trade and other payables	**(38,351)**	11,265
Net cash generated from operations	**108,113**	91,749

(b) Major non-cash transactions

(i) The Group acquired property, plant and equipment with an aggregate cost of $78,122,000 and $96,605,000 of which $40,335,000 and $41,766,000 during the years ended 30 June 2007 and 2006, respectively, were acquired by means of finance leases. In addition, included in the purchase of property, plant and equipment is an amount of $5,049,000 and $Nil, which has been accrued for in other payables at 30 June 2007 and 2006 respectively.

(ii) The acquisition of several companies under the common control of the Yaw Family was satisfied by the assignment of non-trade amounts due from related parties from SST to SSC totalling $150,181,000, as described in note 31(c)(iv)(a) for the year ended 30 June 2006.

(iii) The purchase consideration of the Further Acquisitions was satisfied by issuance of ordinary shares, as described in note 32.

(iv) On 4 February 2007, the Company allotted and issued 3,084,445,799 ordinary shares of $0.1 each as the remaining consideration for acquisition of subsidiaries pursuant to the Reorganisation and Further Acquisitions (see note 31(c)(v)(b)).

(Expressed in United States dollars unless otherwise indicated)

33. Note to the consolidated statement of cash flow (continued)

(b) Major non-cash transactions (continued)

(v) On 4 February 2007, the Company capitalised the net amount due to related parties (note 34(d)) by issuing 1 share of $0.1 to SSC. The amount capitalised included a portion of share issue expenses of approximately $18,435,000 which SSC had paid on behalf of the Company. The issuance of the additional share resulted in a credit to share premium of approximately $17,714,000.

34. Related party transactions

During the years ended 30 June 2007 and 2006, 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
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
Perkapalan Damai Timur Sdn. Bhd. ("PDT")	PDT is a major shareholder of the Company, and is controlled by Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman
Arif Hemat Sdn. Bhd. ("Arif Hemat")	Arif Hemat is controlled by Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman

34. Related party transactions (continued)

Name of party	Relationship
3D Networks Sdn. Bhd. ("3D Networks")	3D Networks is controlled by Mr. Yaw Chee Ming
Si Khiong Industries Sdn. Bhd. ("Si Khiong")	Si Khiong is controlled by the father-in-law of Mr. Yaw Chee Ming
PT Batamec ("PT Batamec")	PT Batamec is controlled by the father of Mr. Yaw Chee Ming
Sojitz Building Material Corporation (previously known as Sun 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
SUS Company, LLC ("SUS"), Pi Zhou Yanglin Woodware Co., Ltd. ("Yanglin") and Pacific Plywood Co., Ltd. ("Pacific Plywood")	SUS, Yanglin and Pacific Plywood are controlled by Mr. Chia Ti Lin, Colin, a senior management of the Group
Yong Joo Sawmill Sdn. Bhd. ("Yong Joo Sawmill")	Yong Joo Sawmill is an associate of Titimas Global Agencies Sdn. Bhd., a company controlled by Mr. Pui Kian Onn, a director of Riverside, a subsidiary of the Group

34. Related party transactions (continued)

Particulars of significant transactions between the Group and the above related parties during the years ended 30 June 2007 and 2006 are as follows:

(a) Recurring transactions

	2007 $'000	2006 $'000
Sale of goods to:		
Sojitz Building	9,734	11,225
Yaw Holding Group	—	374
Rimalco	5,896	4,694
SIL Group	1,544	1,507
Glenealy Group	161	1,436
Daiken	39	51
Magna-Foremost	2,488	2,453
SUS	20,941	—
Yong Joo Sawmill	1,062	—
Arif Hemat	3	—
Pacific Plywood	275	—
	42,143	21,740
Provision of services to:		
Yaw Holding Group	3,639	1,135
Glenealy Group	—	636
Daiken	82	44
Rimalco	—	34
Magna-Foremost	253	—
Foremost Crest	57	—
	4,031	1,849

34. Related party transactions (continued)

(a) Recurring transactions (continued)

