ANNUAL REPORT 2009

SAMLING GLOBAL LIMITED
三林環球有限公司*

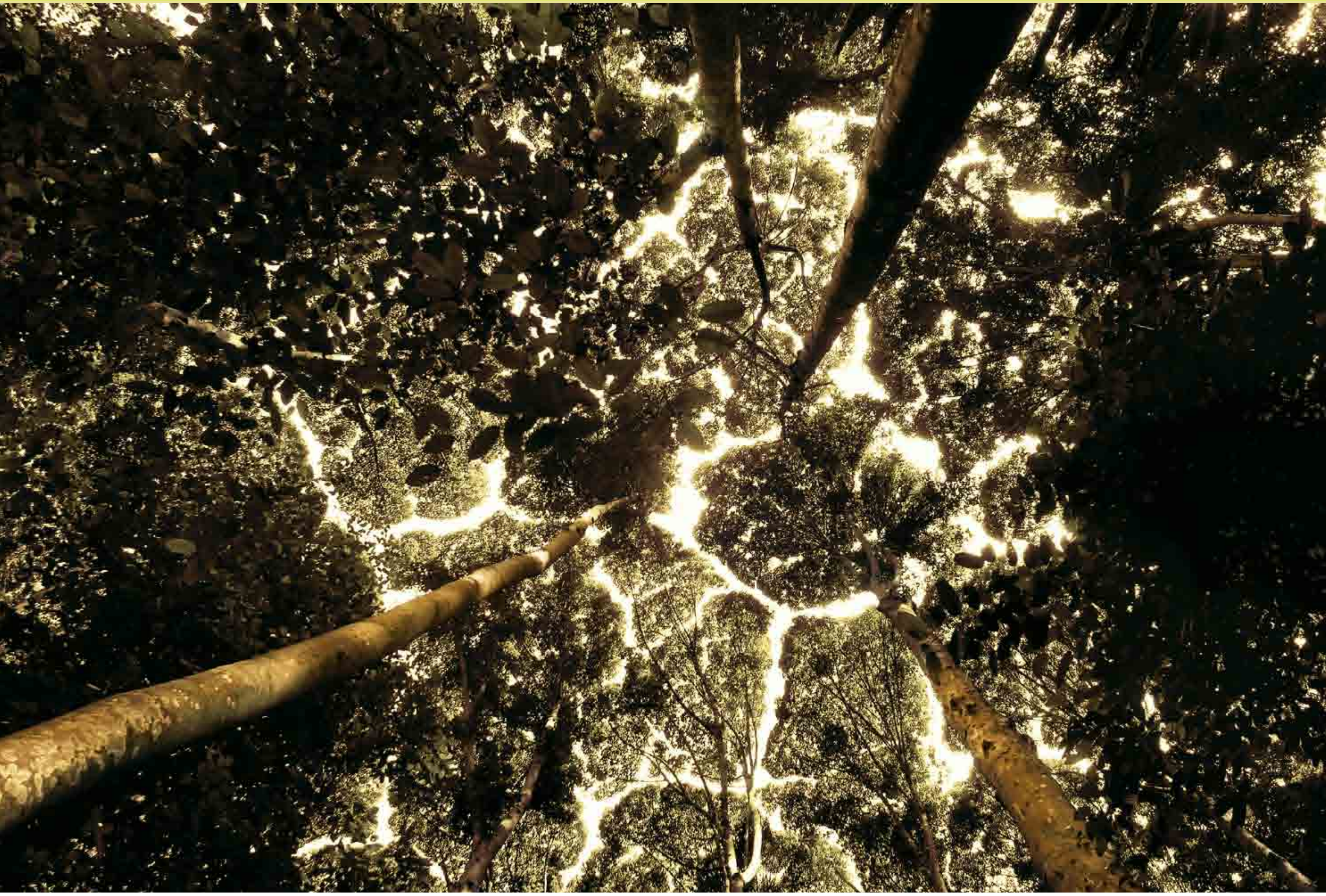
(a company incorporated in Bermuda with limited liability)
Stock code : 3938

RESILIENCE. VALUES. OPPORTUNITIES.

STAYING AHEAD

WITH FOCUS AND OPTIMISM

* for identification purposes only



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SAMLING GLOBAL LIMITED
ANNUAL REPORT 2009

The theme of Samling Global Limited 2009 Annual Report reflects the Group's determination to overcome the challenges of a demanding and fluctuating market as it transitions to recovery.

We remain resilient in this challenging landscape as we continue to seize opportunities in unlocking the potential of our resources to deliver growth to the business and value to our shareholders.

A steadfast focus and optimism for our resources and downstream businesses are the thrusts that will realise the Group's business strategies in expanding its global presence.

Samling Global's maturing Radiata Pine plantation in New Zealand.

Samling Global Limited is an integrated forest resource and wood products company • Strategically located operations in Malaysia (headquarters), the PRC, New Zealand, Australia and Guyana • Extensive forestry and management expertise with more than 30 years of track record • More than 12,000 employees across its operations

LARGE AND STRATEGICALLY LOCATED RESOURCE BASE AND OPERATIONS

GUYANA

- ▲ Forest concession
- ■ Plywood / Veneer
- ■ Sawn timber
- ■ New Sawmills (Work in progress)

PRC

- ▲ Forest plantation
- ■ Plywood / Veneer / LVL
- ■ Flooring
- ● **Elegant Living** Distribution of flooring (approx 550 distributor outlets)

MALAYSIA

- ▲ Forest concessions
- ▲ Forest plantation
- ■ Plywood / Veneer
- ■ Other value-added wood products

NEW ZEALAND

- ▲ Forest plantation
- ■ New Plywood / Veneer mill (Work in progress)

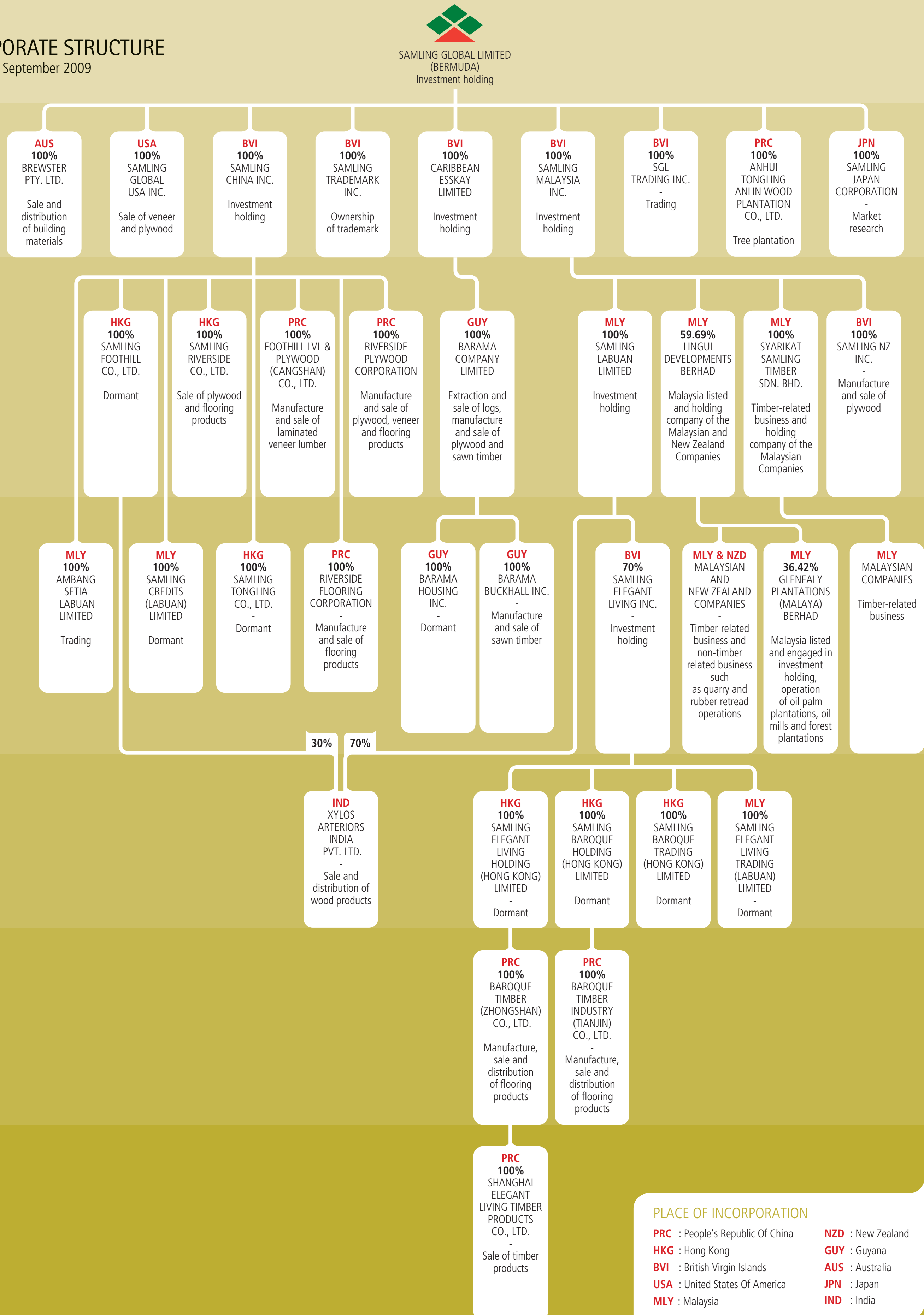
AUSTRALIA

- ● **Brewster** Distribution of timber products (7 branches)

▲ FOREST RESOURCE BASE
■ DOWNSTREAM MANUFACTURING
● END USER PRODUCTS & DISTRIBUTION

CORPORATE STRUCTURE

As at 30 September 2009



PLACE OF INCORPORATION

PRC	: People's Republic Of China	NZD	: New Zealand
HKG	: Hong Kong	GUY	: Guyana
BVI	: British Virgin Islands	AUS	: Australia
USA	: United States Of America	JPN	: Japan
MLY	: Malaysia	IND	: India

CORPORATE STRUCTURE

As at 30 September 2009

LINGUI DEVELOPMENTS BERHAD (MALAYSIA) – Investment holding

- **MLY 47.5%** SEPANGAR CHEMICAL INDUSTRY SDN. BHD. – Manufacture and sale of formalin and various types of formaldehyde adhesive resins
- **MLY 100%** GRAND PARAGON SDN. BHD. – Investment holding
  - **MLY 50%** FOREMOST CREST SDN. BHD. – Manufacture and sale of doors
- **MLY 100%** SAMLING PLYWOOD (LAWAS) SDN. BHD. – Extraction and sale of logs
- **MLY 100%** SAMLING PLYWOOD (MIRI) SDN. BHD. – Manufacture and sale of plywood, extraction and sale of logs
- **MLY 100%** SAMLING PLYWOOD (BARAMAS) SDN. BHD. – Manufacture and sale of plywood and veneer, extraction and sale of logs
- **MLY 100%** SAMLING PLYWOOD (BINTULU) SDN. BHD. – Manufacture and sale of plywood and veneer, extraction and sale of logs
- **MLY 100%** LINGUI CORPORATION SDN. BHD. – Provision of management services
- **MLY 100%** STIGANG RESOURCES SDN. BHD. – Quarry licensee and operator
- **MLY 100%** TREEONE (MALAYSIA) SDN. BHD. – Investment holding
  - **MLY 30%** DAIKEN MIRI SDN. BHD. – Manufacture and sale of high and medium density fibreboard
  - **NZD 100%** TREEONE (NZ) LIMITED – Investment holding
    - **NZD 100%** HIKURANGI FOREST FARMS LIMITED – Forest plantation
      - **NZD 100%** TASMAN FORESTRY (GISBORNE) LIMITED – Dormant
      - **NZD 100%** EAST COAST FORESTS LIMITED – Dormant
- **MLY 35%** SAMLING DORFOHOM SDN. BHD. – Investment holding and wood residual trading
  - **MLY 70%** SAMLING MANUFACTURING PLANTATION SDN. BHD. – Dormant
  - **MLY 50%** MAGNA-FOREMOST SDN. BHD. – Manufacture and sale of fibreboard door facings
- **MLY 100%** TAMEX TIMBER SDN. BHD. – Contractor for timber extraction
  - **MLY 100%** TINJAR TRANSPORT SDN. BHD. – Riverine transportation services
  - **MLY 100%** MIRI PARTS TRADING SDN. BHD. – Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services
- **MLY 97%** TREEONE LOGISTIC SERVICES SDN. BHD. – Provision of logistic services
- **MLY 100%** AINOKITCHEN (MALAYSIA) SDN. BHD. – Kitchen retail, tendering of kitchen products in housing development projects
  - **UAE 40%** AINOTECH MIDDLE EAST FZCO – Sale and distribution of kitchen components
- **MLY 100%** SAMLING POWER SDN. BHD. – Operation of power generating facilities
- **MLY 100%** ALPENVIEW SDN. BHD. – Investment holding
  - **MLY 36.42%** GLENEALY PLANTATIONS (MALAYA) BERHAD – Investment holding, operation of oil palm plantations, oil mills and forest plantations
- **MLY 100%** HOCK LEE PLANTATIONS SDN. BHD. – Investment holding
  - **MLY 100%** HOCK LEE ENTERPRISES (M) SDN. BHD. – Prop-erty investment and letting of industrial properties
  - **MLY 100%** HOCK LEE RUBBER PRODUCTS SDN. BHD. – Manufacture and sale of rubber retread compounds
- **MLY 100%** ANG CHENG HO QUARRY SDN. BHD. – Quarry licensee and operator
  - **MLY 100%** BUKIT PAREH QUARRY SDN. BHD. – Dormant

PLACE OF INCORPORATION

MLY : Malaysia
NZD : New Zealand
UAE : United Arab Emirates

CORPORATE STRUCTURE

As at 30 September 2009

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

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

PLACE OF INCORPORATION

MLY : Malaysia

CORPORATE INFORMATION

BOARD OF DIRECTORS
Chan Hua Eng *(Chairman)*
Fung Ka Pun *(Deputy Chairman)*
Yaw Chee Ming *(Chief Executive Officer)*
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

COMPANY SECRETARY
Navin Kumar Aggarwal
(LL.B. (Hons.) London, P.C.LL (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
CIMB Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
The Hongkong and Shanghai Banking Corporation Limited
The Bank of Tokyo – Mitsubishi UFJ, Ltd.

STOCK CODE
Hong Kong Stock Exchange 3938

WEBSITE
www.samling.com

FINANCIAL HIGHLIGHTS

	FOR THE YEAR ENDED 30 JUNE				
	2009 US$'000	2008 US$'000 (restated)	2007 US$'000 (restated)	2006 US$'000 (restated)	2005 US$'000 (restated)
Turnover	478,960	545,293	561,223	388,686	409,132
(Loss)/profit before taxation	(38,394)	27,636	147,385	(65)	44,610
(Loss)/profit attributable to shareholders	(37,447)	14,035	98,491	5,211	23,129
EBITDA (i)	52,596	110,044	196,673	83,530	111,516
Shareholders' funds	518,526	597,890	600,115	168,666	248,680
Total assets	1,244,036	1,357,344	1,316,965	894,936	959,393
(Loss)/earnings per share (US cents) (ii)	(0.87)	0.33	6.03	0.17	0.75
Gearing ratio (%) (iii)	29.7%	28.7%	28.3%	41.4%	32.2%

Note

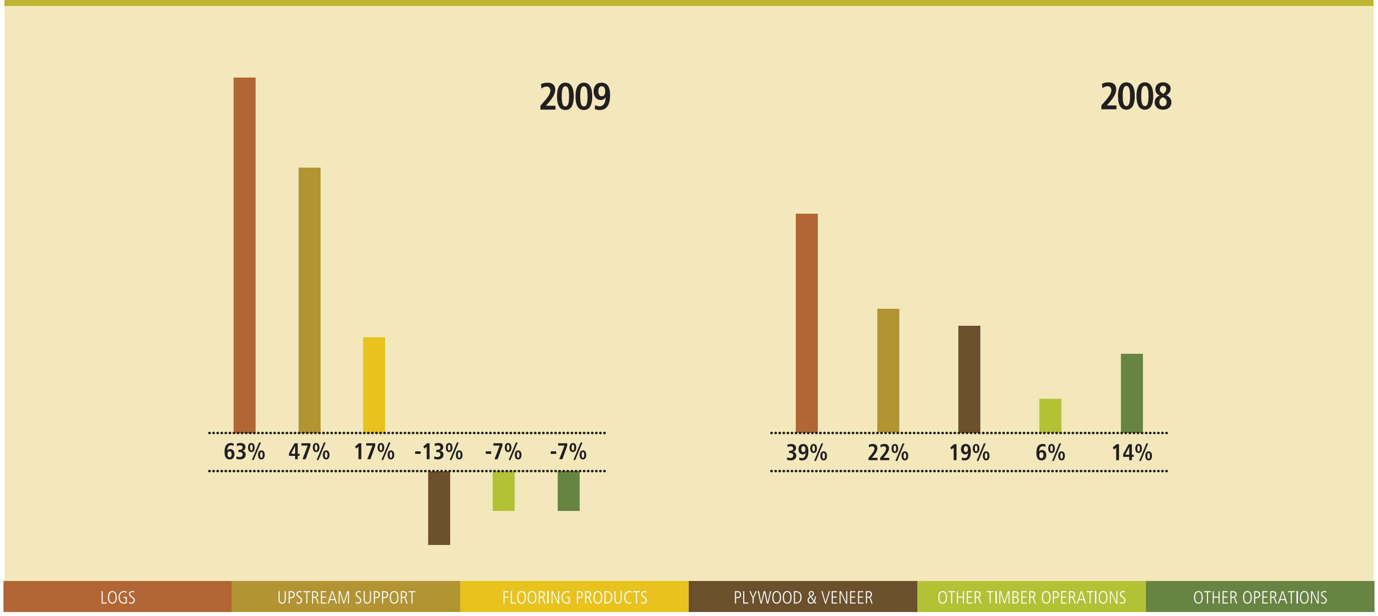
The financial highlights have been restated to account for the adoption of merger method of accounting on the acquisition of Anhui Tongling Anlin Wood Plantation Co., Ltd.

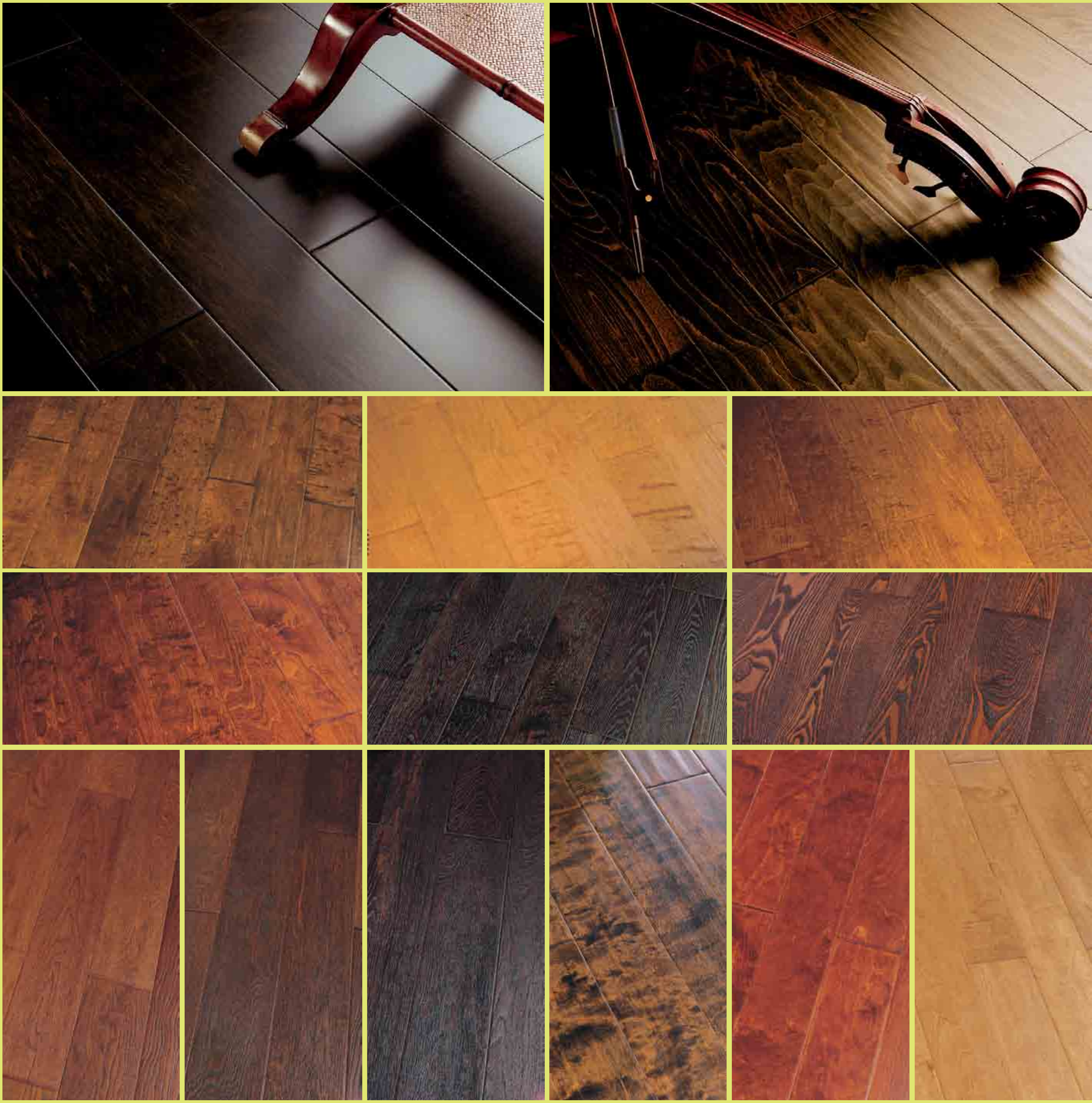
(i) EBITDA is equal to earnings/(loss) before net of financing costs, tax, depreciation, amortisation and gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs.