	2007 $'000	2006 $'000
Rental of properties and equipment to:		
Rimalco	**270**	261
Daiken	**120**	186
Yaw Holding Group	**29**	17
3D Networks	**44**	34
Glenealy Group	**—**	25
Magna-Foremost	**23**	21
Arif Hemat	**26**	—
	512	544
Sale of property, plant and equipment to:		
Magna-Foremost	**—**	23
Purchase of goods from:		
Sepangar	**13,813**	12,519
Yaw Holding Group	**3,195**	922
Si Khiong	**3,479**	3,531
Daiken	**2,320**	3,056
Glenealy Group	**—**	324
Pacific Plywood	**2,992**	—
Pizhou Yanglin	**2,805**	—
	28,604	20,352
Purchase of services from:		
Yaw Holding Group	**1,310**	1,352
Glenealy Group	**—**	30
	1,310	1,382
Purchase of property, plant and equipment from:		
Si Khiong	**11,046**	11,679

34. Related party transactions (continued)

(a) Recurring transactions (continued)

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

(b) Non-recurring transactions

	2007 $'000	2006 $'000
Sale of goods to:		
Yaw Holding Group	**234**	23
Arif Hemat	**—**	7
Glenealy Group	**885**	—
Rimalco	**194**	—
	1,313	30
Provision of services to:		
Yaw Holding Group	**—**	3,065
SIL Group	**—**	54
Arif Hemat	**—**	5
Rimalco	**35**	30
Glenealy Group	**921**	—
	956	3,154
Rental of properties and equipment to:		
Rimalco	**—**	9
Arif Hemat	**—**	5
	—	14
Purchase of goods from:		
Glenealy Group	**937**	—
Yaw Holding Group	**—**	1,923
Rimalco	**—**	11
	937	1,934

34. Related party transactions (continued)

(b) Non-recurring transactions (continued)

	2007 $'000	2006 $'000
Purchase of services from:		
Glenealy Group	30	—
Yaw Holding Group	25	5,670
Arif Hemat	–	7
	55	5,677
Purchase of property, plant and equipment from:		
Yaw Holding Group	–	3,269
Sale of property, plant and equipment to:		
Glenealy Group	259	—

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business. The above transactions have been discontinued after the listing of the Company's shares on the SEHK.

(c) Amounts due from related parties

	2007 $'000	2006 $'000
Yaw Holding Group	–	14,046
PDT	–	6,058
SIL Group	–	5,040
Rimalco	–	26
Arif Hemat	–	13
	–	25,183

Amounts due from related parties were unsecured, interest free and were expected to be recovered within one year. Pursuant to a settlement agreement dated 30 September 2006, the amounts due from and due to related parties (note 34(d)) were assigned to SSC, the immediate parent of the Company. The remaining net payable balance was capitalised into the Company's share capital and share premium prior to the listing of the Company's shares on the SEHK (note 31(c)(v)(b)).

34. Related party transactions (continued)

(d) Amounts due to related parties

	2007 $'000	2006 $'000
Yaw Holding Group	–	47,790
SIL Group	–	16
PDT	–	1,633
	–	49,439

Amounts due to related parties were unsecured, interest free and expected to be repaid within one year.

(e) Guarantees

Guarantees totalling $56,539,000 were given by SSC, members of the Yaw Family, Merawa Holding and Anhui Hualin against certain banking facilities granted to the Group at 30 June 2006 as disclosed in note 27.

All the above guarantees were released prior to the listing of the Company's shares of the SEHK.

(f) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 13 and certain of the highest paid employees as disclosed in note 14, is as follows:

	2007 $'000	2006 $'000
Short-term employee benefits	**1,668**	1,108
Post-employment benefits	**103**	108
	1,771	1,216

Total remuneration is included in "personnel expenses" (note 8(a)).

35. Commitments and contingent liabilities

(a) Capital commitments

At 30 June 2007 and 2006, the Group had capital commitments for acquisition and construction of land and buildings and equipment as follows:

	The Group	
	2007 $'000	2006 $'000
Authorised and contracted for	–	957
Authorised but not contracted for	112,829	63,099

(b) Future minimum royalty payments

At 30 June 2007 and 2006, the total future minimum royalty payments payable under the terms of the timber concession licences of the Group are as follows (see note 18):

	The Group	
	2007 $'000	2006 $'000
Within 1 year	1,396	1,359
After 1 year but within 5 years	3,591	3,912
After 5 years	2,649	3,353
	7,636	8,624

(c) Contingent liabilities

(i) Legal claims from the Penans

Two of the Company's subsidiaries, SST and SPB, together with the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses, Penans, and settlements situated on timber concessions held by SPB and where SST has been appointed as the contractor to harvest timber logs in the area. The action commenced in 1998 and the plaintiffs are seeking a declaration that they have native customary rights over claimed land located within the relevant timber concession areas. Certain other inhabitants later joined the proceedings as defendants and made an application to stay the proceedings. As at 30 June 2007, the above proceeding remained pending before the Malaysian courts.

35. Commitments and contingent liabilities (continued)

(c) Contingent liabilities (continued)

(i) Legal claims from the Penans (continued)

Separately, another subsidiary, Tamex Timber Sdn. Bhd. ("Tamex"), together with the Superintendent of Lands and Surveys Department (Bintulu Division) and the State Government of Sarawak, are being jointly sued in the Malaysian courts by the Penans and settlements situated on planted forest licensed areas held by another subsidiary, Samling Reforestation (Bintulu) Sdn. Bhd. ("SRB") and where Tamex has been appointed as the contractor to harvest timber logs in the area. The action commenced in 2003 and the plaintiffs are claiming various relief including a declaration that issuance of the land title and/or provisional lease of that parcel of land at and/or around the longhouse communities of that area was unconstitutional and wrongful. Tamex denied the claim and also counterclaimed for damages, costs, interest and/or other relief. As at 30 June 2007, the above proceeding also remained pending before the Malaysian courts.

In 2007, another subsidiary, 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 relief including a declaration that they have native customary rights over claimed land located within the relevant timber concession areas. Merawa denied the claim and also counterclaimed for damages, costs, interest and/or other relief. As at 30 June 2007, the above proceeding also remained pending before the Malaysian courts.

The directors believe that the Group has merit in their defence to the 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.

Although the outcome of these litigations cannot be ascertained at this stage and the monetary value involved cannot be reliably quantified, the directors believe that these proceedings will not have a material adverse impact on the Group's business, results of operations or financial condition.

(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 2007. 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.

36. Financial instruments

(a) Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective 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 risks 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 arises from sales made on deferred terms. Credit risks and exposures are controlled and monitored on an on-going basis by setting appropriate credit limits and terms after credit evaluations have been performed on customers on a case-by-case basis. Appropriate approval limits are set at different level of credit limit and terms. The Group's diversified business base ensures that there are no significant concentrations of credit risk for a particular customer.

(c) Foreign currency exchange risk

The Group's main income from timber related business is mostly derived in US$. The movements of US$ against Malaysian Ringgit ("RM") and Guyana Dollar ("G$") 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. Future sales derived from the plantation assets are expected to be made in the international market and generally would be denominated in US$. The Group is exposed to a certain degree of risk resulting from the fluctuation in New Zealand Dollar ("NZ$") against US$.

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.

36. Financial instruments (continued)

(d) Interest rate risk

The Group borrows both fixed and floating interest rate loans. Exposure to floating interest rate presents the Group with a certain element of risk when there are unexpected adverse interest rate movements. 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. In addition, interest rate swap agreements have been entered into for loans denominated in US$54.8 million and NZ$30.9 million as at 30 June 2007 and 2006, 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 5.12% to 8.11% per annum respectively over the loan period. The Group's short term deposits are placed at fixed rate investments which management endeavours to obtain the best rate available in the market.

(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.