(ii) The calculation of basic earnings per share for the years ended 30 June 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





BAROQUE HAND-SCULPTURED FLOORING

A STRIKING HARMONISATION OF SIMPLICITY AND SOPHISTICATION

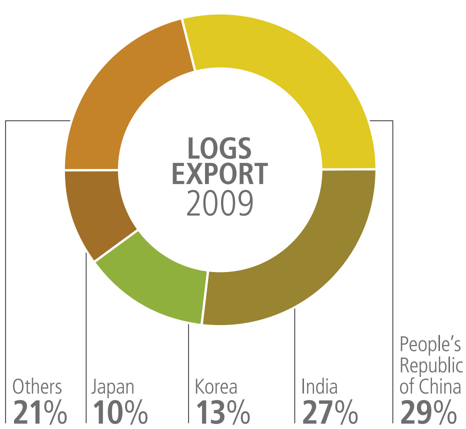
Elegant Living epitomises the best in Baroque flooring – the idea that craftsmanship and modern living are not at odds. Its revolutionary hand-sculptured engineered flooring is exquisite and stunning. Its appeal also lies within its inherent durability and hardness, to enhance the exceptional quality and value of a home.

Elegant Living draws advantageously from the Group's core strength in forest resource management and plywood manufacturing for a sustainable supply of timber to produce aesthetically-pleasing and well-crafted flooring products of premium quality. The Group in return builds upon the strengths of Elegant Living – its brand, products, market share, distribution networks and product innovation – to delivering significant value creation opportunities and synergy.

And with a network of 548 outlets in its fast-expanding distribution network, Elegant Living is poised to meet the requirements and demands of discerning consumers globally.

Dear Shareholders

On behalf of the Board of Directors (the "Board") of Samling Global Limited, I am pleased to present the Annual Report for the financial year ended 30 June 2009.



BUSINESS REVIEW

During the financial year under review, the world experienced great economic turmoil that affected the whole timber industry. Many countries were slipping into recession as the contagion spread to a wider sector of the world economy. The collapse of investor confidence prompted numerous Governments around the world to implement stimulus packages to avert an economic meltdown in their respective countries although the effects have yet to be fully felt. With the tightening of credit and high fuel prices, economic activities including housing starts, which is a key factor of our business, infrastructure and property developments, were severely affected.

Plywood Segment

The Group's key plywood market of Japan was severely affected due to housing starts dropping to about 950,000 units which was about 5% below the preceding financial year. This caused a decrease in plywood demand as buyers adopted a wait and see attitude on how the market would play out without much firm commitments. Even the stronger Japanese Yen which afforded the Japanese higher purchasing power did not translate into a higher level of purchase due to lack of confidence in a fast turnaround of demand. Similarly, plywood sales to the United States ("US") were also severely affected and were 8% lower than that of the preceding financial year. The Group diverted sales that would otherwise have been made to the US to other markets such as Korea. For the financial year under review, the plywood segment recorded operating losses of US$24.9 million.

Log Trading Segment

Although the log trading segment continued to be the largest contributor to operating profits at US$14.9 million, log sales were also similarly affected by the economic crisis but to a lesser extent. The tightening of credit which resulted in customers facing difficulty in accessing trade facilities affected sales. There was a marked reduction in sales to People's Republic of China ("PRC") as many factories had either curtailed or shut down their operations as demand for finished wood products fell due to the slow-down in the US housing market. The implementation of massive economic stimulus packages by the PRC government, including spending on public infrastructure and rural development, helped to partially mitigate the contraction in our exports.

Effects of higher costs

With selling prices achieved by the Group in the financial year under review being generally lower than that of the preceding financial year, its combined effect with an increase in cost further aggravated the squeeze on margins. The effects of higher fuel, glue and lubricant prices in the first half of financial year and the impact of semi-fixed and fixed operating costs being allocated over lower volumes sold resulted in a rise in production cost per cubic meter. The strengthening of the US Dollar against the Malaysian Ringgit during the financial year under review helped to a certain extent by cushioning the cost increase.

CHAIRMAN'S STATEMENT

Elegant Living is the current market leader in PRC for hand sculptured engineered flooring.

GROUP'S STRATEGIES AND RESULT HIGHLIGHTS

Given the challenging operating environment, the operating units of the Group adopted a strategy of producing just enough to meet the reduced demand in order to avoid an inventory build-up, with close monitoring of cash cost of production. This strategy had the added advantage of preserving the Group's timber resources for the future. The Group's continued focus on operational efficiency as well as continuing to work on maximising its return on its timber resources by comparing and adopting which is the more favourable of the incremental contribution of processing logs into plywood or veneer versus outright selling of logs. Besides maintaining its workforce, the Group also continues to maintain its equipment fleet in good condition so as to be ready for deployment when the economy recovers. Such flexibility is possible because the Group has an integrated timber operation with adequate wood resources.

For the financial year under review, the Group recorded turnover and operating loss of US$479.0 million and US$20.0 million respectively compared to US$545.3 million and operating profit of US$16.2 million respectively in the preceding financial year. After accounting for unrealised foreign exchange losses of US$7.6 million on US Dollar denominated loans by a foreign subsidiary in New Zealand, the Group recorded a loss before taxation of US$38.4 million as compared to a profit of US$27.6 million recorded in the preceding financial year.

However, in terms of cash flow, the Group recorded an operating profit before changes in working capital of US$69.4 million compared to US$87.1 million achieved in the preceding financial year.

As part of the Group's strategy to reach further down the supply chain and enlarge its distribution presence in PRC, it had on 26 August 2008 successfully completed the acquisition of the business of Elegant Living (Hong Kong) Limited, Elegant Living International Holdings Limited and New Elegant Living Timber Manufacturing (Zhongshan) Co., Ltd. The new group into which the assets are injected, of which the Company owns 70% (collectively the "Elegant Living companies") manufactures and sells flooring products. It is the current market leader in PRC for hand sculptured engineered flooring. Through this acquisition, the Group currently has access to 548 Elegant Living companies distribution outlets in PRC.

On 15 August 2008, the Group also completed the acquisition of the entire equity interest of Anhui Tonglin Anlin Wood Plantation Co., Ltd. ("Anhui Tongling"), a company involved in tree plantations, in the PRC. This acquisition will increase the landbank of the Group's forest plantations as Anhui Tongling has a total land area of 3,079 hectares of which 1,295 hectares have been planted.

PROSPECTS AND FUTURE PLANS

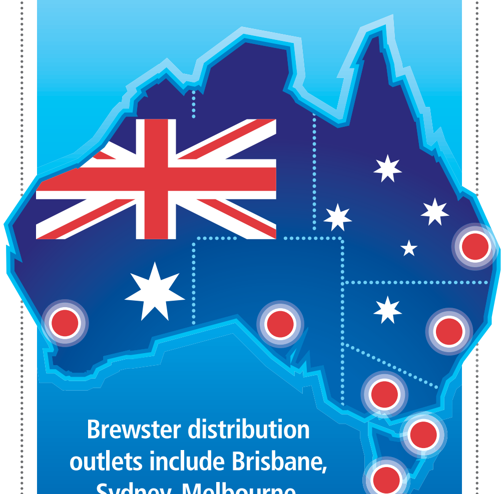
The outlook for the timber market remains uncertain as the world continues in its efforts to manage the global economic crisis. In the past few months, there had been some positive signs that, with the efforts of various developed countries in implementing stimulus packages to address the economic meltdown, the world economy may be on the road to recovery. It is hoped that these positive indicators of a turnaround will be sustained.

Demand drivers

As the economic crisis unfolded, demand drivers such as annual housing starts, infrastructure and construction activities in timber importing countries like Japan, India and PRC were stalled as fears of recession swept across the globe. Currently there is indication of some

Expansion plans to increase the distribution networks in PRC and Australia will be focused on full national coverage encompassing major cities in both countries.

Brewster which has distribution outlets in the major cities of Australia will, other than providing support for the Group's products from Malaysia and Guyana, play an important role in the distribution of the products from the new processing plant in New Zealand in the future.



Brewster distribution outlets include Brisbane, Sydney, Melbourne, Adelaide, Perth, Hobart and Launceston.

recovery in demand in the later part of the year. In Japan, it is hoped that housing starts will improve driven by various government stimuli (which include large tax breaks on home mortgages, waiving taxes on capital gains and introducing non-taxable limit on monetary gifts used to acquire a home), and this will kick off a new cycle of restocking thus boosting plywood imports into Japan. Recovery in demand from PRC and India is also expected as both countries' stimulus plans include infrastructure development which augurs well for the timber business. Credit availability, which was a factor causing the slowdown in economic activity, has also improved and more buyers are able to obtain trade facilities from financial institutions. This would help to increase timber trade which was hampered by the tightening or lack of trade facilities in the financial year under review.

On a conservative note, although fuel prices that had reached record levels in July 2008 have dropped to more manageable levels, there is still some uncertainty over its future direction as it has started to move up again in recent months. Any sharp upswing in fuel prices will have a ripple effect on the world economy. This may cause further slowdown in economic growth and affect demand for timber products as development activities slow down.

Supply drivers

In terms of supply, it is expected to shrink as the continuing economic crisis had caused many timber mills without resources to curtail or close down their operations. As stock levels gradually reduce and in the event of an economic recovery, an imbalance between supply and demand may possibly cause timber product prices to rise. The fact that Malaysia continues to be a major source for hardwood logs, it augurs well for the Group in this respect. Although the timber market did not experience the expected surge in log prices due to the postponement of Russia's proposed 80% export tax on roundwood logs to January 2010, its implementation could push markets to look for other new sources thus opening up new demand opportunities for Malaysia and New Zealand.

Business strategies

To make sure the Group is poised for a strong recovery after the economic downturn, the Group will strengthen its core timber business and distribution business, which will give it new impetus for achieving future growth. On the operational front, the Group has taken steps to preserve timber resources, maintain its experienced workforce and implement various cost-cutting strategies while monitoring cost of production closely. These measures will allow the Group to take full advantage of an economic recovery when it takes place. The Group will also work closely with its customers and suppliers to ensure that the supply chain remains intact for mutual benefit.

The Group will continue to build on and enlarge its distribution presence in Australia through Brewster Pty. Ltd. ("Brewster") and the PRC through the Elegant Living companies. Being able to reach further down the supply chain, the Group will build on its distribution presence in these two countries by expanding and enhancing its product range besides establishing closer rapport with the end customers. Brewster which has distribution outlets in the major cities of Australia will, other than providing the support for the Group's products from Malaysia and Guyana, plays an important role in the distribution of the products from the new processing plant in New Zealand in the future. In the PRC, Elegant Living companies have added 62 distribution outlets in the financial year under review and it is on target in its plan to expand the number of outlets further. The Group will now have access to 548 Elegant Living companies distribution outlets. Elegant Living companies offer other synergistic advantages to the Group as it adds value to the plywood and logs it purchases from the Group companies.

The Group's main business strategy in growing its global presence is to strengthen its core timber and distribution businesses: a crucial impetus for achieving future growth.

Increasing plantation and forest resources

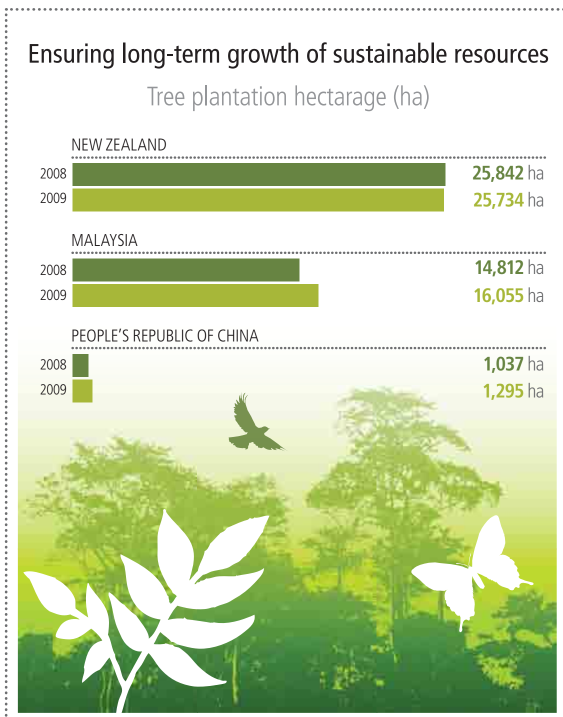
The Group will continue to focus on increasing its sustainable woodflow from its existing resources through both organic growth and acquisitions to meet the needs of downstream processing. Besides maintaining a stable woodflow of about 1.8 million cubic metres ("m^3") per annum from its existing concession base of approximately 1.3 million hectares in Malaysia, the Group will work on increasing its future woodflow from plantation sources as well as its concession in Guyana. Currently the Group has a planted tree plantation hectarage of 43,084 hectares of which 25,734 hectares is located in New Zealand, 16,055 hectares in Malaysia and 1,295 hectares in the PRC. In line with the planned construction of a new downstream manufacturing facility in New Zealand, plans to ramp up production to a sustainable level of about 800,000 m^3 per annum from the New Zealand plantations to meet the needs of this new mill is progressing well, with the necessary preparatory works being done especially on road construction and infrastructural development.

The Group will continue with its objective of increasing its woodflow through the acquisition of new concessions and plantations that will strategically fit into the Group's overall plans and provide the Group with synergistic advantages.

In Malaysia, plywood manufacturing equipment will, under the scheduled replacement programme, be replaced by newer and better equipment to improve upon wood recovery and also with the capability to peel smaller diameter logs from the plantation areas.

VOLUNTARY CERTIFICATIONS

Although forest certification is voluntary, the Group intends to stay committed to forest certification in preparation to meet current and future market demands for certified wood products. The Group's practice of sustainable forest management is designed to ensure the



CHAIRMAN'S STATEMENT

Samling Global aims to promote positive social, economic and environmental impact through its CSR efforts, being well aware of its commitment to stakeholders.

acceptability of its long term supply of forest resources and where requisite for the legality of log sources to be certified. Best practices which are adopted in the management of all the Group's forestry areas will be continuously improved upon.

DIVIDEND

The Directors recommend the payment of a final dividend of 0.621 HK cents (equivalent to approximately 0.080 US cents) per share amounting to HK$26.7 million in respect of the financial year ended 30 June 2009 to shareholders whose names appear on the Register of Members of the Company on 23 November 2009. The proposed final dividend will be paid on 18 December 2009 following approval of the shareholders at the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE

The Board is 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 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These practices are instilled throughout the Group's operations. These are further described in the Corporate Governance Report found on pages 42 to 49.

HUMAN RESOURCE DEVELOPMENT

Human capital remains essential contribution to the Group's success. The Group focuses on executive succession planning and supports personal development and talent training. The Group also provides on-going training, in-house programmes and external professional courses relating to technical knowledge, management standards and skills reinforcement to improve the employees practical knowledge and field exposure. Health and safety in the workplace is greatly emphasised and is a commitment the Group pledges to safeguard.

CORPORATE SOCIAL RESPONSIBILITY

Besides the pursuit of economic goals, the Group's recognises its responsibility and commitment to corporate social responsibility ("CSR") as an integral part of its business. It conducts its business in a balanced and sustainable manner with respect for the interests of stakeholders and the communities where the Group operate in. The Group's CSR designed to provide long-term benefits to our stakeholders, is focused on the areas of community development, education, conducive workplace and environment and humanitarian relief. Over the years, the Group has made much progress in the CSR initiatives in community development work with the indigenous communities of Sarawak within the Group's operation areas. These are further described in the Corporate Social Responsibility section found on pages 15 to 21.

APPRECIATION

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

Chan Hua Eng
Chairman

Hong Kong
23 September 2009

CORPORATE SOCIAL RESPONSIBILITY

The Group continues to practise corporate social responsibility ("CSR") with the objective to generate sustainable and viable growth for our businesses. This is especially crucial in the face of a challenging period in our markets amid the global economic turmoil. At Samling Global, ensuring our business growth also means working with our stakeholders to foster sustainable economic, social and environmental well-being and promote good business practices in our supply chains.

The CSR practices and initiatives the Group has in place are in the areas of **community involvement, workplace, environment and marketplace.**

COMMUNITY INITIATIVES

We reach out to the local communities by investing in, working with and engaging them in areas of community assistance, community development and education. Our aims are to assist community members lead safer and easier lives, and empower them to develop independent, environmentally-balanced living, while respecting their unique values and cultures.

Our community support also includes charitable donations, volunteer support and humanitarian and disaster relief.

BRIDGING THE DISTANCE :
Access to the nearest healthcare, school, and economic activity have never been more crucial to the Sarawak forest communities who live in remote areas. Apart from providing access via our logging roads and bridges, the Group also directly contributes to the communities directly by building link roads and bridges to connect villages to main roads.

ARABICA COFFEE PLANTING PROJECT :
The Arabica coffee planting project jointly initiatied with the Kenyah community of Long Semiyang and the Agricultural Department in Sarawak in 2005 has finally borne fruit with the first batch of coffee beans ready for commercial harvesting. We are continuing such initiatives by maintaining a demonstration plot to serve as a seed source and a training facility for surrounding communities who show interest in taking up such activities.

"JANJI" (which means "Promise" in Malay language) is an initiative by the Group to promote Malaysian art and handicraft. The handicraft items are purchased from local communities, craftsmen and artists to be sold in the *Janji* outlet in Suria KLCC, a leading shopping centre in Kuala Lumpur, Malaysia, ensuring the continued survival of their craft. In 2009, *Janji* opened another retail outlet at ParkCity Everly Hotel in Miri, Sarawak to promote the initiative and to bring arts and handicraft items closer to home.

GETTING AN EARLY HEAD START IN EDUCATION :
The Group continues to support a pre-school programme, jointly initiated with the Malaysian Medical Relief Society (MERCY Malaysia) for several villages in the Ulu Baram region of Sarawak. The programme aims to bring early education closer and more accessible to the communities. In addition to maintaining the monthly cost of operating the pre-schools, we also donate stationery, books and food to the children.

Community Assistance

During our consultation and dialogues with forest communities, we would accede to the requests of the communities where we can, making available basic living amenities such as water sources, fuel, sanitation, electricity and building materials to the communities. During festive seasons, donations given in the spirit of goodwill provide an opportunity for the Group to celebrate the joy and cheer of the festivities together with communities within our operations.

Community Development

The Group's community development programme aims to equip and enhance the forest communities with daily living skills training in agriculture and animal husbandry that will enable them to lead independent and self-reliant lives.

Supporting Education Development

Educational support is an essential element in the Group's CSR initiatives. We recognise the need to nurture talent and facilitate education development to create a highly skilled and qualified pool of human capital, to be a driving force in our nation's transformation to a knowledge-based economy.

Since year 2000 to the current financial year under review, we have awarded a total of 49 scholarships amounting to more than US$350,000 to students in Malaysia, including indigenous students, who are pursuing degrees in engineering, forestry science, wood technology or communications in both local and international tertiary institutions. Scholarships applicants are chosen on the basis of their academic performance and active participation in extra co-curricular activities.

Our bursary scheme aims to benefit schools and rewards students with good academic performance in these schools and to improve the general level of formal education in the community. In financial year 2009, our bursary scheme covers 51 primary and 7 secondary schools within the areas where we operate in East Malaysia. This includes 26 students from the Penan indigenous community.

Humanitarian and Disaster Relief

For humanitarian and disaster relief in the cases of flood and food shortage crisis that have affected the communities in our area of operations, our community support include making financial contribution to relief efforts, providing much-needed building materials and donating food to the victims.

WORKPLACE: AN EMPLOYER OF CHOICE

There are more than 12,000 employees across the Group's worldwide operations from different backgrounds, cultures and occupations. We value the diversity of talents, experiences and perspectives of our diverse workforce and strive to provide employees with a safe, healthy and supportive workplace where they can thrive and grow.

Our goal is to have current and potential employees to recognise Samling Global as an "employer of choice" and that they are given the opportunities to make valuable contributions to the company. To attract and retain diverse talent, we encourage a performance-driven culture that rewards results, by offering competitive compensation and benefits package; providing education, career advancement opportunities; and we are committed to regular training and development for our employees.

Our employees' health and safety are a priority in our business. Our goal is to promote safe work practices and behaviors throughout the Group, in our upstream and downstream operations.

The Group continues to develop and implement safety processes and practices that include management support and employee engagement, observation and feedback across its operational sites. Through these programmes, we aim to reduce our incident rate, increase safety awareness and promote ownership of safety among our employees.

WORKPLACE SAFETY CAMPAIGNS AND AWARENESS

Safety campaigns and workshops were launched in our upstream operation areas in 2008, with priority on road safety awareness. The Safety and Health Committee focuses on developing and maintaining safety education and awareness programmes as well as conducting safety audits in our timber camps within the upstream division.

The Committee also plans the annual safety programme, discusses safety needs and policies for recommendations to the Management, analyses unsafe work practices and determines corrective actions, and conducts safety training.

DEVELOPING SKILLED HUMAN CAPITAL TOWARDS A KNOWLEDGE-BASED ECONOMY

The Group signed a memorandum of understanding with the Miri Institute of Industrial Training (ILP) in Sarawak to collaborate on an industrial skill training programme for our employees and future employees under the National Dual Training System (NDTS) initiated by the Ministry of Human Resources.

Covering 13 subsidiaries, the collaboration allows trainees who have signed up for the programme to attend theory classes at ILP, followed by industrial training at the Group's manufacturing facilities and mills, while the Group's employees can undergo training at ILP to upgrade their skills. The programme offers hands-on industrial technical skills, exposure to actual work processes and introduction to the latest technologies that are relevant to industry demands. Trainees graduate with a Malaysia Skills Standard certificate at the end of the two year programme.

The Group has recruited 16 trainees for the first intake and has plans to take in more trainees.

ENVIRONMENT

The forest environment that we work in is not static; it is ever-changing and dynamic. We strive to meet society's intrinsic demand for wood and to manage the ever-changing environment.

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

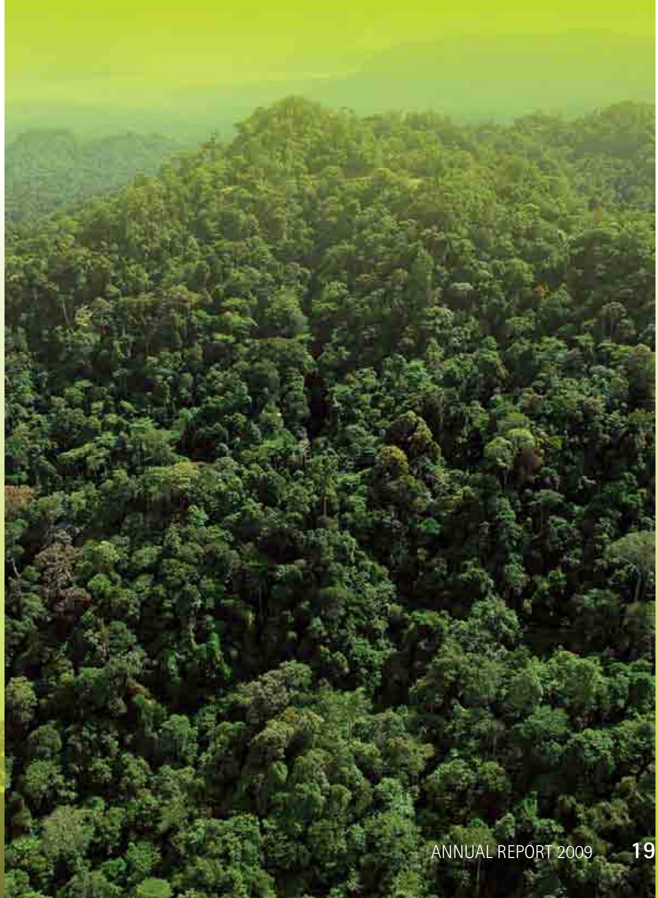
- We maximise the use of every log in our manufacturing processes to create value. We manage our wood waste by further processing it into value-added products such as fibreboard and particleboards;
- We generate renewable energy through the use of biomass fuel such as wood residuals. Our power plants in Sarawak, Malaysia each have the capacity of generating 6.0MW and 3.5MW of electrical energy that is channelled to our mills;
- We process organic waste generated from our associate company's palm oil mills into bio-organic fertilizer ("BOF") that is supplied and fed to its oil palm plantations. The methane capture from composting of BOF is recognised as a green house gas reduction methodology under the Kyoto Protocol's Clean Development Mechanism and creates tradable carbon credits;
- We use energy efficient boilers that run on biomass fuels in our mills; and
- We segregate waste, reduce wastage and manage disposal.

As part of our sustainable forest management practice, we also replant selective fast-growing tree species in lands that have been degraded due to poor agricultural techniques. As at 30 June 2009, we have replanted acacia, khaya and rubberwood trees in tree plantation areas in Malaysia covering 16,000 hectares which will complement the sustainable timber resource from the natural forest in East Malaysia in the future.

We also continue to support and work with the Wildlife Conservation Society ("WCS") of New York to conduct wildlife, biodiversity and conservation research and surveys in our Sela'an Linau Forest Management Unit ("FMU") in Malaysia.

Our tree plantations in Gisborne, New Zealand are open to the community for weekend recreational activities such as walking, mountain biking and horse riding while enhancing their appreciation of nature.

Wildlife surveys were carried out by WCS in our Sela'an Linau FMU between year 2004 and 2008, focusing on nonvolant mammals, birds and bats. During the sampling period, 37 species of nonvolant mammals, 29 species of bats, 179 species of birds were recorded. As these wildlife surveys were carried out while SFM was bring implemented in the FMU, it suggests that with SFM practices in place, wildlife can continue to thrive.



OUR MARKETPLACE

The Group's commitment to CSR is more than a response to increased market attention in this area, but a reinforcement of the way that our various businesses have been operating. We are committed to high standards of corporate governance and are mindful of the social and environmental impact of our business practices and policies.

PASSING INTERNATIONAL STANDARDS OF QUALITY
Samling Plywood Bintulu Sdn. Bhd. is now ready to supply the industry with plywood products that meet the California Air Resources Board (CARB) stringent regulations on formaldehyde emission standards.

Certification

We endeavour to obtain and achieve certification for our forest concessions, manufacturing practices and products following the prominence of voluntary third-party certification worldwide.

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

- Malaysian Timber Certification Council ("MTCC") Certificate for Forest Management (MC&I 2001) and the Certificate for Chain-of-Custody for Samling Plywood (Baramas) Sdn. Bhd. who manages the Sela'an-Linau FMU.
- Forest Stewardship Council ("FSC") Certificate for Chain-of-Custody for plywood manufacturing for Samling Plywood Bintulu Sdn Bhd.
- FSC Certificate for Chain-of-Custody for moulded doorskin manufacturing and the MTCC Certificate for Chain-of-Custody endorsed by PEFC (Programme for the Endorsement of Forest Certification Annex 4) for moulded fibreboard doorskin manufacturing for Magna-Foremost Sdn Bhd.
- FSC Certificate for Forest Management and the Certificate for Chain-of-Custody for Hikurangi Forest Farms Limited.

The Group continues to work towards reinstating the FSC certification in Guyana and is engaged in ongoing discussions with all relevant parties to resolve the issues and meet the rigorous requirements of the certification.

While there continues to be a varied approach with the many certification bodies in evaluating well-managed forests, and being mindful that while certification exercise is voluntary, we will continue to comply with the law, regulations and good practices that guide our forest management activities.

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

ENGAGING OUR STAKEHOLDERS

We believe in establishing collaborative relationships with our stakeholders by engaging them in both formal and informal ways.

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

Analyst and press briefings, annual general meetings and investment presentations are the interfaces through which we engage our investors. The Group's website allows users to access the latest announcements, quarterly reports, corporate news and in-depth information about the company and industry.

The Group also undertakes regular and ongoing stakeholder engagement with the Government, regulatory bodies, industry peak bodies, investors, suppliers and the media through regular site visits, meetings, reports and correspondence.

Our community liaison officers are recruited specially to develop and maintain positive relationships with indigenous communities living within our concession areas. Over the years, we have implemented a variety of community-focused initiatives and have always engaged the communities prior to commencing operations, so as to understand their concerns, needs and better cope with inevitable issues that may arise from time to time.

The Group's CSR is a journey – but we also recognise that sometimes, this journey towards reaching our goals will not always be smooth. It is a process of continuous improvement in our standards, our actions and our practices. Samling Global's viability as a business depends on the growth and well-being of our communities, employees, and stakeholders, as well as the vitality of our natural resources to ultimately bring innovative products to market and delivering shareholder value.

HOSTING EU TRADE DELEGATES

On an annual basis, Samling Global in collaboration with the Malaysian Timber Council and Sarawak Timber Industry Development Corporation (STIDC) will host a European delegation comprising representatives from different timber trade and environmental organisations. The delegation is looking to partner with Malaysia in areas of trade and environmental awareness. The familiarisation trip to the Group's operations and other nature attractions enable members to learn more about the Malaysia's laws and policies on logging, timber trade and forest conservation.

CORPORATE SOCIAL RESPONSIBILITY IN THE COMMODITIES AND PLANTATION INDUSTRY

The Group was a nominee in the Corporate Social Responsibility practitioner award category for the MICCOS Industrial Commodity Award 2009, organised by the Ministry of Plantation Industries and Commodities, Malaysia.

INSPIRED HOME LIVING





CREATIVE DESIGNS AND SOLUTIONS FOR MODERN LIVING SPACE

The adage, "Home is where the heart is", rings true for Samling Global as we focus on accelerating the expansion of our downstream value-added wood products business. This is a deliberate growth strategy to reach end users and increase the wood distribution network in our supply chain.

From kitchens to home furniture and flooring, every product is meant to make a difference in enhancing everyday lives. Take the kitchen, for example. Many consider the kitchen a most essential area, and AinoKitchen – the Group's kitchen retail business – embodies contemporary living with kitchen designs that are highly customisable and functional.

For high quality home furnishings, Samling Housing Products Sdn. Bhd. offers conveniently flat-packed ready-to-assemble (RTA) furniture that are well-received by urban dwellers with a penchant for simple and chic living.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY FINANCIAL HIGHLIGHTS

	Logs US$'000	Plywood and veneer US$'000	Upstream support US$'000	Flooring products US$'000	Other timber operations US$'000	Other operations US$'000	Eliminations US$'000	Consolidated US$'000
Segment Revenue								
2009								
External customers	165,102	191,603	7,268	32,564	73,243	9,180	—	478,960
Inter-segment revenue	64,201	21,479	163,052	—	5,083	2,473	(256,288)	—
Total revenue	229,303	213,082	170,320	32,564	78,326	11,653	(256,288)	478,960
2008 (restated)								
External customers	174,077	294,702	11,051	—	54,972	10,491	—	545,293
Inter-segment revenue	88,408	24,866	205,191	—	3,592	3,337	(325,394)	—
Total revenue	262,485	319,568	216,242	—	58,564	13,828	(325,394)	545,293
Segment Gross Profit (before inter-segment elimination)								
2009								
Gross profit/(loss)	21,260	(8,664)	252	8,879	8,820	2,635	—	33,182
Gross profit/(loss) margin (%)	*9.3*	*(4.1)*	*0.1*	*27.3*	*11.3*	*22.6*	—	*6.9*
Percentage of segment contribution (%)	*64.1*	*(26.1)*	*0.7*	*26.8*	*26.6*	*7.9*	—	*100.0*
2008 (restated)								
Gross profit	27,215	11,332	2,781	—	7,509	2,918	—	51,755
Gross profit margin (%)	*10.4*	*3.5*	*1.3*	—	*12.8*	*21.1*	—	*9.5*
Percentage of segment contribution (%)	*52.6*	*21.9*	*5.4*	—	*14.5*	*5.6*	—	*100.0*

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	2009 US$'000	2008 US$'000 (restated)
Gross profit	33,182	51,755
Other expenses net of other income before loss from changes in fair value of plantation assets less estimated point-of-sale costs	(51,194)	(32,503)
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	(1,952)	(3,034)
(Loss)/profit from operations	(19,964)	16,218
Net financing costs	(19,326)	(9,883)
Share of profits less losses of associates and jointly controlled entities	896	21,301
(Loss)/profit before taxation	(38,394)	27,636
Income tax	(4,593)	(1,523)
(Loss)/profit for the year	(42,987)	26,113
Minority interests	5,540	(12,078)
(Loss)/profit attributable to equity holders of the Company	(37,447)	14,035

REVIEW OF GROUP RESULTS

Due to the world wide economic crisis, the Group achieved a turnover of US$479.0 million for the financial year under review, representing a 12.2% decrease from the turnover of US$545.3 million achieved in the preceding financial year.

The Group's results for the financial year under review were adversely affected by lower sales volume of logs, plywood and veneer coupled with lower selling prices of plywood and veneer. It was further affected by cost pressures brought about by higher diesel and glue prices in the first half of financial year and the impact of semi-fixed and fixed operating costs being allocated over lower volumes sold which resulted in a rise in production cost per cubic meter. As a consequence, gross profit has decreased to US$33.2 million from US$51.8 million achieved in the preceding financial year, a drop of about 35.9%. Gross profit margin has also decreased to 6.9% compared to 9.5% for the preceding financial year. After accounting for the higher distribution and administrative expenses, principally due to the inclusion of the results of the Elegant Living companies with effect from 1 September 2008, the Group recorded a loss from operations of US$20.0 million compared to a profit from operations of US$16.2 million recorded in the preceding financial year. Net financial expenses of US$19.3 million was 95.5% higher than the preceding financial year due to the impact of unrealised foreign exchange losses on US Dollar loans in a foreign subsidiary company. Share of profits less losses of associates and jointly controlled entities was lower at US$0.9 million principally as a result of the lower crude palm oil prices ("CPO") achieved by the associate involved in oil palm plantations. As a result of the above factors, the Group recorded a loss before taxation of US$38.4 million compared to a profit before taxation of US$27.6 million achieved in the preceding financial year. After accounting for minority interests of US$5.5 million, losses attributable to equity holders of the Company was US$37.4 million compared to profits of US$14.0 million in the preceding financial year.

REVIEW OF GROUP RESULTS (Continued)

Although the Group recorded a loss before taxation of US$38.4 million, operating profit before changes in working capital was positive at US$69.4 million which was 20.4% lower than the preceding financial year.

REVIEW OF BUSINESS SEGMENT RESULTS

Log Trading

Log trading, a major business segment, accounted for approximately 34.5% and 31.9% 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 2009			Year ended 30 June 2008 (restated)		
	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	532,886	*174.26*	92,862	703,144	*172.14*	121,037
Hardwood logs — local sales	595,353	*78.62*	46,809	399,550	*93.11*	37,201
Softwood logs — export sales	344,833	*61.52*	21,214	179,035	*62.24*	11,144
Softwood logs — local sales	54,897	*76.82*	4,217	57,230	*82.04*	4,695
Total external log sales	1,527,969	*108.05*	165,102	1,338,959	*130.01*	174,077
Internal log sales (i)	706,290	*90.90*	64,201	940,390	*94.01*	88,408
Total log sales	2,234,259	*102.63*	229,303	2,279,349	*115.16*	262,485

(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.

The Group sold 1,128,239 cubic metres ("m^3") of hardwood logs and 399,730 m^3 of softwood logs which was 2.3% and 69.2% higher respectively than the preceding financial year.

The volume of hardwood logs sold in the financial year under review represented approximately 55.9% of total hardwood logs extracted with the balance being processed in the Group's downstream mills. The volume of hardwood logs extracted included 292,689 m^3 of salvage logs extracted from an area earmarked for tree plantations under a supply agreement signed with a local buyer. Excluding the volume of salvage logs sold under this contract, the volume of logs extracted were lower than the preceding financial year principally due to the Group's strategy of preserving its timber resources instead of harvesting and selling at lower prices. Demand for logs from the Group's downstream plants was also lower as production levels fell. The average hardwood log export prices achieved for the financial year under review was US$174.3 per m^3 compared to US$172.1 per m^3 achieved in the preceding financial year.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Log Trading (Continued)

For the financial year under review, the New Zealand subsidiary company, Hikurangi Forest Farms Limited ("HFF") sold 399,730 m^3 of softwood logs as compared to 236,265 m^3 of softwood logs sold in the preceding financial year. Production from the New Zealand forest will be ramped up gradually in line with the maturity profile of the maturing radiata pine trees. Part of the softwood logs from the planned increased harvest will be used to meet the requirements of a new downstream plant which is currently being planned. Earth levelling works at the plant site has been completed and the Group is in the midst of sourcing for the plant and equipment. The average softwood log prices achieved was 5.1% lower at US$63.6 per m^3 compared to the preceding financial year. The Group views the New Zealand forest as a long term strategic asset to complement its tropical hardwood resource in increasing coverage in high value-added products to new and existing markets.

Although the log trading segment continued to be the largest contributor to operating profits at US$14.9 million, log sales were also similarly affected by the economic crisis but to a lesser extent. As the economic crisis developed, bank credit facilities were tightened. This affected the ability of customers in accessing trade facilities which impacted trade.

People's Republic of China ("PRC") remained as the major importer of both tropical hardwood and softwood logs and has provided a certain level of stability to log prices. However, its demand for logs has also softened as many domestic factories had either curtailed or shut down their operations as demand for finished wood products fell due to the slow-down in the United States ("US") housing market. The PRC government has implemented massive economic stimulus, including spending on public infrastructure and rural development, to help boost the domestic economy and to mitigate the impact of the lower exports. These initiatives have helped as the level of log demand remained generally stable, although it has tapered off slightly. The Group sold 29.2% of its log exports to PRC.

Although the Indian economy, as with the rest of the world, recorded a slow down, the demand level for logs, especially for harder species suited for flooring, furniture and construction industry did not reduce significantly. Construction spending remains on an upward trend as the level of affluence increases, with increased housing starts fuelled by rapid urbanisation and improved living conditions. The Group has been actively promoting these harder species which are sold at higher prices and are exported from both Malaysia and Guyana. However, exports to India in the financial year under review were hampered by buyers not being able to obtain trade facilities with the tightening of credit. In spite of this, the Group managed to sell 26.5% of its total logs export to India in the financial year under review.