36. Financial instruments (continued)

(e) Liquidity and cash flow risk (continued)

The following table shows information about exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	2006					
	Effective interest rate per annum %	Total $'000	Within 1 year $'000	After 1 year but within 2 years $'000	After 2 year but within 5 years $'000	After 5 years $'000
Group						
Financial assets						
— Deposits with financial institutions	3.2–5.0	9,975	9,975	—	—	—
— Loan to a jointly controlled entity	6.0	9,306	9,306	—	—	—
Financial liabilities						
— Unsecured overdraft	7.0–8.25	16,435	16,435	—	—	—
— Secured overdraft	7.0–8.75	12,105	12,105	—	—	—
— Unsecured bank loans and borrowings	3.1–15.0	94,121	72,305	3,568	8,860	9,388
— Secured bank loans and borrowings	3.8–15.0	128,372	128,372	—	—	—
— Finance lease liabilities	3.0–4.5	78,299	22,790	21,724	33,785	—
— Bonds	8.5	40,816	—	40,816	—	—

	2007					
	Effective interest rate per annum %	Total $'000	Within 1 year $'000	After 1 year but within 2 years $'000	After 2 year but within 5 years $'000	After 5 years $'000
Group						
Financial assets						
— Deposits with financial institutions	**3.0–5.25**	**310,789**	**310,789**	**—**	**—**	**—**
— Loan to a jointly controlled entity	**6.35–6.40**	**6,050**	**6,050**	**—**	**—**	**—**
Financial liabilities						
— Unsecured overdraft	**7.5–8.75**	**20,195**	**20,195**	**—**	**—**	**—**
— Secured overdraft	**8.0**	**1,786**	**1,786**	**—**	**—**	**—**
— Unsecured bank loans and borrowings	**3.79–15.0**	**123,221**	**105,418**	**2,605**	**9,987**	**5,211**
— Secured bank loans and borrowings	**4.31–15.0**	**91,377**	**91,377**	**—**	**—**	**—**
— Finance lease liabilities	**3.0–4.50**	**92,812**	**29,222**	**25,977**	**37,613**	**—**
— Bonds	**8.5**	**43,422**	**43,422**	**—**	**—**	**—**

36. Financial instruments (continued)

(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.

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

Recognised financial instruments

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

The aggregate fair values of other financial assets and liabilities carried on the balance sheet as at 30 June 2007 and 2006 are shown below:

	2007		2006	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	***$'000***	*$'000*	*$'000*
Group				
Financial asset				
— Loan to a jointly controlled entity	**6,050**	**6,050**	9,306	9,306
Financial liabilities				
— Unsecured bank loans and borrowings	**123,221**	**123,221**	94,121	94,121
— Secured bank loans and borrowings	**91,377**	**91,377**	128,372	128,372
— Bonds	**43,422**	**45,658**	40,816	43,265

36. Financial instruments (continued)

(g) Fair values (continued)

Recognised financial instruments (continued)

The fair values of secured term loans have been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

The fair values of bonds have been determined by using the market transaction value nearest to the financial year end or in the event of the absence of such information, the published quoted price of the instrument as at the balance sheet date.

The fair value of loan to a jointly controlled entity has been determined by discounting the expected cash flows repayments using the Group's average borrowing rate.

37. 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 property, plant and equipment

The management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. 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, harvesting and establishment. Any change in the 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.

37. Significant accounting estimates and judgements (continued)

(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 asset to be recovered.

(d) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the accounts receivable balance, 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, in particular housing and flooring products, 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.

38. Particulars of subsidiaries

As at 30 June 2007, the Company has direct and indirect interests in the following subsidiaries.

Except for Caribbean Esskay Limited, Samling Malaysia Inc., SGL Trading Inc. (formerly known as Samling Guyana Inc.), Samling China Inc., Samling Trademark Inc., Samling Tongling Co., Ltd., Samling Riverside Co., Ltd., Samling Foothill Co., Ltd. and Samling Global USA Inc., all subsidiaries are held indirectly by the Company through intermediate investment holding companies.