Japan's demand for logs has decreased as Japanese housing starts weakened to a level of about 950,000 units which is about 5% lower than that of the preceding financial year. Plywood mills lowered their production volumes and reduced their log purchases. As log sales to Japan were mainly of the premium grade which fetched better prices, the Group continued to maintain its proven track record on meeting their requirements not only in terms of quality but also consistency and timeliness of supply. This has helped in maintaining a long term relationship with its loyal Japanese customers and has enabled the Group to continue to sell to these customers even with a general slowdown in demand.

On the supply side, with the general slowdown in demand, the volume of hardwood logs being harvested and exported from Malaysia and Indonesia were reduced. Many operators curtailed or stopped their operations as the drop in demand coupled with rising costs, especially fuel in the first half of the financial year under review, put much pressure on margins. Although Russia still remains as the key supplier of softwood logs in the market, especially to PRC, the uncertainty over when the deferred implementation of the increase in export taxes in Russia will take place still cast a certain level of uncertainty on the supply from this source. This could push buyers to look for other new sources thus opening up new demand opportunities for Malaysia and New Zealand, of which the Group has resources.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Log Trading (Continued)

The log trading segment results for the financial year under review were generally affected by higher operating costs. Overall operating costs was under much pressure brought about by the sharp rise in crude oil prices, particularly in the first half of the financial year under review, and higher spare parts cost. Although selling prices have generally being maintained, the increase in operating costs affected margins. As a consequence, log trading recorded a gross profit of US$21.3 million, a drop of US$5.9 million compared to US$27.2 million achieved in the preceding financial year. Gross profit margin also decreased to 9.3% from 10.4% in the preceding financial year.

The changes in fair value of plantation assets less estimated point-of-sale costs was a loss of US$2.0 million compared to a loss of US$3.0 million in the preceding financial year. The loss from changes in fair value for the financial year under review was due to the impact of lower prices and generally higher operating costs which offset the value of growth of the planted trees.

At the operating profit level, the log trading segment recorded a profit of US$14.9 million which was 32.9% lower than US$22.2 million achieved in the preceding financial year.

In the financial year under review, the Group expended US$17.4 million to maintain and expand its forest plantation areas in New Zealand, Malaysia and PRC. The Group views the New Zealand tree plantations as a strategic long term asset that will complement the Group's hardwood resource in the future. To ensure it provides the highest percentage of clear pruned logs when harvested, it is continuously maintained and pruned in accordance with industry best practices. In Malaysia, an additional 1,243 hectares were planted with acacia, khaya and rubberwood species in the financial year under review bringing the total planted area to 16,055 hectares. This plantation wood resource will complement the sustainable wood resource from the natural forest in East Malaysia in the future.

Plywood and Veneer

Plywood and veneer contributed 40.0% to the Group's total turnover for the financial year under review. The following table shows selected operating and financial data with respect to sales volume, weighted average price and revenue of plywood and veneer sold, including inter-company sales.

Plywood

	Year ended 30 June 2009			Year ended 30 June 2008		
	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	331,268	*417.68*	138,364	509,832	*436.21*	222,392
Plywood — local sales	53,267	*349.82*	18,634	51,858	*354.10*	18,363
Total external plywood sales	384,535	*408.28*	156,998	561,690	*428.63*	240,755
Internal plywood sales	19,711	*521.54*	10,280	19,361	*478.59*	9,266
Total plywood sales	404,246	*413.80*	167,278	581,051	*430.29*	250,021

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Plywood and Veneer (Continued)

Veneer

	Year ended 30 June 2009			Year ended 30 June 2008		
	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	62,368	*307.61*	19,185	92,395	*309.76*	28,620
Veneer — local sales	64,594	*238.72*	15,420	94,745	*267.32*	25,327
Total external veneer sales	126,962	*272.56*	34,605	187,140	*288.27*	53,947
Internal veneer sales	37,806	*296.22*	11,199	58,048	*268.74*	15,600
Total veneer sales	164,768	*278.00*	45,804	245,188	*283.65*	69,547

The Group sold 384,535 m^3 of plywood and 126,962 m^3 of veneer to external parties which when compared to 561,690 m^3 of plywood and 187,140 m^3 of veneer sold in the preceding financial year was 31.5% and 32.2% lower respectively. Exported plywood prices recorded a decrease of 4.2% as compared to the preceding financial year. The drop in demand and prices which were most pronounced in the second half of the financial year was principally due to the slowdown in demand from Japan and US. As one of the use of veneer is for the production of plywood, its prices have a correlation with the movement in plywood prices. Veneer export prices, which averaged US$309.8 per m^3 for the preceding financial year, decreased to an average of US$307.6 per m^3 for the financial year under review.

Japan, the key export market for the Group's plywood, recorded weaker housing starts due to the global economic crisis. Face with the uncertainty of demand domestically, buyers adopted a wait and see attitude on how the market would play out and were not willing to make long term commitments to avoid having an overstocked position. Although the Japanese Yen strengthen during the financial year under review which afforded the Japanese greater purchasing power, this also did not translate into higher level of purchases due to lack of confidence in a fast turnaround of demand as there was generally an overstocked position which gradually eased in the second half of the financial year. In spite of the lower housing starts, total sales to Japan, which purchases higher quality plywood at premium prices, accounted for 53.2% of the Group's total exported plywood sales. The Group's plywood mills, the products of which are all able to comply with the Japanese Agricultural Standard ("JAS"), was able to maintain its sales due to it long established relationship with its loyal buyers.

As the impact of the economic crisis worsen, the Group's sales to the US dropped significantly. In the financial year under review, the Group's sales to the US dropped by 8.0% compared to the preceding financial year, with only 4.0% of the Group's export sales being sold to the US. The Group managed to divert some of the sales that would otherwise have been made to the US to other markets such as Korea, which accounted for 20.0% of the Group's total exported plywood sales.

On the supply front, PRC continues to be a dominant force in plywood production, providing for both domestic and export market and only trails Malaysia and Indonesia as the largest exporter of plywood. The Group continues to focus on producing more niche and higher quality plywood to lessen its direct competition with the PRC producers which produce more commodity based plywood.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Plywood and Veneer (Continued)

The Group's total veneer sales from its veneer mills, which are located near to the forest resource to peel fresh salvage logs from plantation areas that are just harvested to maximise log recovery, totalled 164,768 m^3 of which 22.9% was used internally in the Group's plywood factories as a raw material input with the balance sold to external customers. The slowdown in demand due to the economic climate similarly affected veneer sales as buyers who purchase the veneer for plywood production also faced a slowdown in plywood demand. On the production front, the Group focused on the maximising the production and sale of face and back veneer which provided better gross profit margins. The Group's focus in the financial year under review was on maximising log recovery and production of higher percentage of face and back veneer.

As demand dropped, the Group temporarily curtailed its plywood and veneer production and produced enough to meet the customer requirements in order to avoid an inventory build-up. In the financial year under review, operating costs for plywood and veneer have increased significantly due to the impact of higher diesel and glue prices in the first half of financial year as well as the impact of fixed production cost being allocated over a lower production volume. In view of this, being an integrated timber operator, the Group increased its focus on cash cost of production of plywood and veneer along the whole supply chain, monitoring margins for all its plywood and veneer production. The Group continued to improve on the operational flow to achieve higher operational efficiency to mitigate the effects of the increased cost.

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$3.8 million, or approximately 34.2%, to US$7.3 million for the financial year under review from US$11.1 million for the preceding financial year. Total revenue from billings to internal companies for the financial year under review amounted to US$163.1 million compared to US$205.2 million for the preceding financial year. This decrease in revenue was in line with the lower level of harvesting activities in the Group's forests as demand for logs felled. For the financial year under review, gross profit achieved from the upstream support services was US$0.3 million which was US$2.5 million lower than that of the preceding financial year. In terms of gross profit margin, it has decreased to 0.1% compared to 1.3% in the preceding financial year. The drop in gross profit margin was mainly due to higher operating cost per m^3 as a result of the semi-fixed and fixed operating costs being allocated over the lower volumes extracted.

As the upstream support services involves a large fleet of machineries 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. Strict control and monitoring against benchmarks set ensured that operators are accountable for its usage. The Group's central purchasing company continues to source for spare parts from new suppliers and also directly from manufacturers whilst at the same time, maintain the quality of the spare parts.

Emphasis is also placed on improving workers' productivity, through a performance based reward system. This performance based system improves productivity over the years as workers are aware of specific targets that they should focus on. As the cost of extraction of a log is similar irrespective of species, the continuing monitoring of logs extracted is done on an on-going basis to ensure that the best value logs are extracted to maximise margins.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Flooring Operations

The Group has on 26 August 2008 successfully completed the acquisition of the business of Elegant Living (Hong Kong) Limited, Elegant Living International Holdings Limited and New Elegant Living Timber Manufacturing (Zhongshan) Co., Ltd. The new group into which the assets are injected, of which the Company owns 70% (collectively the "Elegant Living companies") manufactures and sells flooring products. It has two plants in the PRC, one in Zhongshan which manufactures engineered flooring and another in Tianjin which manufactures laminated flooring. This acquisition forms part of the Group's strategy to reach further down the supply chain and enlarge its distribution presence in the PRC. Currently the market leader in PRC for hand sculptured engineered flooring, the Elegant Living companies has 548 distribution outlets throughout the PRC.

The results of the Elegant Living companies were consolidated into the Group with effect from 1 September 2008. For the 10 months to 30 June 2009, the Elegant Living companies achieved a turnover of US$32.6 million, of which engineered and solid flooring contributed 76.4% whilst laminated flooring contributed 23.6%.

For the financial year under review, engineered flooring sales totalled 1,126,131 m^2 at an average selling price of US$21.4 per m^2. Export sales, principally to the US, were sluggish with lower housing development activities as the economic crisis worsens. The Elegant Living companies exported 762,161 m^2 of engineered flooring and diverted some of its production which was originally for the export market to the PRC domestic market. The domestic market remained robust, partially boosted by the impact of the stimulus packages and also due to the population becoming more affluent. 363,970 m^2 of engineering flooring was sold in the domestic market.

Elegant Living companies' sales of laminated flooring were principally for the domestic PRC market. For the financial year under review, Elegant Living companies sold 961,096 m^2 of laminated flooring at an average selling price of US$8.0 per m^2. Demand for laminated flooring was strong as many Chinese household started to use laminated flooring, which was priced at about 60.0% below engineered flooring, when they undertake any renovation works in their homes. Demand for laminated flooring for use in new condominiums and shopping complexes construction was also on the rise.

Other Timber Operations

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

Revenue from other timber operations increased by US$18.2 million or approximately 33%, to US$73.2 million in the financial year under review from US$55.0 million in the preceding financial year. This increase was primarily due to the inclusion of full year results of Brewster Pty. Ltd. ("Brewster"), the newly acquired distribution subsidiary in Australia, which was acquired in December 2007.

In terms of gross profit, other timber operations achieved US$8.8 million which was 17.5% higher than the preceding financial year.

Other Operations

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

Revenue from other operations decreased by US$1.3 million or approximately 12.4% to US$9.2 million in the financial year under review from US$10.5 million in the preceding financial year due to lower sales achieved by rubber retread compound operations as a result of slow down in local tyre retreading business. The Group continued to focus on tight credit control, selling to customers that meet the stringent credit requirements of the Group.

Other operations achieved a gross profit of US$2.6 million for the financial year under review compared to US$2.9 million achieved in the preceding financial year. The major contributor to the gross profit was from the quarry operations at US$1.9 million.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Net Financing Costs

The Group recorded a higher net financing costs of US$19.3 million compared to US$9.9 million for the preceding financial year. This was mainly due to recognition of unrealised foreign exchange losses on the translation of US Dollar loan in a foreign subsidiary company and net loss on changes in fair value of financial instruments.

Share of Profits less Losses of Associates

The Group recognised a profit of US$0.1 million as share of profits less losses of associates, a decrease of US$19.4 million from the profit of US$19.5 million recognised as the Group's net share of profits less losses of associates for the preceding financial year. This decrease was primarily attributable to a decrease in net profits from the associated company, Glenealy Plantations (Malaya) Berhad ("Glenealy"). As CPO prices were higher in the preceding financial year, the Group's share of Glenealy's operating results as well as its share of profits from changes in fair value of plantation assets less estimated point-of-sale cost was higher in the preceding financial year.

Share of Profits less Losses of Jointly Controlled Entities

The Group recognised US$0.8 million as share of profits less losses of jointly controlled entities, a decrease of approximately 55.6%, from the US$1.8 million recognised in the preceding financial year. This decrease was primarily attributable to a decrease in the net profits of the door facing manufacturing joint venture, Magna-Foremost Sdn. Bhd. due to slowdown in demand which affected sales.

Income Tax

An income tax expense of US$4.6 million was accounted for during the financial year under review as compared to US$1.5 million for the preceding financial year. The taxation charge was higher due to the reversal of deferred tax assets for certain loss making subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group's cash and bank balances amounted to US$240.9 million compared to US$273.3 million as at 30 June 2008.

The gearing ratio was 29.7% and 28.7% as at 30 June 2009 and 30 June 2008, respectively. The gearing ratio is derived by dividing the total of bank loans and overdrafts and obligations under finance leases by total assets. The gearing ratio remained relatively stable in the financial year under review compared to 30 June 2008.

Available facilities that were not drawndown as at 30 June 2009 amounted to US$59.9 million compared to US$27.3 million as at 30 June 2008. At 30 June 2009, the Group has outstanding indebtedness of US$369.8 million compared to US$389.7 million as at 30 June 2008. Of the US$369.8 million of indebtedness, US$129.1 million is repayable within one year with the balance of US$240.7 million having a maturity of more than one year as presented below:

	US$ million
Within one year	129.1
After one year but within two years	49.2
After two years but within five years	110.7
After five years	80.8
Total	369.8

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

	US$ million
Secured	214.7
Unsecured	155.1
Total	369.8

The indebtedness carry interest rates ranging from 2.1% to 12.0%.

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

Certain of the foreign exchange gains and losses are attributable to foreign exchange transactions on the US Dollars loan above booked on the accounts of the New Zealand plantation forest subsidiary, Hikurangi Forest Farms Limited ("HFF") with outstanding principal amount, including capitalised interest, as of 30 June 2009 of US$54.8 million. As HFF's functional currency is the New Zealand dollar, exchange differences on the value of the HFF's US Dollars loans are recognised as part of the financial income and expense.

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

CAPITAL COMMITMENTS

The Group's authorised but not contracted for total commitments as at 30 June 2009 amounted to US$49.0 million.

CHARGE ON ASSETS

As at 30 June 2009, the Group pledged assets with aggregate carrying value of US$287.2 million (30 June 2008: US$287.1 million) to secure bank loans facilities of the Group.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no material contingent liabilities except as disclosed in note 31(c) to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 15 August 2008, the Group completed the acquisition of the entire equity interest of Anhui Tongling Anlin Wood Plantation Co., Ltd. from Samling International Limited, a related party of the Group, at a consideration of US$8.6 million.

On 26 August 2008, the Group completed the acquisition of the business of Elegant Living (Hong Kong) Limited, Elegant Living International Holdings Limited and New Elegant Living Timber Manufacturing (Zhongshan) Co., Ltd. (collectively the "Elegant Living companies") for an initial consideration of US$38.3 million and a contingent consideration of up to approximately US$25.7 million if certain profit targets are achieved within three years after acquisition.

Other than the above, the Group had no material acquisition or disposal of subsidiaries and associated companies during the year ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the financial year ended 30 June 2009.

EMPLOYEES

As at 30 June 2009, the Group employed a total of 11,459 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 2009, there were no options granted to any employees.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of 0.621 HK cents (equivalent to approximately 0.080 US cents) per share amounting to HK$26.7 million in respect of the financial year ended 30 June 2009 to shareholders whose names appear on the Register of Members of the Company on 23 November 2009. The proposed final dividend will be paid on 18 December 2009 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

BOARD OF DIRECTORS' PROFILE

YAW CHEE MING
EXECUTIVE DIRECTOR

CHEAM DOW TOON
EXECUTIVE DIRECTOR

CHAN HUA ENG
NON-EXECUTIVE DIRECTOR

YAW CHEE MING, 50, has been a Director of our Company since 29 June 2005 and the Chief Executive Officer and an Executive Director of our Company since 20 August 2006. He is also the Managing Director of both Lingui Developments Berhad ("Lingui") and Glenealy Plantations (Malaya) Berhad ("Glenealy"), where he was appointed an Executive Director on 4 July 1989 and 22 June 1995, respectively. He is also the Chief Executive Officer and an Executive Director of Samling Strategic Corporation Sdn. Bhd., one of our Controlling Shareholders. Mr. Yaw has over 20 years of experience in the timber industry and has extensive knowledge of the same. Under his leadership, our Group has established an international presence with highly integrated business operations. He spearheaded the commitment of our Group towards responsible forest management and has led our Group to various internationally recognised certifications for forest management and downstream operations. Mr. Yaw graduated from the University of Southern California in the United States with a Master of Business Administration degree.

CHEAM DOW TOON, 55, has been a Director of our Company since 29 June 2005 and 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 an Executive Director on 7 March 1994 and 24 July 1995, respectively. He has been with our Group since 1987. He has over 20 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 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 several public-listed companies on the stock exchange 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 in 1999 and the Advanced Management Programme at INSEAD in 2007.

CHAN HUA ENG, 81, was appointed Chairman and Non-Executive Director of our Company on 17 October 2005 and was classified by a direction of the Listing Committee of the Hong Kong Stock Exchange as a Non-Independent Director on 26 January 2007. He was appointed an Independent Non-Executive Director of Lingui on 28 March 1990 and Chairman of the Board of Directors of Lingui on 8 November 1990. He was also appointed the Chairman of the Board of Directors and an Independent Non-Executive Director of Glenealy on 28 September 1995. Mr. Chan is also currently a Director of other companies whose shares are listed on Bursa Malaysia Securities Berhad, namely Lafarge Malayan Cement Berhad and Pacific & Orient Berhad. He graduated from the University of Bristol with a Bachelor of Law (Honours) degree. He is an associate member of the Chartered Institute of Taxation in the United Kingdom. Mr. Chan is also a barrister of the Middle Temple and has been called to the Bar in England & Wales. He was admitted as an Advocate & Solicitor of the High Court in Malaya, became a partner of Shearn Delamore & Co, Advocates & Solicitors in Malaysia in 1960 and retired as its Senior Partner in 1987.

FUNG
KA PUN
(alias K.B. FUNG)
INDEPENDENT NON-EXECUTIVE DIRECTOR

DAVID
WILLIAM
OSKIN
INDEPENDENT NON-EXECUTIVE DIRECTOR

TAN
LI PIN,
RICHARD
INDEPENDENT NON-EXECUTIVE DIRECTOR

FUNG KA PUN (alias K. B. Fung), 64, 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 Vice-Chairman of CIAM Group Limited, a company which shares are listed on The Stock Exchange of Hong Kong Stock Limited. He is also the Founder and Chairman of Goodwill International (Holdings) Limited, which shares are also listed on The Stock Exchange of Hong Kong Stock Limited. Mr. Fung has over 30 years of experience in finance, securities and commodities trading and corporate finance. He is a Fellow Member of the Association of International Accountants. Mr. Fung worked for Deloitte Touche Tohmatsu from 1970 to 1972, and has extensive experience in dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements of public companies. He is also an Associate Member of the Institute of Chartered Secretaries and Administrators. Mr. Fung is also a Director of a number of other companies which shares are listed on The Stock Exchange of Hong Kong Stock Limited — he is an Independent Non-Executive Director of GZI Transport Limited, Lei Shing Hong Limited, Lee Hing Development Limited and Denway Motors Limited. 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, 67, has been a Director of our Company since 17 October 2005 and has been an Independent Non-Executive Director of our Company since 20 August 2006. He is the President of Four Winds Ventures LLC. He is currently an Independent Director of Pacific Millennium Corporation, an Independent Director of Verso Paper Holdings LLC, a Director of Rayonier Inc which shares are listed on the New York Stock Exchange and a Director of Big Earth Publishing LLC. Mr. Oskin has more than 25 years of experience in the timber, wood processing, paper and packaging industries. From 1975 to 1992, he took up various leadership positions at International Paper Company, responsible for managing worldwide human resources, quality management, forest and wood products businesses and paper distribution. From 1992 to 1996, he was the Chief Executive Officer and a Director of Carter Holt Harvey Limited, a paper, packaging and forest products company which shares are listed on the New Zealand Exchange and the Australian Securities Exchange. From 1996 to 2003, he served as the Executive Vice President of International Paper Company. From 2003, he served as adviser to various other companies in the paper, packaging and publishing industries. Mr. Oskin graduated from Widener University in the United States with a Bachelor of Arts degree and was subsequently awarded a Doctor of Public Service degree. He is the Chair of the Board of Trustees of Widener University.

TAN LI PIN, RICHARD, 54, 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 Chief Executive Officer of various companies under the Pacific Millennium group since 1990. He is also the Chief Executive Officer of Stone Tan China Acquisition Corporation, a company which shares are traded on the OTC Bulletin Board in the United States. Mr. Tan is a Director of Domtar Corporation, an established producer of white paper in North America which shares are listed on the Montreal and Toronto stock exchanges in Canada and the American Stock Exchange in the United States. Mr. Tan participates actively in public services. He is a member of the China National Political Consultative Committee, a member of the Anhui Province Political Consultative Committee, a Business Adviser of the Chongqing Municipality, Vice Chairman of the Shanghai International Chamber of Commerce, Vice Chairman of the China Chamber for the Promotion of International Trade (Shanghai), and adviser of the Shanghai Modern Management Center. He has a Master of Business Administration degree from the University of Southern California.

SENIOR MANAGEMENT PROFILE

MALAYSIA

JAMES HO YAM KUAN, 63, has been with our Group since 1993. He is currently the Chief Operating Officer of our operations in Malaysia, responsible for managing the Group's various upstream and downstream businesses' 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 to machinery and equipment fleet and logs, transportation and logistics. Mr. Ho has in-depth knowledge and over 15 years of operational and managerial experience in the timber industry. He graduated from the University of Strathclyde in the United Kingdom with a Master of Business Administration degree. Mr. Ho also qualified as a Barrister-at-Law in the United Kingdom.

CHIN THAT THONG, 59, has been with our Group since 1987. He is currently the General Manager of Forest Operations in the Forest Resource Division of our upstream operations in Malaysia. Mr. Chin began his career in Samling as a Camp Manager in 1987 and became the Regional Manager of our Forest Resource Division in 1998. From 1998 to 2007, Mr Chin served as the Assistant General Manager of our Forest Operations in Malaysia. He was appointed to his current position in 2008. Mr. Chin has over 30 years of experience in forest operations, including eight years of working in various companies in the forestry industry in Indonesia and seven years working in another Malaysian timber company prior to joining the Group.

YEO SOON HEE, 46, has been with the Group since 1987. He is currently the Assistant General Manager of Forest Operations in the Forest Resource Division of our upstream operations in Malaysia. Over the years, Mr. Yeo has held various positions in the Group's upstream forest operations mainly in timber camp operations and administration. Mr. Yeo has over 20 years of experience in forest operations. He holds a Bachelor of Science Degree in Business Administration with a minor in Marketing from the Oklahoma State University in the United States.

CHOO SIONG LIEW, 49, has been with our Group since 1997. He is currently the General Manager of our Malaysian plywood operations and is responsible for the production and management of our downstream plywood operations. He was previously the General Manager of Samling Plywood (Bintulu) Sdn. Bhd. from 2003 to 2007 and the Assistant General Manager of Samling Flooring Products Sdn. Bhd. from 1997 to 2003.

ERIC KANG KUN WEE, 41, has been with our Group since 1992 and is currently Assistant General Manager of Plywood Marketing, responsible for the business development, marketing and positioning of our downstream plywood products in the international market. Mr Kang has more than 10 years in marketing within the Group. He holds a Bachelor of Arts Degree in Business Studies and a Diploma in Market Research.

LIN LAN HUI, 56, has been with our Group since 1991. He is currently the Assistant General Manager (Marketing) of Samling Plywood (Bintulu) Sdn. Bhd. and is responsible for the marketing of veneer products for our downstream operations in Malaysia. Mr.Lin has over 32 years of experience in plywood manufacturing.

VINCENT CHIENG AI UNG, 40, joined our Group in 1999 and is currently the Assistant General Manager of the Veneer Operations. He is involved in the production and management of our veneer plants. Mr Chieng has experience in the Group's Marketing and Operations departments prior to his current appointment. He has a degree in Forestry Science, majoring in wood industry.

UNITED STATES AND PEOPLE'S REPUBLIC OF CHINA

CHIA TI LIN, COLIN, 51, has been with our Group since 1992. He is currently the President of Riverside Plywood Corporation and the Senior Vice President of our People's Republic of China ("PRC") and United States 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 wood-based downstream operations in Malaysia for 9 years from 1994 to 2002, including being the Senior Vice President of our downstream operations in Sarawak from 1997 to 2002.

MICHAEL LIU, 49, is the founder of Baroque Timber (Zhongshan) Co., Ltd. and Baroque Timber Industry (Tianjin) Co., Ltd. (collectively known as "Baroque group") and the Chairman of the Board of these companies, overseeing the management and operations of the Baroque group. Together with strategic partners, Mr. Liu is instrumental in building and marketing the Elegant Living, Baroque and Rococo brands into one of the most established flooring products brandnames with 548 distribution outlets in PRC. He established the Baroque group's first-class research and development laboratory for flooring products and is one of the founders of the Baroque Music Research Centre. From 1993 to 1998, he served as the Chairman of the Board for Yu Xin Co., Ltd., a company involved in the supply of wood machineries for the domestic market. From 1998 to 2003, Mr. Liu served as the Chairman of the Board of Makro Wood Co., Ltd., a wood import business. Mr. Liu graduated from the Business Institute of the National Taiwan University.

NEW ZEALAND

NORMAN ROBERT HUNTER, 59, has been with our Group since 1995. He is currently the General Manager of our New Zealand operations and the Managing Director of Hikurangi Forest Farms Limited, a wholly-owned subsidiary in New Zealand. Mr. Hunter has worked in the forest industry for 39 years and has extensive experience gained throughout North, South and Central America, Africa, Australasia, the Asia Pacific region, Eastern and Western Europe and Russia. Mr. Hunter graduated from the University of Southern California with a Master of Business Administration degree and the University of Alberta with a Bachelors Degree in Forest Science, and obtained a Diploma in Forestry at the British Columbia Institute of Technology. He is the brother-in-law of Mr. Yaw Chee Ming, an Executive Director and the Chief Executive Officer of our Company.

YAW CHEE CHIK, 49, has been with our Group since 1988. Mr. Yaw is currently the Vice President of our New Zealand operations, responsible for overseeing the operations of our downstream division in New Zealand, as well as business development of international projects. Mr. Yaw has over 20 years of experience in the timber industry and has held various leadership positions within our Group. Mr. Yaw graduated from City of London Polytechnic (currently known as the London Metropolitan University) and the University of Salford in the United Kingdom with a Bachelor of Arts degree and a Master of Science degree, respectively. He is the brother of Mr. Yaw Chee Ming, an Executive Director and the Chief Executive Officer of our Company.

SENIOR MANAGEMENT **PROFILE**

AUSTRALIA

DAVID KEITH RICHARDS, 44, is the Managing Director of our recently acquired subsidiary, Brewster Pty. Ltd. ("Brewster") in Australia. He oversees the management and operations of our seven Brewster and Australian Wood Panels businesses which are located in Brisbane, Sydney, Melbourne, Adelaide, Perth, Hobart and Launceston. Mr. Richards has extensive experience in the Australian timber products industry and has served as a Director and President of the Engineered Wood Products Association of Australia (EWPAA). He has held senior management positions with Boral Limited and CSR Timber Products, the two largest building products companies in Australia.

GUYANA

PETER HO, 54, 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 industry. 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 various senior executive positions within 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.

FINANCE

GOH YORK POOI, 47, is our General Manager (Finance). He joined our Group in 1993 and is currently responsible for our financial reporting, 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, he joined the Malaysian Sime Darby Group in 1989 as its Finance Manager before leaving in 1993. He is a member of Malaysian Institute of Certified Public Accountants. He has a Master of Finance degree from RMIT University, Australia.

TAN FOONG CHING, KATHERINE, 35, is the Group's Head of Corporate Finance. She joined our Group in 2002 and is currently responsible for our corporate finance and other related finance matters. Prior to joining our Group, from 1996 to 2002, she worked at PricewaterhouseCoopers where she acquired auditing experience in various industries, including manufacturing, property and financial services industries, with a focus on the oil and gas industry. She is a member of Certified Public Accountants Australia, the Malaysian Institute of Accountants and the Malaysian Institute of Corporate Governance. She graduated from the Monash University in Australia with a Bachelor of Commerce (Accounting and Econometrics) degree.

FOREST PLANTATION RESOURCES





SOWING TODAY FOR A BETTER TOMORROW

Understanding the importance of long-term planning to meet future market demand, Samling Global has decisively invested in forest plantations. The Group manages and owns forest plantations in Malaysia, New Zealand and China. Our plantation in New Zealand with its maturing Radiata Pine forest has the potential to yield a sustainable woodflow of 800,000m^3 annually.

In Sarawak, our tree plantations help rehabilitate land previously damaged from poor agricultural techniques, and our research and development efforts focus on developing high yield propagation techniques and tree species.

Tree plantations are increasingly becoming a vital source of wood for our downstream processing. The Group is gearing its business strategy to increasing its woodflow to meet downstream demand through the acquisition of new concessions and plantations.

CORPORATE GOVERNANCE REPORT

The Board of Directors of Samling Global Limited ("the Board") recognises the importance of, and is committed to achieving the highest standards of corporate governance in directing and controlling the business of the Group. It is accountable to the Company's shareholders for good governance.

The Board is pleased to report on the application of the code provisions of corporate governance contained in the Code on Corporate Governance Practices ("the CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company has complied with the code provisions in the CG Code throughout the financial year ended 30 June 2009 except for the Code Provision A.4.1. 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.

In addition, the Group has also put into place corporate governance practices to meet most of the recommended best practices in the CG Code.

DIRECTORS

The Board and its Responsibilities

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

The Board is primarily responsible for the followings:

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

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

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

DIRECTORS (Continued)

The Board and its Responsibilities (Continued)

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

Board Composition and Balance

The Board comprises two (2) Executive Directors, one (1) Non-Executive Director and three (3) Independent Non-Executive Directors. Save where a situation of conflict of interest arises when Executive Directors do not vote, the three (3) Independent Non-Executive Directors exercise their duties and functions in the manner expected of them as Independent Directors. A brief description of the background of each Director is presented on pages 36 to 37.

The Board fulfils the requirement to have at least one third of the Board comprising of Independent Non-Executive Directors. 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.

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

Board Meetings and Supply of Information

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

There were five (5) Board meetings held during the last financial year and the number of meetings attended by each Director was as follows:

Name of Directors	Number of Meetings Attended	Percentage of Attendance (%)
Chan Hua Eng	5/5	100%
Fung Ka Pun	5/5	100%
David William Oskin	5/5	100%
Tan Li Pin, Richard	4/5	80%
Yaw Chee Ming	5/5	100%
Cheam Dow Toon	5/5	100%

DIRECTORS (Continued)

Board Meetings and Supply of Information (Continued)

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

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

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

Board Committees

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

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

1. Audit Committee

The Audit Committee was established on 20 August 2006. It comprises four (4) members and is chaired by Mr. Fung Ka Pun, an Independent Non-Executive Director. Other members of the Audit Committee are Mr. David William Oskin and Mr. Tan Li Pin, Richard, who are also the Independent Non-Executive Directors, and Mr. Chan Hua Eng, a Non-Executive Director. A summary of the activities and the terms of reference of the Audit Committee are set out on pages 50 to 55.

2. Remuneration Committee

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

During the financial year, the Remuneration Committee held three (3) meetings where all members attended, except for Mr. Fung Ka Pun, who attended two out of the three meetings held. The meetings were mainly held to deliberate, review and recommend to the Board the remuneration packages of the Executive Directors and senior management. All Directors abstain from discussing their own remuneration.

DIRECTORS (Continued)

Board Committees (Continued)

3. Nomination Committee

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

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

During the financial year, all members of the Nomination Committee reviewed and assessed the effectiveness of the Board. The Committee also recommended the retirement and re-election of Mr. Tan Li Pin, Richard and Mr. David William Oskin, the Independent Non-Executive Directors in accordance with the bye-laws of the Company.

4. Independent Non-Executive Directors Committee

The Independent Non-Executive Directors Committee ("INED Committee") consists of Mr. David William Oskin as the Chairman and, Mr. Fung Ka Pun and Mr. Tan Li Pin, Richard as members. A summary of the activities and the terms of reference of the INED Committee are set out on pages 56 to 58.

Directors' Training

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

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

Appointments to the Board

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

Re-election

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

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

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration and Procedures

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

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

Details of Directors' Remuneration

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	864	74
Non-Executive Director	—	54
Independent Non-Executive Directors	40	65

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$350,001 to US$400,000	1
Non-Executive Director	
US$50,001 to US$100,000	1
Independent Non-Executive Directors	
Less than or equal to US$50,000	3

Additional details on Directors' remuneration are set out on page 114.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Internal Control

The Board acknowledges its responsibilities for the Group's system of internal control covering not only financial controls but also operational and compliance controls as well as risk management. The Group's Statement on Internal Control set out on pages 59 to 62 provides an overview of the system of internal control within the Group.

Relationship with the External Auditors

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

The role of the Audit Committee with the external auditors is set out in the Audit Committee Report on page 53.

During the financial year, audit fees paid to the external auditors totalled US$717,000, whilst non-audit fees paid amounted to US$630,000. Significant non-audit services rendered by the external auditors were as follows:

Nature of service	Fees paid (US$'000)
Tax services	179
Other advisory services	451

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

This statement is made in accordance with a resolution by the Board of Directors dated 23 September 2009.

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 pages 82 to 83 in this 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 Agreements

The INED Committee have further reviewed the relevant information up to or as at 31 August 2009 and have decided not to exercise any of the remaining call options granted to the Company under the Call Option Agreements.

Non-Competition Agreement

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

Connected Transactions

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

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

Details of the Connected Transactions are set out on pages 73 to 81.

COMMUNICATION WITH SHAREHOLDERS

Dialogue between the Company and Investors

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

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

Annual General Meeting

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

COMMUNICATION WITH SHAREHOLDERS (Continued)

Special General Meeting

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

AUDIT COMMITTEE REPORT

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

MEMBERS

The Board has established an Audit Committee comprising four (4) members, namely Mr. Fung Ka Pun (Chairman of the Audit Committee), Mr. David William Oskin and Mr. Tan Li Pin, Richard, who are the Independent Non-Executive Directors and Mr. Chan Hua Eng, who is a Non-Executive Director. 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 roles and responsibilities of the Audit Committee are set out in written terms of reference shown on pages 52 to 55 in this Annual Report.

MEETINGS

During the financial year, the Audit Committee met on four (4) occasions where all members attended, except for Mr. Tan Li Pin, Richard, who attended three out of the four meetings held.

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

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

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

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

- Reviewed the Group's Interim Report and interim results announcement at a meeting held in March 2009 and the Group's Annual Report and annual results announcement at a meeting held in September 2009. The Audit Committee was briefed on accounting and judgmental issues that required their attention by the Company's officers, the staff responsible for the accounting and financial reporting function and KPMG.

- In June 2009, the Audit Committee reviewed KPMG's overall work plan, their remuneration and terms of engagement for the financial year ended 30 June 2009. The Committee also considered the briefing by KPMG on regulatory and accounting developments and their impact on the Group.

  In September 2009, the Audit Committee considered in detail the results of the audit, KPMG's performance and the independence and effectiveness of the overall audit process.

  The Audit Committee met with KPMG, without the presence of management, in March and September 2009 to facilitate discussion of matters relating to its remit, issues, major audit findings, management responses, timeliness and quality of the financial information and the reports and accounts presented for audit, and the level of assistance, competence and responsiveness of the accounting and financial staff in dealing with matters concerning the annual audit of the Company's reports and accounts. The Audit Committee considered and recommended KPMG's re-appointment as auditors of the Company and a resolution for their re-appointment will be submitted to the shareholders at the Company's Annual General Meeting.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (Continued)

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

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

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

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

- Discussed issues concerning risks and controls in the operations.

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

INTERNAL AUDIT FUNCTION AND ACTIVITIES

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

The activities of the Internal Audit Department are summarised below:

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

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

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

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

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

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

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

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

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

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.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Membership

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

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

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

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

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

2. Proceedings

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

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

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

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

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

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

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

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (Continued)

3. Authority

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

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

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

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

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

4. Duties

The duties of the Audit Committee include:

4.1 Relationship with the Company's external auditors

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

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

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

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

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

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

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

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

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (Continued)

4. Duties (Continued)

4.2 Review of financial information of the Company

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

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

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

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

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

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

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

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

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

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

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

TERMS OF 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 on Corporate Governance Practices (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; and

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

6. Publication of these Terms of Reference

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

INDEPENDENT NON-EXECUTIVE DIRECTORS COMMITTEE REPORT

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

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

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

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

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

MEMBERS

The INED Committee comprises three (3) Independent Non-Executive Directors namely, Mr. David William Oskin (Chairman of the INED Committee), Mr. Fung Ka Pun and Mr. Tan Li Pin, Richard.

The main roles and responsibilities of the INED Committee are set out in the written terms of reference shown on pages 57 to 58 in this Annual Report.

MEETINGS

During the financial year, the INED Committee met on six (6) occasions where all members attended, except for Mr. Tan Li Pin, Richard and Mr. Fung Ka Pun, who respectively attended four meetings and five meetings out of the six meetings held.

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

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

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

SUMMARY OF ACTIVITIES OF THE INED COMMITTEE

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

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

SUMMARY OF ACTIVITIES OF THE INED COMMITTEE (Continued)

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

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

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

TERMS AND REFERENCE OF THE INED COMMITTEE

1. Membership

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

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

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

2. Proceedings

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

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

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

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

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

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

TERMS AND REFERENCE OF THE INED COMMITTEE (Continued)

3. Authority

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

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

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

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

4. Duties

The duties of the INED Committee include reviewing:

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

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

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

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

5. Publication of These Terms of Reference

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

STATEMENT ON INTERNAL CONTROL

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

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

RISK MANAGEMENT

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

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

i. Risk Management Policy

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

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

RISK MANAGEMENT (Continued)

ii. Risk Management Framework

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

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

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

- Refining the roles and responsibilities for risk management to improve the reporting structure;
- Conducting risk education sessions for the purpose of risk management knowledge sharing and training;
- Updating of the database of risks for certain operating units of the Group (key risks to each operating unit were identified, scored and categorised to highlight the source of risk, their financial impacts and the likelihood of occurrence); and
- Exposing the major operating units and its key personnel to good risk management practices.

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

iii. Risk Reporting

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

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

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

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

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

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

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

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

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

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

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

- Defined policies and procedures governing appraisal and approval of capital expenditure and treasury operations were established. Other expenditures were approved according to formalised limits of authority.

- Where appropriate, subsidiaries and affiliated companies have obtained ISO9001:2008 accreditation for their operational processes. The Group, through a subsidiary, has achieved Malaysian Timber Certification Council ("MTCC") Certificate for Forest Management (MC&I 2001) for its upstream operations on sustainable forest management practices.

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

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

OTHER KEY ELEMENTS OF INTERNAL CONTROL (Continued)

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

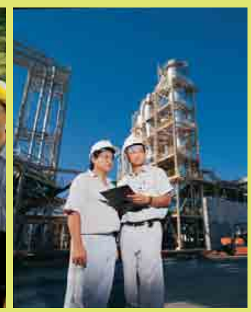
- Audit Committee held regular meetings to deliberate upon findings and recommendations for improvement by both the internal and external auditors on the state of the system of internal control and reported back to the Board.

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

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

A THRIVING PARTNERSHIP



BUILDING WORKPLACE RELATIONSHIP DYNAMICS FOR TOP-NOTCH PERFORMANCE

The Group has long cultivated a corporate culture that is based on a people-focused management style and values partnership, transparency and performance. Establishing values is a dynamic process and continuously a part of the ongoing dialogue between the Group's management, employees and stakeholders.