(Expressed in United States dollars unless otherwise indicated)

38. Particulars of subsidiaries (continued)

Details of the subsidiaries at 30 June 2007 are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Syarikat Samling Timber Sdn. Bhd.	Malaysia, 26 October 1976	11,979,950 ordinary shares of RM1 each	100	Contractor for timber extraction, tree 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, manufacturing 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	54	Manufacture and sale of housing products
Samling Chipboard Sdn. Bhd.	Malaysia, 5 April 1994	100,000 ordinary shares of RM1 each	54	Manufacture and sale of particleboard
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 equipments

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(Expressed in United States dollars unless otherwise indicated)

38. 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 activities
Samling Reforestation (Bintulu) Sdn. Bhd.	Malaysia, 5 April 1994	500,000 ordinary shares of RM1 each	100	Tree plantation
Samling Wood Industries Sdn. Bhd.	Malaysia, 15 June 1970	10,907,002 ordinary shares of RM1 each	100	Extraction and sale of logs
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	86	Investment holding and wood residual trading
Samling Manufacturing Plantation Sdn. Bhd.	Malaysia, 2 April 1998	200,000 ordinary shares of RM1 each	60.12	Dormant
Lingui Developments Berhad	Malaysia, 27 December 1967	659,630,441 ordinary shares of RM0.5 each	59.69	Investment holding

(Expressed in United States dollars unless otherwise indicated)

38. 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 activities
Samling Plywood (Baramas) Sdn. Bhd.	Malaysia, 22 August 1987	20,250,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood, veneer and extraction and sale of timber logs
Samling Plywood (Lawas) Sdn. Bhd.	Malaysia, 9 May 1986	3 ordinary shares of RM1 each	59.69	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	59.69	Investment holding
Samling Plywood (Bintulu) Sdn. Bhd.	Malaysia, 19 March 1986	25,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood and veneer, extraction and sale of timber 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	59.69	Contractor for timber extraction

(Expressed in United States dollars unless otherwise indicated)

38. 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 activities
Samling Power Sdn. Bhd. (formerly known as Samling Agro-Forestry Management Sdn. Bhd.)	Malaysia, 28 May 1996	2,000,000 ordinary shares of RM1 each	59.69	Operation of power generating facilities
Ang Cheng Ho Quarry Sdn. Bhd.	Malaysia, 28 February 1970	66,000 ordinary shares of RM100 each	59.69	Quarry licensee and operator
Stigang Resources Sdn. Bhd.	Malaysia, 15 July 1976	6,121,530 ordinary shares of RM1 each	59.69	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	59.69	Investment holding
Lingui Corporation Sdn. Bhd.	Malaysia, 29 March 1985	2 ordinary shares of RM1 each	59.69	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	59.69	Investment holding
TreeOne Logistic Services Sdn. Bhd.	Malaysia, 1 April 1997	300,000 ordinary shares of RM1 each	57.90	Provision of logistic services
Grand Paragon Sdn. Bhd.	Malaysia, 11 October 1996	2,000,000 ordinary shares of RM1 each	47.75	Investment holding
Samling Plywood (Miri) Sdn. Bhd.	Malaysia, 18 January 1984	40,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood, extraction and sale of timber logs

(Expressed in United States dollars unless otherwise indicated)

38. 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 activities
Tinjar Transport Sdn. Bhd.	Malaysia, 15 September 1976	2,476,000 ordinary shares of RM1 each	59.69	Riverine transportation services
Miri Parts Trading Sdn. Bhd.	Malaysia, 29 November 1980	200,000 ordinary shares of RM1 each	59.69	Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services
Ainokitchen (Malaysia) Sdn. Bhd. (formerly known as Austral Concept Sdn. Bhd.)	Malaysia, 7 April 2005	1,000,000 ordinary shares of RM1 each	59.69	Kitchen retail, tendering of kitchen products in housing development projects
Bukit Pareh Quarry Sdn. Bhd.	Malaysia, 29 September 1977	3 ordinary shares of RM1 each	59.69	Dormant
TreeOne (NZ) Limited	New Zealand, 13 January 1997	1 ordinary share of NZ$10,000 each	59.69	Investment holding
Hikurangi Forest Farms Limited	New Zealand, 19 June 1980	1,200,000 ordinary shares of NZ$1 each	59.69	Forest plantation
East Coast Forests Limited	New Zealand, 23 April 1951	1,000 ordinary shares of NZ$2 each	59.69	Dormant
Tasman Forestry (Gisborne) Limited	New Zealand, 16 April 1980	42,500,000 ordinary shares of NZ$1 each	59.69	Dormant
Hock Lee Rubber Products Sdn. Bhd.	Malaysia, 15 January 1980	13,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of rubber retread compounds
Hock Lee Enterprises (M) Sdn. Bhd.	Malaysia, 28 November 1967	137,000 ordinary shares of RM100 each	59.69	Property investment and letting of industrial properties