We take immense pride in the fruit of our partnership and labour, as we incorporate integrity with a human touch in conducting business. We trust and rely on the professional and technical skills of our employees, who are well-versed with many aspects of forest management and the business. Their wealth of experience is a core factor that spurs the Group's business growth.

FINANCIAL SECTION

CONTENTS

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited financial statements for the financial year ended 30 June 2009.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated in Bermuda and has its principal place of business at Room 2205, 22nd Floor, Habour Centre, 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 34 to the financial statemens. There have been no significant changes in the nature of these activities during the financial year.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 30 June 2009 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 84 to 173.

The final dividend of 0.080 US cents in respect of the financial year ended 30 June 2008 was paid on 18 December 2008. No interim dividend for the six months ended 31 December 2008 was paid. The Board has resolved to recommend payment of a final dividend of 0.621 HK cents (equivalent to approximately 0.080 US cents) per share for the financial year ended 30 June 2009. The dividend will be paid in Hong Kong dollars.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 27 to the financial statements.

RESERVES

Loss attributable to equity holders, before dividends, of US$37,447,000 (2008: profit of US$14,035,000 (restated)) have been transferred to reserves. Other movements in the reserves of the Company during the financial year are set out in note 28 to the financial statements.

DIRECTORS OF THE COMPANY

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

Executive Directors

Yaw Chee Ming
Cheam Dow Toon

Non-Executive Director

Chan Hua Eng

Independent Non-Executive Directors

David William Oskin
Tan Li Pin, Richard
Fung Ka Pun

In accordance with bye-laws 87(1) and (2) of the Company's bye-laws, Mr. Chan Hua Eng and Mr. Fung Ka Pun shall retire from the Board by rotation and, being eligible, shall offer themselves for re-election at the forthcoming Annual General Meeting.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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 2009, the interests and share positions of Directors and chief executive in the shares, underlying shares or debentures of the Company, subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which are required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Name of Director	Interests in Company, Subsidiary or Associated Corporation	Number and Class of Shares/Equity Interest Held	Capacity/Nature of the Interest	Long/Short Position	Approximate Percentage of Shareholding in Such Class of Shares
Chan Hua Eng	Lingui Developments Berhad ("Lingui")	394,623 ordinary shares(1)	Beneficial owner/Interest in a controlled corporation	Long	0.06%
	Glenealy Plantations (Malaya) Berhad ("Glenealy")	32,000 ordinary shares(2)	Interest in a controlled corporation	Long	0.03%
	the Company	4,000,000 ordinary shares(3)	Interest in a controlled corporation	Long	0.09%
Yaw Chee Ming	Yaw Holding Sdn. Bhd. ("Yaw Holding")	30,937 ordinary shares	Beneficial owner	Long	39.60%
		2,500 preference shares	Beneficial owner	Long	50%
	Samling Strategic Corporation Sdn. Bhd. ("Samling Strategic")	75,000,000 ordinary shares(4)	Interest in a controlled corporation	Long	100%
		1,497,021 redeemable preference shares(4)	Interest in a controlled corporation	Long	100%
		3,122,467 Class A redeemable preference shares(5)	Interest in a controlled corporation	Long	100%
		4,102,879 Class B redeemable preference shares(5)	Interest in a controlled corporation	Long	100%
		100,000 Class C redeemable preference shares(6)	Interest in a controlled corporation	Long	100%
		950,000 Class D redeemable preference shares(5)	Interest in a controlled corporation	Long	100%
	the Company	2,340,420,260 ordinary shares(4), (7)	Interest in a controlled corporation	Long	54.41%
	Glenealy	59,068,522 ordinary shares(8)	Interest in a controlled corporation	Long	51.77%
	Strategic Corporation Sdn. Bhd. ("Strategic Corporation")	17,040,000 ordinary shares(9)	Beneficial owner/Interest in a controlled corporation	Long	71%
	TSTC Sdn. Bhd. ("TSTC")	6,125,000 ordinary shares(10)	Interest in a controlled corporation	Long	100%
Cheam Dow Toon	Lingui	29,030 ordinary shares	Beneficial owner	Long	0.01%
	Glenealy	14,000 ordinary shares	Beneficial owner	Long	0.01%
	the Company	2,104,000 ordinary shares	Beneficial owner	Long	0.05%
Tan Li Pin, Richard	the Company	1,800,000 ordinary shares(11)	Interest in a controlled corporation	Long	0.04%

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

Notes:

(1) (i) Chan Hua Eng is directly interested in 58,333 ordinary shares in Lingui.

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

(2) Chan Hua Eng is deemed interested in 32,000 ordinary shares of Glenealy since he and his spouse are each interested in 25% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turn holds 32,000 ordinary shares of Glenealy.

(3) Chan Hua Eng is deemed interested in 4,000,000 ordinary shares of the Company since he is interested in 25% of the issued share capital of Tysim Holdings Limited, which in turn holds 4,000,000 ordinary shares of the Company.

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

(5) Samling Strategic and Yaw Holding hold approximately 45.00% and 25.00% of Perdana Parkcity Sdn. Bhd. ("Perdana Parkcity"), respectively. Yaw Holding holds 100% of Truman Holdings Sdn. Bhd. ("Truman Holdings"). Accordingly, by virtue of note (4) above, Yaw Chee Ming is deemed interested in the 3,122,467 Class A redeemable preference shares of Samling Strategic held by Yaw Holding Nominee Sdn. Bhd. ("Yaw Holding Nominee") in favour of Truman Holdings and 4,102,879 Class B redeemable preference shares of Samling Strategic held by Yaw Holding Nominee in favour of Perdana Parkcity, and the 950,000 Class D redeemable preference shares of Samling Strategic held by Perdana Parkcity.

(6) Yaw Holding holds 100% of Samling Mewah Sdn. Bhd.. Accordingly, by virtue of note (4) above, Yaw Chee Ming is deemed interested in the 100,000 Class C redeemable preference shares of Samling Strategic held by Samling Mewah Sdn. Bhd..

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

(8) (i) The Company holds 100% of Samling Malaysia Inc., which in turn holds 59.69% of Lingui, which, in turn, holds 36.42% of Glenealy. By virtue of note (4) 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 (4) 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.

(9) Samling Strategic holds 71.00% of Strategic Corporation. By virtue of note (4) above, Yaw Chee Ming is deemed to be interested in the 17,039,998 ordinary shares of Strategic Corporation held by Samling Strategic. Additionally, Yaw Chee Ming is directly interested in 2 ordinary shares of Strategic Corporation.

(10) (i) Strategic Corporation holds 50.61% of TSTC. By virtue of notes (4) and (9) above, Yaw Chee Ming is deemed to be interested in the 3,100,000 ordinary shares of TSTC held by Strategic Corporation; and

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

(11) Tan Li Pin, Richard is a director of Pacific Millennium Investment Corporation, which in turn is interested in 1,800,000 ordinary shares of the Company. Tan Li Pin, Richard is therefore deemed to be interested in all the ordinary shares in the Company held by Pacific Millennium Investment Corporation.

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)

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executive have any interests or short positions in the shares, underlying shares or debentures of the Company, subsidiaries or associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and SEHK pursuant to the Model Code.

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

As at 30 June 2009, the interests and short positions of substantial shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register of interests required to be kept under section 336 of the SFO were as follows:

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

Name	Capacity/Nature of Interest	Number of Ordinary Shares of US$0.10 each	Approximate Percentage of Shareholdings
Yaw Chee Ming[(1)]	Interest of a controlled corporation	2,340,420,260	54.41%
Datuk Yaw Teck Seng[(2)]	Beneficial owner/Interest of a controlled corporation	2,592,291,280	60.26%
Yaw Holding[(3)]	Interest of a controlled corporation	2,320,290,260	53.94%
Samling Strategic	Beneficial owner	2,320,290,260	53.94%

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

Long positions of other substantial shareholders with notifiable interests

Name	Capacity/Nature of Interest	Number of Ordinary Shares of US$0.10 each	Approximate Percentage of Shareholdings
Ahmad Bin Su'ut[(4)]	Interest of a controlled corporation	225,592,070	5.24%
Tapah Plantation Sdn. Bhd. ("Tapah")	Beneficial owner	225,592,070	5.24%

Notes:

(1) Yaw Chee Ming is interested in approximately 39.60% of the issued share capital of Yaw Holding, which owns the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the shares in the Company owned by Samling Strategic. Additionally, he is also interested in 20,130,000 ordinary shares of the Company since he is interested in 100% of the issued share capital of Growtrade Investments Limited, which in turn holds 20,130,000 ordinary shares of the Company.

(2) Datuk Yaw Teck Seng is interested in approximately 39.60% of the issued share capital of Yaw Holding, which owns the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the shares in the Company 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 ordinary 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.

(3) Yaw Holding 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 2009, 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 COMPETITING BUSINESS

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

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

CONNECTED TRANSACTIONS

During the financial year, the Group entered into the continuing connected transactions and connected transactions as defined under Chapter 14A of the Listing Rules of SEHK ("Connected Transactions") set out on pages 73 to 81.

DIRECTORS' INTEREST IN CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

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

EMOLUMENT POLICY

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

FIXED ASSETS

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

DONATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the 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, 23 September 2009

CONNECTED TRANSACTIONS

The continuing connected transactions as noted in paragraphs 1 to 14 below have been reviewed by the Independent Non-Executive Directors of the Company who have confirmed that the transactions have been entered into:

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

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

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

The Company has received from the auditors a letter reporting that the continuing connected transactions stated in paragraph 1 to 14 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 and announcements made in respect of each of the continuing connected transactions.

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 14.9% interest in Samling Housing Products Sdn. Bhd. ("Samling Housing Products"), a subsidiary of the Company. Sojitz Corporation and its subsidiaries are, therefore, connected persons of the Company.

Sojitz Corporation and its subsidiaries are engaged, amongst others things, in the trading of plywood, logs, LVL and/or other wood products. Sojitz Corporation is a long term customer and business partner of the Group. On 16 January 2007, the Company and Sojitz Corporation entered into an agreement for the sale of logs, plywood and LVL, whereby subsidiaries of the Company, including Kayuneka Sdn. Bhd. ("Kayuneka"), Samling Plywood (Miri) Sdn. Bhd. ("SP (Miri)"), Samling Plywood (Baramas) Sdn. Bhd. ("SP (Baramas)") and Foothill LVL & Plywood (Cangshan) Co., Ltd. ("Foothill"), shall sell logs, plywood, LVL and other wood products to Sojitz Corporation and its subsidiaries. The annual caps for the transactions contemplated under the sale of logs, plywood and LVL agreement amounted to US$62,000,000 for each of the three years ended 30 June 2009.

For the financial year ended 30 June 2009, total sales of logs by Kayuneka to Sojitz Corporation and its subsidiaries, total sales of plywood and other wood products by SP (Miri) and SP (Baramas) to Sojitz Corporation and its subsidiaries and total sales of LVL by Foothill to Sojitz Corporation and its subsidiaries, together amounted to US$23,843,000 compared to a cap of US$62,000,000.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

On 16 January 2007, the Company and Sojitz Corporation entered into a sale of housing products agreement, whereby the Group, including Samling Housing Products, shall sell housing products to Sojitz Corporation and its subsidiaries. The annual caps for the transactions contemplated under the sale of housing products agreement amounted to US$12,000,000 for each of the three years ended 30 June 2009.

On 24 November 2008, the Company has revised the annual cap for the sale of housing products by Samling Housing Products to Sojitz Building Materials from US$12,000,000 to US$20,000,000 for the year ended 30 June 2009, with the terms and conditions of the sale of housing products agreement entered on 16 January 2007 remain unchanged.

For the financial year ended 30 June 2009, total sales of housing products by Samling Housing Products to Sojitz Building Materials amounted to US$17,867,000 compared to a cap of US$20,000,000.

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

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

Hap Seng Auto Sdn. Bhd. ("Hap Seng Auto") 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 Hap Seng Auto. Therefore, Hap Seng Auto is an associate of Mr. Yaw Chee Ming and, thus, a connected person.

Hap Seng Auto is a distributor of Mercedes Benz logging vehicles and spare parts which the Group, being involved in logging upstream operations, requires such logging vehicles and spare parts. On 12 January 2007, Hap Seng Auto entered into a purchase of logging vehicles and parts agreement, with Tamex Timber Sdn. Bhd. ("Tamex Timber"), Miri Parts Trading Sdn. Bhd. ("Miri Parts Trading") and Syarikat Samling Timber Sdn. Bhd. ("Syarikat Samling Timber"), for the purchase of logging vehicles and parts from Hap Seng Auto. The annual caps for the transactions contemplated under the agreement for the purchase of logging vehicles and parts amounted to US$15,000,000 for each of the three years ended 30 June 2009.

On 24 November 2008, the Company has revised the annual cap for the purchase of logging vehicles and parts from Hap Seng Auto from US$15,000,000 to US$19,000,000 for the year ended 30 June 2009, with the terms and conditions of the purchase of logging vehicles and parts agreement entered on 12 January 2007 remain unchanged.

For the financial year ended 30 June 2009, total purchases by Tamex Timber, Miri Parts Trading and Syarikat Samling Timber of logging vehicles and parts from Hap Seng Auto amounted to US$7,149,000 compared to a cap of US$19,000,000.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

(ii) Trade-in of used logging vehicles to Hap Seng Auto Sdn. Bhd.

On 21 October 2008, Hap Seng Auto entered into an agreement with Syarikat Samling Timber and Tamex Timber for a term commencing from 30 June 2009 to 30 June 2011 for the trade-in of used logging vehicles. The annual caps under the agreement amounted to US$4,200,000, US$2,500,000 and US$2,500,000 respectively for the three years ending 30 June 2011.

For the financial year ended 30 June 2009, there was no transaction for the trade-in of used logging vehicles by Syarikat Samling Timber and Tamex Timber to Hap Seng Auto compared to a cap of US$4,200,000.

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

Grand Perfect Sdn. Bhd. ("Grand Perfect") is a joint venture company in which Samling Strategic Corporation Sdn. Bhd. ("Samling Strategic"), a controlling shareholder of the Company, owns a 35% interest. Grand Perfect is, therefore, a connected person as an associate of Samling Strategic.

Grand Perfect is a single project company established to act as a contractor to plant trees in a reforestation project in Sarawak, Malaysia for the Government of the State of Sarawak, under an agreement expiring on 31 December 2010. Syarikat Samling Timber entered into:

(i) an agreement for establishment of tree plantations with Grand Perfect on 5 December 2002 (as amended by the supplemental agreements dated 17 May 2006 and 5 August 2008); and

(ii) an agreement for the maintenance of tree plantations with Grand Perfect on 5 December 2002 (as amended by the supplemental agreements dated 17 May 2006 and 5 August 2008),

where Grand Perfect subcontracted Syarikat Samling Timber to establish tree plantations and carry out maintenance works in such tree plantations in Sarawak, Malaysia. Under these agreements, Grand Perfect shall pay Syarikat Samling Timber prescribed fees specified under the respective agreements based on terms negotiated between Grand Perfect and the Sarawak Government. The agreements will expire on 31 December 2010.

The annual cap for the transactions contemplated under the tree plantation and tree maintenance agreements amounted to US$3,500,000 and US$800,000 respectively for the year ended 30 June 2009.

On 24 November 2008, the Company has revised the prescribed fees that Grand Perfect is required to pay to Syarikat Samling Timber for establishment of tree plantations and for the maintenance of the tree from US$3,500,000 to US$6,000,000 and from US$800,000 to US$1,100,000 respectively for the year ended 30 June 2009. The terms and conditions of the tree plantation and tree maintenance agreements entered into between Syarikat Samling Timber and Grand Perfect remain unchanged.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

For the financial year ended 30 June 2009, the following amounts were transacted with Grand Perfect compared to the respective caps.

	Actual for the financial year ended 30 June 2009 US$'000	Cap for the financial year ended 30 June 2009 US$'000
Establishment of tree plantations	3,840	6,000
Maintenance of tree plantations	695	1,100

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

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

On 15 September 2006, Riverside Plywood entered into a sale of veneer agreement with Pi Zhou Yanglin, where Pi Zhou Yanglin shall sell veneer to Riverside Plywood. The annual caps for the transactions contemplated under the agreement for the sale of veneer amounted to US$8,000,000 for each of the three years ended 30 June 2009.

For the financial year ended 30 June 2009, total sales of veneer by Pi Zhou Yanglin to Riverside Plywood amounted to US$210,000 compared to a cap of US$8,000,000.

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

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

On 15 September 2006, Riverside Plywood entered into two agreements with Pacific Plywood, where Pacific Plywood shall sell plywood to Riverside Plywood and Riverside Plywood shall sell veneer to Pacific Plywood, respectively. The annual caps for the transactions contemplated under the agreements for the sales of plywood by Pacific Plywood to Riverside Plywood and sales of veneer by Riverside Plywood to Pacific Plywood amounted to US$3,000,000 and US$750,000 respectively for each of the three years ended 30 June 2009.

For the financial year ended 30 June 2009, total sales of plywood by Pacific Plywood to Riverside Plywood amounted to US$192,000 compared to a cap of US$3,000,000 and US$525,000 for the sales of veneer by Riverside Plywood to Pacific Plywood compared to a cap of US$750,000.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

Samling Plantation Sdn. Bhd. ("Samling Plantation") 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 subsidiaries of the Company. Samling Plantation is, therefore, a connected person by virtue of being an associate of Mr. Wan Morshidi Bin Tuanku Abdul Rahman.

Samling Plantation is engaged in oil palm plantation business. Miri Parts Trading sells fuel and parts to Samling Plantation on a regular basis. On 12 January 2007, Miri Parts Trading entered into a sale of fuel and parts agreement with Samling Plantation, where Miri Parts Trading shall sell fuel and parts to Samling Plantation. The annual caps for the transactions contemplated under the agreement for the sale of fuel and parts amounted to US$280,000 for each of the three years ended 30 June 2009.

For the financial year ended 30 June 2009, there was no transaction for the sales of fuel and parts by Miri Parts Trading to Samling Plantation compared to a cap of US$280,000.

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

Dainippon Ink & Chemicals, Inc. ("Dainippon") is 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, and therefore is a connected person.

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

Samling Housing Products entered into the following agreements with Dainippon:

(a) On 7 November 1996 (as renewed by a memorandum dated 30 October 2003), Samling Housing Products entered into a marketing services agreement with Dainippon, under which Dainippon shall provide housing products marketing services for Samling Housing Products. The agreement is automatically renewed for additional terms of one year each. The annual caps for the transactions contemplated under the marketing services agreement amounted to US$155,000 for each of the three years ended 30 June 2009;

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

(b) On 5 February 1996 (as renewed by two agreements dated 12 October 2003 and 12 September 2006, respectively), Samling Housing Products entered into a license agreement with Dainippon, under which Dainippon shall grant a license to Samling Housing Products to use technical information relating to the manufacturing of laminated decorative boards in Sarawak, Malaysia. The terms of the agreement had expired on 31 December 2007. On 20 October 2008, Samling Housing Products and Dainippon entered into a new agreement to extend the existing license agreement with retrospective effect from 1 January 2008 to 31 December 2010. The annual caps for the transactions contemplated under the license agreement amounted to US$150,000 for each of the two years ending 30 June 2010 and US$80,000 (represents the fees for approximately six months) for the year ending 31 December 2010, respectively;

(c) On 16 January 2007, Samling Housing Products entered into a purchase agreement with Dainippon for purchase of laminated paper and consumables. The annual caps for the transactions contemplated under the purchase agreement amounted to US$2,800,000, US$3,500,000 and US$4,000,000 for each of the three years ended 30 June 2009.

(d) On 6 December 2005, Dainippon and Samling Housing Products entered into an agency agreement, under which Dainippon shall act as an agent for the marketing and sales of Samling Housing Products' housing products to certain buyers in Japan. The terms of the agreement had expired on 30 June 2008. On 20 October 2008, Samling Housing Products and Dainippon entered into a new agreement to extend the existing agency agreement for the three years with retrospective effect from 1 July 2008 to 30 June 2011. The annual caps for the transactions contemplated under the agency agreement amounted to US$8,000 for each of the three years ending 30 June 2011.

For the financial year ended 30 June 2009, the following amounts were transacted with Dainippon compared to the respective caps.