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(Expressed in United States dollars unless otherwise indicated)

38. 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 activities
Samling Malaysia Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1	100	Investment holding
Barama Company Limited	Guyana, 20 August 2001	18,000,000 shares of US$1 each	100	Manufacture of plywood and sawn timber, extraction and sale of 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 shares of US$1 each	100	Investment holding
SGL Trading Inc. (formerly known as Samling Guyana Inc.)	British Virgin Islands, 24 June 2005	1 ordinary share of US$1	100	Trading
Samling China Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1	100	Investment holding
Samling Trademark Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1	100	Ownership of trademark
Samling Tongling Co., Ltd.	Hong Kong, 30 December 2004	1 ordinary share of HK$1	100	Dormant
Samling Riverside Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1	100	Dormant
Samling Foothill Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1	100	Dormant

(Expressed in United States dollars unless otherwise indicated)

38. 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 activities
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	Sales agent
Merawa Sdn. Bhd.	Malaysia, 24 August 1987	25,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Riverside Plywood Corporation	PRC, 13 August 2002	US$6,000,000	100	Manufacture and sale of plywood and veneer
Foothill LVL & Plywood (Cangshan) Co., Ltd.	PRC, 26 November 2002	US$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 veneer and plywood

(Expressed in United States dollars unless otherwise indicated)

39. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2007

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2007 and which have not been adopted in these financial statements:

		Effective for accounting periods beginning on or after
Amendment to IAS 1	Presentation of financial statements: capital disclosures	1 January 2007
IFRS 7	Financial instruments: disclosure	1 January 2007
IFRS 8	Operating segments	1 January 2009
IAS 23 (March 27)	Borrowing costs	1 January 2009
IFRIC 10	Interim financial reporting and impairment	1 November 2006
IFRIC 11	IFRS 2 — Group and treasury share transactions	1 March 2007
IFRIC 12	Service concession arrangements	1 January 2008

Management of the Group has not completed its review of the possible impact on the Group of the above standards and interpretations.

40. Parent and ultimate controlling party

At 30 June 2007, 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.

Four Years Summary

(Expressed in United States dollars)

	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Turnover	**561,223**	388,686	409,132	364,291
Cost of sales	**(410,834)**	(341,781)	(339,783)	(303,969)
Gross profit	**150,389**	46,905	69,349	60,322
Other operating income	**5,927**	2,780	14,727	6,627
Distribution costs	**(6,527)**	(4,536)	(4,457)	(3,893)
Administrative expenses	**(27,502)**	(17,157)	(16,918)	(15,384)
Other operating expenses	**(140)**	(1,538)	(524)	(198)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	**3,508**	(15,285)	(14,768)	10,416
Profit from operations	**125,655**	11,169	47,409	57,890
Financial income	**30,929**	6,876	9,067	7,321
Financial expenses	**(18,948)**	(22,377)	(16,631)	(16,657)
Net financing income/(costs)	**11,981**	(15,501)	(7,564)	(9,336)
Share of profits less losses of associates	**7,760**	1,317	2,282	5,510
Share of profits less losses of jointly controlled entities	**1,905**	2,816	2,440	—
Profit/(loss) before taxation	**147,301**	(199)	44,567	54,064
Income tax	**(16,420)**	1,745	(1,302)	(8,831)
Profit for the year	**130,881**	1,546	43,265	45,233
Attributable to:				
Equity holders of the Company	**98,430**	5,128	23,118	23,521
Minority interests	**32,451**	(3,582)	20,147	21,712
Profit for the year	**130,881**	1,546	43,265	45,233
Dividend attributable to the year:				
Interim dividend declared during the year	**—**	2,449	—	1,285
Final dividend proposed after the balance sheet date	**27,574**	—	2,500	1,250
	27,574	2,449	2,500	2,535
Earnings per share (US cents)				
— Basic	**6.03**	0.17	0.75	0.76