	Actual for the financial year ended 30 June 2009 US$'000	Cap for the financial year ended 30 June 2009 US$'000
Housing products marketing services fee	79	155
Technical license fee	150	150
Purchase of laminated paper and consumables	3,328	4,000
Agency fee	4	8

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

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

Various subsidiaries of the Company have entered into various tenancy agreements (with the latest expiry date being 30 June 2009) with Doyon as landlord in relation to two properties as stated below:

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

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

The annual caps for the aggregate amount of the rental payable by the Group to Doyon amounted to US$800,000, US$865,000 and US$1,005,000 for each of the three years ended 30 June 2009.

For the financial year ended 30 June 2009, total aggregate rent paid by the subsidiaries of the Company to Doyon amounted to US$795,000 compared to a cap of US$1,005,000.

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

Hornbill Travel Agency Sdn. Bhd. ("Hornbill Travel") is a company indirectly owned by Yaw Holding. Hornbill Travel is, therefore, a connected person by virtue of it being an associate of the Company's controlling shareholders.

Hornbill Travel operates an airline ticket agency which has been providing airline tickets to the subsidiaries of the Company in Miri, Sarawak, Malaysia. On 26 September 2006, Hornbill Travel entered into an agency agreement with Syarikat Samling Timber and Lingui Developments Berhad ("Lingui"), a subsidiary of the Company, where Syarikat Samling Timber and Lingui shall purchase air tickets on behalf of their respective subsidiaries through Hornbill Travel as an agent. The annual caps for the transactions contemplated under the agency agreement amounted to US$560,000 for each of the three years ended 30 June 2009.

For the financial year ended 30 June 2009, total aggregate amount paid by the subsidiaries of the Company to Hornbill Travel amounted to US$513,000 compared to a cap of US$560,000.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

Hap Seng Fertilizers Sdn. Bhd. ("Hap Seng Fertilizers") is a subsidiary of Hap Seng Consolidated Berhad. 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 Fertilizers. Therefore, Hap Seng Fertilizers is a connected person.

Hap Seng Fertilizers is engaged in the fertilizers and agro-chemicals business. Hap Seng Fertilizers entered into a sale of fertilizers and agro-chemicals agreement dated 29 January 2007, with Amalania Koko Berhad ("Amalania Koko"), Timor Enterprises Sdn. Bhd. ("Timor Enterprises") and Samling Plantation, subsidiaries of Glenealy Plantations (Malaya) Berhad ("Glenealy"), an associated company of the Group. Under the agreement, Amalania Koko, Timor Enterprises and Samling Plantation shall purchase fertilizers and agro-chemicals from Hap Seng Fertilizers. The annual caps for the transactions contemplated under the sale of fertilizers and agro-chemicals agreement amounted to US$3,600,000 for each of the three years ended 30 June 2009. On 24 November 2008, the Company has revised the annual cap for the year ended 30 June 2009 from US$3,600,000 to US$13,700,000. The terms and conditions of the purchase of fertilisers and agro-chemicals agreement entered on 29 January 2007 remain unchanged.

For the financial year ended 30 June 2009, total purchases of fertilisers and agro-chemicals by Amalania Koko, Timor Enterprises and Samling Plantation from Hap Seng Fertilizers amounted to US$7,344,000 compared to a cap of US$13,700,000.

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

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

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

For the financial year ended 30 June 2009, total purchases of vehicles and spare parts from Auto Pacifica amounted to US$265,000 compared to a cap of US$700,000.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

On 5 November 2008 and 21 October 2008, Adtec entered into two helicopter charter service agreements with various subsidiaries of the Company, for a term with retrospective effect from 1 July 2008 to 30 June 2009 and a term from 1 July 2009 to 30 June 2012, respectively. Under the agreements, Adtec shall provide helicopters charter services to various subsidiaries of the Company. The annual caps under the charter service agreements amounted to US$500,000 for the year ended 30 June 2009 and each of the three years ending 30 June 2012, respectively.

For the financial year ended 30 June 2009, charter of helicopters from Adtec amounted to US$252,000 compared to a cap of US$500,000.

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

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

On 5 November 2008 and 21 October 2008, Insan Sejati and Kemena entered into two hotel accommodation agreements with Syarikat Samling Timber, Lingui and Glenealy, for a term with retrospective effect from 1 July 2008 to 30 June 2009 and a term from 1 July 2009 to 30 June 2012, respectively. Under the hotel accommodation agreements, Insan Sejati and Kemena shall provide short term accommodation for the staffs of various subsidiaries of Syarikat Samling Timber, Lingui and Glenealy in Parkcity Everly Hotel, Miri, and Parkcity Everly Hotel, Bintulu, respectively. The annual caps under the accommodation agreements amounted to US$300,000 for the year ended 30 June 2009 and each of the three years ending 30 June 2012.

For the financial year ended 30 June 2009, provision of hotel accommodation by Insan Sejati and Kemena amounted to US$126,000 compared to a cap of US$300,000.

INDEPENDENT AUDITOR'S REPORT

KPMG

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 84 to 173, which comprise the consolidated and company balance sheets as at 30 June 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation 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 Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

Independent auditor's report to the shareholders of Samling Global Limited (Continued)
(Incorporated in Bermuda with limited liability)

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 2009 and of the Group's loss 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

23 September 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009
(Expressed in United States dollars)

	Note	2009 $'000	2008 $'000 (restated)
Turnover	3	478,960	545,293
Cost of sales		(445,778)	(493,538)
Gross profit		33,182	51,755
Other operating income	4	6,334	7,817
Distribution costs		(17,118)	(10,417)
Administrative expenses		(35,480)	(29,733)
Other operating expenses	13	(4,930)	(170)
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	17	(1,952)	(3,034)
(Loss)/profit from operations		(19,964)	16,218
Financial income		8,695	11,283
Financial expenses		(28,021)	(21,166)
Net financing costs	5	(19,326)	(9,883)
Share of profits less losses of associates		96	19,539
Share of profits less losses of jointly controlled entities		800	1,762
(Loss)/profit before taxation	6	(38,394)	27,636
Income tax	7(a)	(4,593)	(1,523)
(Loss)/profit for the year		(42,987)	26,113
Attributable to:			
Equity holders of the Company	8	(37,447)	14,035
Minority interests		(5,540)	12,078
(Loss)/profit for the year		(42,987)	26,113
Dividend attributable to the year:	9		
Final dividend proposed after the balance sheet date		3,441	3,441
(Loss)/earnings per share (US cents)	10		
— Basic and diluted		(0.87)	0.33

The notes on pages 91 to 173 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 30 June 2009

(Expressed in United States dollars)

	Note	2009 $'000	2008 $'000 (restated)
Non-current assets			
Fixed assets, net	13		
— Investment properties		7,525	10,322
— Other property, plant and equipment		370,430	428,051
Construction in progress	14	15,401	9,153
Interests in leasehold land held under operating leases	15	34,216	27,939
Intangible assets	16	50,107	32,725
Plantation assets	17	213,396	241,209
Interest in associates	19	68,497	75,372
Interest in jointly controlled entities	20	10,828	14,887
Other investment		31	34
Deferred tax assets	21	2,789	5,853
Total non-current assets		773,220	845,545
Current assets			
Inventories	22	135,457	139,049
Trade and other receivables	23	74,105	80,039
Current tax recoverable	7(c)	20,378	19,395
Cash and cash equivalents	24	240,876	273,316
Total current assets		470,816	511,799
Total assets		1,244,036	1,357,344
Current liabilities			
Bank loans and overdrafts	25(a)	101,084	120,829
Obligations under finance leases	25(b)	28,047	32,510
Trade and other payables	26	124,176	132,349
Current tax payable	7(c)	1,787	263
Total current liabilities		255,094	285,951
Net current assets		215,722	225,848

CONSOLIDATED
BALANCE SHEET

At 30 June 2009
(Expressed in United States dollars)

	Note	2009 $'000	2008 $'000 (restated)
Total assets less current liabilities		988,942	1,071,393
Non-current liabilities			
Bank loans and overdrafts	25(a)	206,398	179,327
Obligations under finance leases	25(b)	34,292	57,120
Deferred tax liabilities	21	53,008	55,320
Total non-current liabilities		293,698	291,767
Total liabilities		548,792	577,718
Capital and reserves			
Share capital	27	430,174	430,174
Reserves		88,352	167,716
Total equity attributable to equity holders of the Company		518,526	597,890
Minority interests		176,718	181,736
Total equity		695,244	779,626
Total liabilities and equity		1,244,036	1,357,344

Approved and authorised for issue by the Board of Directors on 23 September 2009

Yaw Chee Ming
Director

Cheam Dow Toon
Director

The notes on pages 91 to 173 form part of these financial statements.

BALANCE SHEET

At 30 June 2009

(Expressed in United States dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Fixed assets, net	13	3,456	181
Interest in subsidiaries	18	461,379	343,556
		464,835	343,737
Current assets			
Prepayments, deposits and other receivables	23	296	9,226
Cash and cash equivalents	24	167,715	221,475
Total current assets		168,011	230,701
Total assets		632,846	574,438
Current liabilities			
Bank loans	25(a)	5,000	—
Other payables and accrued expenses	26	11,325	3,186
Total current liabilities		16,325	3,186
Net current assets		151,686	227,515
Non-current liability			
Bank loans	25(a)	45,000	—
Total non-current liability		45,000	—
Total liabilities		61,325	3,186
Capital and reserves			
Share capital	27	430,174	430,174
Reserves	28(a)	141,347	141,078
Total equity		571,521	571,252
Total liabilities and equity		632,846	574,438

Approved and authorised for issue by the Board of Directors on 23 September 2009

Yaw Chee Ming
Director

Cheam Dow Toon
Director

The notes on pages 91 to 173 form part of these financial statements.

CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009
(Expressed in United States dollars)

		Attributable to equity holders of the Company								
	Note	Share capital $'000 (Note 27 (a))	Share premium $'000 (Note 28 (b)(i))	Currency translation reserve $'000 (Note 28 (b)(ii))	Revaluation reserve $'000 (Note 28 (b)(iii))	Other reserve $'000 (Note 28 (b)(iv))	Retained earnings $'000	Sub-total $'000	Minority interests $'000	Total equity $'000
At 1 July 2007 (as previously stated)		430,174	261,920	40,403	6,673	(302,354)	161,959	598,775	166,014	764,789
Adoption of merger accounting		—	—	—	—	1,174	166	1,340	—	1,340
At 1 July 2007 (as restated)		430,174	261,920	40,403	6,673	(301,180)	162,125	600,115	166,014	766,129
Currency translation differences		—	—	11,213	—	101	—	11,314	5,996	17,310
Profit for the year (as restated)		—	—	—	—	—	14,035	14,035	12,078	26,113
Dividends declared and paid	9	—	—	—	—	—	(27,574)	(27,574)	(2,352)	(29,926)
At 30 June 2008 (as restated)		430,174	261,920	51,616	6,673	(301,079)	148,586	597,890	181,736	779,626
At 1 July 2008 (as previously stated)		430,174	261,920	51,423	6,673	(302,354)	148,278	596,114	181,736	777,850
Adoption of merger accounting		—	—	193	—	1,275	308	1,776	—	1,776
At 1 July 2008 (as restated)		430,174	261,920	51,616	6,673	(301,079)	148,586	597,890	181,736	779,626
Consideration for business combination under merger accounting		—	—	—	—	(8,600)	—	(8,600)	—	(8,600)
Acquisition of subsidiary (note 29)		—	—	—	—	—	—	—	19,904	19,904
Currency translation differences		—	—	(29,876)	—	—	—	(29,876)	(18,249)	(48,125)
Loss for the year		—	—	—	—	—	(37,447)	(37,447)	(5,540)	(42,987)
Dividends declared and paid	9	—	—	—	—	—	(3,441)	(3,441)	(1,133)	(4,574)
At 30 June 2009		430,174	261,920	21,740	6,673	(309,679)	107,698	518,526	176,718	695,244

The notes on pages 91 to 173 form part of these financial statements.

CONSOLIDATED
CASH FLOW STATEMENT

For the year ended 30 June 2009
(Expressed in United States dollars)

	Note	2009 $'000	2008 $'000 (restated)
Profit before taxation		(38,394)	27,636
Adjustments for:			
— Depreciation and amortisation	6	69,712	69,491
— Interest income	5	(4,092)	(10,010)
— Interest expense	5	14,143	17,014
— Share of profits less losses of associates		(96)	(19,539)
— Share of profits less losses of jointly controlled entities		(800)	(1,762)
— Loss from changes in fair value of plantation assets less estimated point-of-sale costs	17	1,952	3,034
— Net loss on changes in fair value of financial instruments	5	6,273	2,784
— Gain on disposal of fixed assets	4	(234)	(97)
— Write off of fixed assets and construction in progress	13, 14	1,480	612
— Excess of fair value over purchase consideration arising from business combinations	4	—	(1,889)
— Gain on disposal of plantation licence	4	—	(4,561)
— Impairment loss on fixed assets		4,875	—
— Harvested timber transferred to inventories		9,054	4,297
— Foreign exchange loss		5,498	95
Operating profit before changes in working capital		69,371	87,105
Decrease/(increase) in inventories		7,008	(16,966)
Decrease in trade and other receivables		10,101	9,485
(Decrease)/increase in trade and other payables		(32,516)	8,309
Net cash generated from operations		53,964	87,933
Income tax paid		(10,142)	(19,935)
Income tax refund		4,490	2,153
Net cash generated from operating activities		48,312	70,151

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009
(Expressed in United States dollars)

	Note	2009 $'000	2008 $'000 (restated)
Investing activities			
Payment for purchase of plantation licence		—	(6,531)
Payment for purchase of fixed assets		(23,406)	(33,289)
Rebate on land purchase price		634	—
Payment for construction in progress		(9,186)	(4,472)
Capital expenditure paid on plantation assets		(9,506)	(11,118)
Proceeds from disposal of fixed assets		2,362	924
Proceeds from disposal of plantation licence		—	5,818
Additional investment in associate		(113)	(1,323)
Dividends received from associates		2,175	2,237
Acquisition of subsidiaries, net of cash and bank overdraft acquired	29	(9,909)	(10,235)
Repayment from jointly controlled entity		2,157	2,327
(Increase)/decrease in pledged deposits		(22,356)	1,873
Interest received		4,092	10,010
Net cash used in investing activities		(63,056)	(43,779)
Financing activities			
Capital element of finance lease rentals paid		(31,397)	(32,255)
Dividends paid		(4,574)	(29,926)
Proceeds from bank loans and overdrafts		75,518	98,533
Repayment of bank loans and overdrafts		(51,055)	(92,194)
Interest paid on bank loans and finance lease rentals		(21,364)	(25,777)
Net cash used in financing activities		(32,872)	(81,619)
Net decrease in cash and cash equivalents		(47,616)	(55,247)
Cash and cash equivalents at beginning of the year		241,124	295,517
Effect of foreign exchange rate changes		(2,258)	854
Cash and cash equivalents at end of the year	24	191,250	241,124

The notes on pages 91 to 173 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The IASB has issued certain new and revised IFRSs that are first effective for the current accounting period of the Group and the Company. However, none of these developments are relevant to the Group's or the Company's operations.

The Group and the Company has not applied any new IFRSs that is not yet effective for the current accounting period (see note 35 to the financial statements).

(b) Basis of preparation

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

On 15 August 2008, the Group completed the acquisition of the entire equity interest in Anhui Tongling Anlin Wood Plantation Co., Ltd. ("Anhui Tongling"), a Chinese-foreign cooperative joint venture company established in the People's Republic of China ("PRC"), which is engaged in cultivation, development and usage of industrial resources forest land and the development of related forest, from Samling International Limited, a related party of the Group, in which Mr. Yaw Chee Ming, a director and controlling shareholder of the Company, and Datuk Yaw Teck Seng, a controlling shareholder of the Company, have direct interest in shares, for a cash consideration of $8.6 million. Since Anhui Tongling is ultimately controlled by Mr. Yaw Chee Ming and Datuk Yaw Teck Seng immediately before and after the acquisition, the consolidated income statement for the year ended 30 June 2008, the consolidated balance sheet as at 30 June 2008 and notes thereof have been prepared using the principle of merger accounting as if the Group had always been in existence.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation (Continued)

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 33 to the financial statements.

(c) Basis of consolidation

The consolidated financial statements for the year ended 30 June 2009 include the financial statements of the Company and its subsidiaries (together referred to as the "Group") 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 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 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.

(ii) Associates

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (Continued)

(iv) Common control business combinations

Merger accounting is used by the Group to account for the business combination of entities and businesses under common control. The results of operations and financial position of such entities or businesses are included in the consolidated financial statements as if the businesses were always part of the Group from the beginning of the earliest period presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination. The Group adopted the accounting policy to account for business combination of entities and businesses under common control using the predecessor values method.

(v) 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.

(vi) 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, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to equity holders 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 holders 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 1(n) to the financial statements), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

1. 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 the easy reference of international investors.

(ii) Transactions and balances

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

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at the average exchange rates for the financial period and their balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investment in foreign subsidiaries are 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 1(i) to the financial statements) to earn rental income.

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

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

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

Rental income from investment properties is accounted for as described in note 1(s)(iv) to the financial statements.

1. 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 1(n) to the financial statements). Cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads.

(ii) Leased assets

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

(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
Office equipment, furniture and fittings	4–10 years
Motor vehicles	4–10 years

Depreciation directly relating to the plantation assets (see note 1(j) to the financial statements) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 1(n) to the financial statements).

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

(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 1(n) to the financials statements). 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 concession licences and plantation licences

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

(iii) Other intangible assets

Other intangible assets that are acquired by the Group are initially recognised at fair value and subsequently measured at cost less accumulated amortisation and impairment losses (see note 1(n) to the financial statements).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets (Continued)

(iv) Amortisation

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

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

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

(i) Interests in leasehold land held under operating leases

Interests in leasehold land held under operating leases represent payments made to acquire leasehold land. Leasehold land are carried at cost less accumulated amortisation and impairment losses (see note 1(n) to the financial statements). 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, New Zealand and People Republic of China.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, 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 allowance for impairment of doubtful debts. Trade and other receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

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

If any such evidence exists, any impairment loss is determined and recognised as 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. This assessment is made collectively where these receivables share similar characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

Impairment losses recognised in respect of trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

The cost of timber harvested from plantation assets is its fair value less estimated point-of-sale costs at the date of harvest, determined in accordance with the accounting policy for plantation assets (see note 1(j) to the financial statements). 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 cash flow statement.

(n) Impairment

The carrying amounts of the Group's assets, other than plantation assets (see note 1(j) to the financial statements), inventories (see note 1(l) to the financial statements) and deferred tax assets (see note 1(u) to the financial statements), 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment (Continued)

(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.

(iv) Interim financial reporting and impairment

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

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

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Expenses (Continued)

(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.

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.

(u) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Income tax (Continued)

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 investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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

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

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties (Continued)

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.

2. 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, tax balances, corporate assets and expenses.

Business segments

The Group is comprised of the following main business segments:

Logs	:	The sale of timber logs from concessions and tree plantation areas.
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.
Flooring products	:	The manufacture, sale and distribution of flooring products.
Other timber operations	:	The manufacture and sale of timber related products such as 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.