Four Years Summary

(Expressed in United States dollars)

	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Non-current assets				
Property, plant and equipment, net				
— Investment properties	**9,940**	9,581	9,493	9,719
— Other property, plant and equipment	**415,246**	381,513	321,753	316,997
Construction in progress	**5,480**	1,963	4,825	2,510
Lease prepayments	**27,172**	26,504	22,934	23,368
Timber concessions	**28,945**	31,843	16,632	18,352
Goodwill	**671**	631	610	610
Plantation assets	**226,050**	165,299	193,785	178,119
Interest in associates	**54,675**	44,883	42,788	45,376
Interest in jointly controlled entities	**14,592**	15,345	18,118	—
Other investment	**32**	30	29	29
Deferred tax assets	**3,578**	3,642	3,399	4,474
Total non-current assets	**786,381**	681,234	634,366	599,554
Current assets				
Inventories	**110,512**	83,471	68,989	73,366
Trade and other receivables	**78,603**	97,261	218,750	206,675
Tax recoverable	**12,013**	9,390	8,502	8,632
Cash and cash equivalents	**326,542**	21,111	26,536	19,718
Total current assets	**527,670**	211,233	322,777	308,391
Total assets	**1,314,051**	892,467	957,143	907,945

Four Years Summary

(Expressed in United States dollars)

	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Current liabilities				
Bank overdrafts, loans and borrowings	**103,782**	121,792	91,949	110,813
Loans from shareholders	**—**	—	—	2,238
Finance lease liabilities	**29,222**	22,790	15,050	11,356
Bonds	**43,422**	—	39,474	—
Trade and other payables	**114,802**	186,258	137,597	194,828
Tax payable	**2,632**	1,842	2,531	9,930
Total current liabilities	**293,860**	332,682	286,601	329,165
Net current assets/(liabilities)	**233,810**	(121,449)	36,176	(20,774)
Total assets less current liabilities	**1,020,191**	559,785	670,542	578,780
Non-current liabilities				
Bank loans and borrowings	**132,797**	129,241	83,058	80,680
Loans from shareholders	**—**	—	—	39,705
Finance lease liabilities	**63,590**	55,509	39,837	26,769
Bonds	**—**	40,816	39,271	78,461
Deferred tax liabilities	**59,015**	47,899	53,406	47,422
Total non-current liabilities	**255,402**	273,465	215,572	273,037
Total liabilities	**549,262**	606,147	502,173	602,202
Equity				
Share capital	**430,174**	979	50,442	48,982
Reserves	**168,601**	166,449	197,346	75,498
Equity attributable to equity holders of the Company	**598,775**	167,428	247,788	124,480
Minority interests	**166,014**	118,892	207,182	181,263
Total equity	**764,789**	286,320	454,970	305,743
Total liabilities and equity	**1,314,051**	892,467	957,143	907,945

Four Years Summary

(Expressed in United States dollars)

Notes:

The Company was incorporated in Bermuda on 27 June 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Pursuant to the Reorganisation and Further Acquisitions, the Company became the holding company of the Group on 30 June 2006.

This financial summary presents the results and financial position of the Group on the basis that the Company is regarded as a continuing entity and that the Reorganisation has been completed as at 1 July 2003 and that the business of the Group had been conducted by the Company since 1 July 2003 as they were related entities under common control.

The calculation of basic earnings per share for the years ended 30 June 2004, 2005 and 2006 is based on the profit attributable to equity holders of the Company and the 3,094,236,830 shares in issue as at the date of the prospectus of 23 February 2007, as if the shares were outstanding throughout the year.

The share capital at 30 June 2004 and 2005 represents the aggregate of the share capital of the companies comprising the Group. Share capital at 30 June 2006 and 2007 represents the share capital of the Company.


Aerial view of tree plantation in New Zealand

Samling Global Limited
三林環球有限公司*

* *For identification purposes only*