2. SEGMENT REPORTING (Continued)

Business segments (Continued)

	2008 (restated)						
	Logs $'000	Plywood and veneer $'000	Upstream support $'000	Other timber operations $'000	Other operations $'000	Eliminations $'000	Consolidated $'000
Revenue from external customers	174,077	294,702	11,051	54,972	10,491	—	545,293
Inter-segment revenue	88,408	24,866	205,191	3,592	3,337	(325,394)	—
Total revenue	262,485	319,568	216,242	58,564	13,828	(325,394)	545,293
Cost of sales	(235,270)	(308,236)	(213,461)	(51,055)	(10,910)	325,394	(493,538)
Other income and expenses	(1,936)	(8,994)	(7,941)	(4,749)	(8,883)	—	(32,503)
Segment result before changes in fair value of plantation assets	25,279	2,338	(5,160)	2,760	(5,965)	—	19,252
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	(3,034)	—	—	—	—	—	(3,034)
Segment result	22,245	2,338	(5,160)	2,760	(5,965)	—	16,218
Net financing costs							(9,883)
Share of profits less losses of associates and jointly controlled entities	—	—	—	2,123	19,178	—	21,301
Income tax							(1,523)
Profit for the year							26,113
Segment assets	374,431	336,932	172,134	77,328	34,398	—	995,223
Interest in associates and jointly controlled entities	—	—	—	18,914	71,345	—	90,259
Unallocated assets							271,862
Total assets							1,357,344
Segment liabilities	16,794	29,503	65,403	17,088	3,562	—	132,350
Unallocated liabilities							445,368
Total liabilities							577,718
Capital expenditure	30,244	22,226	20,270	5,648	266	—	78,654
Depreciation and amortisation	17,875	18,243	29,150	1,997	2,226	—	69,491
Non-cash expenses other than depreciation and amortisation	4,864	—	60	—	2	—	4,926

2. SEGMENT REPORTING (Continued)

Business segments (Continued)

	2009							
	Logs $'000	Plywood and veneer $'000	Upstream support $'000	Flooring products $'000	Other timber operations $'000	Other operations $'000	Eliminations $'000	Consolidated $'000
Revenue from external customers	165,102	191,603	7,268	32,564	73,243	9,180	—	478,960
Inter-segment revenue	64,201	21,479	163,052	—	5,083	2,473	(256,288)	—
Total revenue	229,303	213,082	170,320	32,564	78,326	11,653	(256,288)	478,960
Cost of sales	(208,043)	(221,746)	(170,068)	(23,685)	(69,506)	(9,018)	256,288	(445,778)
Other income and expenses	(4,399)	(16,257)	(3,470)	(3,186)	(13,299)	(10,583)	—	(51,194)
Segment result before changes in fair value of plantation assets	16,861	(24,921)	(3,218)	5,693	(4,479)	(7,948)	—	(18,012)
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	(1,952)	—	—	—	—	—	—	(1,952)
Segment result	14,909	(24,921)	(3,218)	5,693	(4,479)	(7,948)	—	(19,964)
Net financing costs								(19,326)
Share of profits less losses of associates and jointly controlled entities	—	—	—	—	(1,102)	1,998	—	896
Income tax								(4,593)
Loss for the year								(42,987)
Segment assets	319,882	285,635	144,313	88,854	70,952	35,930	—	945,566
Interest in associates and jointly controlled entities	—	—	—	—	14,617	64,708	—	79,325
Unallocated assets								219,145
Total assets								1,244,036
Segment liabilities	18,203	26,491	47,124	2,368	12,623	17,367	—	124,176
Unallocated liabilities								424,616
Total liabilities								548,792
Capital expenditure	26,943	11,058	12,305	950	2,352	6,966	—	60,574
Depreciation and amortisation	16,407	18,049	28,160	3,021	1,834	2,241	—	69,712
Non-cash expenses other than depreciation and amortisation	10,247	4,890	964	—	133	1,480	—	17,714

2. SEGMENT REPORTING (Continued)

Geographical segments

All the segments are primarily managed and operated in Malaysia, Guyana, New Zealand, Australia and the People's Republic of China ("PRC") (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.

	2008 (restated)								
	Malaysia $'000	Guyana $'000	New Zealand $'000	PRC $'000	Japan $'000	North America $'000	Australia $'000	Other regions $'000	Consolidated $'000
Revenue from external customers	91,857	7,930	4,695	95,569	128,199	30,851	25,858	160,334	545,293
Segment assets	606,464	69,878	272,316	25,116	95	863	20,491	—	995,223
Capital expenditure	54,103	5,741	17,314	1,468	—	—	28	—	78,654

	2009								
	Malaysia $'000	Guyana $'000	New Zealand $'000	PRC $'000	Japan $'000	North America $'000	Australia $'000	Other regions $'000	Consolidated $'000
Revenue from external customers	86,869	8,315	4,218	82,100	104,947	26,420	40,567	125,524	478,960
Segment assets	488,506	63,132	253,884	114,553	874	901	23,716	—	945,566
Capital expenditure	37,063	2,235	17,275	3,956	—	—	45	—	60,574

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

	2009 $'000	2008 $'000 (restated)
Sales of goods	471,692	534,242
Revenue from provision of services	7,268	11,051
	478,960	545,293

4. OTHER OPERATING INCOME

	2009 $'000	2008 $'000 (restated)
Gain on disposal of fixed assets	234	97
Gain on disposal of plantation licence (note 16)	—	4,561
Reversal of impairment losses on trade and other receivables	—	11
Rental income	592	689
Excess of fair value over purchase consideration arising from business combinations (note 29)	—	1,889
Royalty income	2,340	—
Sundry income	3,168	570
	6,334	7,817

5. NET FINANCING COSTS

	2009 $'000	2008 $'000
Interest on loans and overdrafts from banks and other borrowings wholly repayable within 5 years	(13,306)	(19,482)
Interest on loans and overdrafts from banks and other borrowings wholly repayable after 5 years	(8,439)	(6,890)
	(21,745)	(26,372)
Less: Borrowing costs capitalised into plantation assets (note 17)	7,602	9,358
Interest expense	(14,143)	(17,014)
Net loss on changes in fair value of financial instruments (note 5(a))	(6,273)	(2,784)
Foreign exchange losses	(7,605)	(1,368)
Financial expenses	(28,021)	(21,166)
Interest income	4,092	10,010
Foreign exchange gains	4,603	1,273
Financial income	8,695	11,283
	(19,326)	(9,883)

Borrowing costs have been capitalised at a rate of 3.92% to 7.89% per annum (2008: 5.29% to 7.12%).

5. NET FINANCING COSTS (Continued)

(a) The Group had on 4 May 2009 obtained a $50,000,000 five-year term loan facility on floating LIBOR interest rates and as part of the loan condition for drawdown, had entered into a cross currency interest rate swap transaction to swap the US Dollar denominated loan to Malaysian Ringgit ("RM") at a fixed interest rate for the duration of the loan. The substance of the whole transaction was for the Group to have fixed payments in RM. However, in accordance with IAS 39, *Financial instruments: Recognition and measurement*, the Group was required to recognise a mark-to-market loss of approximately $2,000,000 on the inception of the swap. Had the Group obtained an equivalent five-year term loan facility in RM term at a fixed rate only, no mark-to-market swap loss would have been recognised in the financial statements. The consequence of recognising the loss on the swap in this financial year will mean that the Group will be recognising lower net financing costs in future financial years for the duration of the loan.

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Personnel expenses

	2009 $'000	2008 $'000 (restated)
Salaries, wages, bonuses and benefits	73,328	81,199
Contributions to retirement schemes	4,286	4,378
	77,614	85,577

Pursuant to the relevant labour rules and regulations in Malaysia, Guyana, Australia and the PRC, the companies comprising the Group participate in defined contribution retirement schemes ("the Schemes") organised by the respective local authorities whereby the Group is required to make contributions to the Schemes at rates in the range of 7.8% to 20.0% 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 contributions described above.

(b) Other items

	2009 $'000	2008 $'000 (restated)
Impairment losses on trade and other receivables	2,305	1,450
Impairment losses on fixed assets (note 13)	4,875	—
Auditors' remuneration	717	694
Depreciation (note 13(a))	61,622	63,494
Amortisation of interests in leasehold land held under operating leases (note 15)	1,010	730
Amortisation of intangible assets (note 16)	7,080	5,267
Royalty expenses (note 16)	22,652	32,359

7. INCOME TAX

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

	2009 $'000	2008 $'000 (restated)
Current tax		
Provision for the year	4,794	7,640
Under provision in respect of prior years	4	990
	4,798	8,630
Deferred tax (note 21)		
Origination and reversal of temporary differences	(205)	(6,061)
Reduction in tax rate (notes (c) and (e))	—	(1,046)
	(205)	(7,107)
Total income tax expense in the consolidated income statement	4,593	1,523

Notes:

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

(b) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the years ended 30 June 2009 and 2008.

(c) Pursuant to the income tax rules and regulations of Malaysia, the subsidiaries in Malaysia are liable to Malaysian income tax at a rate of 25% (2008: 26%) for the year ended 30 June 2009. In September 2007, the Malaysian government announced a reduction in the income tax rate from 27% to 26% for the year of assessment 2008 and from 26% to 25% for the year of assessment 2009. Accordingly, the provision for Malaysian income tax for the year ended 30 June 2009 is calculated at 25% 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 sustained a loss for tax purposes during the years ended 30 June 2009 and 2008 or were exempted from income tax.

(e) The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 30% (2008: 33%). No provision for New Zealand income tax has been made as the subsidiaries sustained a loss for tax purposes during the years ended 30 June 2009 and 2008.

(f) The subsidiary in Australia is liable to Australian income tax at a rate of 30% (2008: 30%).

(g) According to the Corporate Income Tax Law ("New Tax Law") of the People's Republic of China ("PRC") which took effect on 1 January 2008, the standard PRC income tax rate was changed from 33% to 25%.

Foothill LVL & Plywood (Cangshan) Co., Ltd. is subject to the standard PRC income tax rate of 25%.

Riverside Plywood Corporation is subject to the standard PRC income tax rate of 25%.

Baroque Timber (Zhongshan) Co., Ltd. ("Baroque ZS") and Baroque Timber Industry (Tianjin) Co., Ltd. ("Baroque TJ") were fully exempted from PRC enterprise income tax from 1 January 2008 to 31 December 2009 and subject to a preferential tax rate of 11%, 12% and 12.5% for each of the years ending 31 December 2010, 2011 and 2012 respectively. From 1 January 2013 onwards, Baroque ZS and Baroque TJ are subject to the standard PRC income tax rate of 25%.

Pursuant to section 86(4) of the New Tax Law, Anhui Tongling is fully exempted from PRC enterprise income tax.

7. INCOME TAX (Continued)

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

	2009 $'000	2008 $'000 (restated)
(Loss)/profit before taxation	(38,394)	27,636
Income tax using the corporate tax rates applicable to (loss)/profit in the countries concerned	(11,125)	4,521
Effect of non-deductible expenses (note (i))	3,606	2,273
Effect of non-taxable income (note (ii))	(2,062)	(8,431)
Effect of tax credit (note (iii))	(3,405)	(5,855)
Effect of temporary differences not recognised in prior years	(1,190)	(1,902)
Effect of temporary differences and tax losses not recognised in the current year	18,765	10,973
Effect of change in tax rate	—	(1,046)
Under-provision of income tax expense in prior years	4	990
Income tax expense	4,593	1,523

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., Samling Plywood (Bintulu) Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., Samling Flooring Products 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 companies in respect of the export of wood-based products.

7. INCOME TAX (Continued)

(c) Current taxation in the consolidated balance sheet represents:

	The Group	
	2009 $'000	2008 $'000 (restated)
Provision for the year	4,794	7,642
Provisional income tax paid	(9,835)	(15,879)
	(5,041)	(8,237)
Balance of income tax recoverable relating to prior years	(13,550)	(10,895)
	(18,591)	(19,132)
Represented by:		
Current tax recoverable	(20,378)	(19,395)
Current tax payable	1,787	263
	(18,591)	(19,132)

8. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a profit of $3,710,000 (2008: $11,115,000) which has been dealt with in the financial statements of the Company.

9. DIVIDENDS

(a) Dividend attributable to the year

	2009 $'000	2008 $'000
Final dividend proposed after the balance sheet date of 0.080 US cents (2008: 0.080 US cents) per share	3,441	3,441

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

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

	2009 $'000	2008 $'000
Final dividend in respect of the previous financial year of 0.080 US cents (2008: 0.641 US cents) per share, approved and paid during the year	3,441	27,574

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the year ended 30 June 2009 is based on the loss attributable to equity holders of the Company for the year of $37,447,000 (2008: profit of $14,035,000 (restated)) and the number of 4,301,737,000 (2008: 4,301,737,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 30 June 2009 and 2008. Diluted earnings per share is the same as the basic earnings per share.

11. DIRECTORS' REMUNERATION

	2008				
	Fees $'000	Salaries, allowances, and other benefits $'000	Discretionary bonuses $'000	Contributions to retirement scheme $'000	Total $'000
Executive directors					
Yaw Chee Ming	38	475	118	27	658
Cheam Dow Toon	38	822	88	19	967
Non-executive director					
Chan Hua Eng	56	50	—	—	106
Independent non-executive directors					
David William Oskin	20	70	—	—	90
Tan Li Pin, Richard	20	70	—	—	90
Fung Ka Pun	25	50	—	—	75
Total	197	1,537	206	46	1,986

	2009				
	Fees $'000	Salaries, allowances, and other benefits $'000	Discretionary bonuses $'000	Contributions to retirement scheme $'000	Total $'000
Executive directors					
Yaw Chee Ming	37	443	38	22	540
Cheam Dow Toon	37	316	29	16	398
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	799	67	38	1,097

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group include two (2008: two) directors whose emoluments are disclosed in note 11. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	2009 $'000	2008 $'000
Salaries, allowances and other benefits	775	922
Discretionary bonuses	22	50
Contributions to retirement scheme	29	35
	826	1,007

The emoluments of these individuals are within the following band:

	Number of individuals	
	2009	2008
HK$1,000,000 to HK$2,000,000	1	—
HK$2,000,000 to HK$3,000,000	2	3

13. FIXED ASSETS

	The Group							
	Land and buildings $'000	Roads and bridges $'000	Plant and machinery, equipment, river crafts and wharfs $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost:								
At 1 July 2007 (as previously stated)	143,912	101,070	595,578	23,999	6,423	870,982	13,274	884,256
Adoption of merger accounting	—	—	—	60	45	105	—	105
At 1 July 2007 (as restated)	143,912	101,070	595,578	24,059	6,468	871,087	13,274	884,361
Additions through business combination (note 29)	3,639	—	163	57	46	3,905	—	3,905
Additions	3,612	5,641	42,641	1,504	173	53,571	—	53,571
Transfer from construction in progress (note 14)	—	—	226	—	—	226	—	226
Disposals	—	—	(1,567)	(327)	(13)	(1,907)	—	(1,907)
Exchange differences	5,731	4,960	30,104	1,116	142	42,053	763	42,816
At 30 June 2008 (as restated)	156,894	111,671	667,145	26,409	6,816	968,935	14,037	982,972
At 1 July 2008	156,894	111,671	667,145	26,409	6,816	968,935	14,037	982,972
Additions through business combination (note 29)	—	—	4,405	473	669	5,547	—	5,547
Additions	3,886	4,882	20,886	899	3,473	34,026	—	34,026
Transfer from construction in progress (note 14)	827	—	2,109	—	—	2,936	—	2,936
Transfer to land and buildings	684	—	—	—	—	684	(684)	—
Write off	—	—	(29)	—	(1)	(30)	(2,254)	(2,284)
Disposals	—	—	(3,126)	(1,212)	—	(4,338)	—	(4,338)
Exchange differences	(12,532)	(9,070)	(43,234)	(1,565)	(195)	(66,596)	(1,021)	(67,617)
At 30 June 2009	149,759	107,483	648,156	25,004	10,762	941,164	10,078	951,242
Accumulated depreciation and impairment loss:								
At 1 July 2007 (as previously stated)	25,848	48,924	355,138	19,981	5,845	455,736	3,334	459,070
Adoption of merger accounting	—	—	—	37	38	75	—	75
At 1 July 2007 (as restated)	25,848	48,924	355,138	20,018	5,883	455,811	3,334	459,145
Charge for the year	3,650	8,877	49,228	1,710	153	63,618	194	63,812
Written back on disposals	—	—	(763)	(306)	(11)	(1,080)	—	(1,080)
Exchange differences	784	2,765	17,960	903	123	22,535	187	22,722
At 30 June 2008 (as restated)	30,282	60,566	421,563	22,325	6,148	540,884	3,715	544,599
At 1 July 2008	30,282	60,566	421,563	22,325	6,148	540,884	3,715	544,599
Charge for the year	3,698	7,864	48,373	1,496	271	61,702	172	61,874
Impairment loss	34	—	4,841	—	—	4,875	—	4,875
Write off	—	—	(18)	—	(1)	(19)	(785)	(804)
Written back on disposals	—	—	(1,273)	(937)	—	(2,210)	—	(2,210)
Transfer to land and buildings	279	—	—	—	—	279	(279)	—
Exchange differences	(2,070)	(4,493)	(26,770)	(1,283)	(161)	(34,777)	(270)	(35,047)
At 30 June 2009	32,223	63,937	446,716	21,601	6,257	570,734	2,553	573,287
Net book value:								
At 30 June 2009	117,536	43,546	201,440	3,403	4,505	370,430	7,525	377,955
At 30 June 2008	126,612	51,105	245,582	4,084	668	428,051	10,322	438,373

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

13. FIXED ASSETS (Continued)

Impairment loss

In June 2009, certain plants under the plywood and veneer division were temporarily closed down. The group assessed the recoverable amounts of these plants and as a result the carrying amount of these plants were written down by $4,841,000 (included in "Other operating expenses"). The estimates of recoverable amount were based on either the higher of the plants' fair value less cost of sale, determined by reference to the recent observable market prices for similar assets within the same industry, or the estimated value in use.

	The Company Office equipment, furniture and fittings $'000
Cost:	
At 1 July 2007	209
Additions	2
At 30 June 2008	211
At 1 July 2008	211
Additions	3,299
At 30 June 2009	3,510
Accumulated depreciation:	
At 1 July 2007	24
Charge for the year	6
At 30 June 2008	30
At 1 July 2008	30
Charge for the year	24
At 30 June 2009	54
Net book value:	
At 30 June 2009	3,456
At 30 June 2008	181

13. FIXED ASSETS (Continued)

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

	The Group	
	2009 $'000	2008 $'000
Expensed in consolidated income statement	61,622	63,494
Capitalised as plantation assets	252	318
	61,874	63,812

(b) Certain leasehold land and buildings, plant, machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25(a).

(c) The Group leases production plant and machinery, equipment and motor vehicles under finance leases expiring from 2009 to 2014 years. At the end of the lease term the ownership of these assets will transfer to the Group. None of the leases includes contingent rentals.

Net book value of plant and machinery, equipment and motor vehicles held under finance leases:

	The Group	
	2009 $'000	2008 $'000
Net book value of plant and machinery, equipment and motor vehicles held under finance leases	92,950	118,056

(d) The Group leases out investment properties 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 $16,562,000 and $18,424,000 at 30 June 2009 and 2008 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.

13. FIXED ASSETS (Continued)

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

	The Group	
	2009 $'000	2008 $'000
Outside Hong Kong		
— freehold	42,162	47,182
— long-term leases	28,912	35,407
— medium-term leases	82,642	77,060
— short-term leases	5,561	5,224
	159,277	164,873

The net book value of properties represents:

	The Group	
	2009 $'000	2008 $'000
Land and buildings	117,536	126,612
Investment properties	7,525	10,322
Interest in leasehold land held under operating leases (note 15)	34,216	27,939
	159,277	164,873

(f) The Group acquired fixed assets with an aggregate cost of $34,026,000 (2008: $53,571,000) during the year ended 30 June 2009, of which $10,620,000 (2008: $18,687,000) were acquired by means of finance leases. In addition, included in the purchase of fixed assets is an amount of $Nil (2008: $1,595,000) which has been accrued for in other payables at 30 June 2009.

14. CONSTRUCTION IN PROGRESS

	The Group	
	2009 $'000	2008 $'000
At 1 July	9,153	5,480
Additions	9,186	4,472
Written off	—	(612)
Transfer to fixed assets (note 13)	(2,936)	(226)
Exchange differences	(2)	39
At 30 June	15,401	9,153

15. INTERESTS IN LEASEHOLD LAND HELD UNDER OPERATING LEASES

	The Group	
	2009 $'000	2008 $'000
Cost:		
At 1 July	35,338	32,944
Additions through business combinations (note 29)	9,856	24
Rebate on purchase price	(634)	—
Exchange differences	(2,463)	2,370
At 30 June	42,097	35,338
Accumulated amortisation:		
At 1 July	7,399	5,772
Charge for the year	1,010	730
Exchange differences	(528)	897
At 30 June	7,881	7,399
Net book value:		
At 30 June	34,216	27,939

Interests in leasehold land held under operating leases represent leasehold land in Malaysia, Australia and the PRC, which expire between 2013 to 2923.

16. INTANGIBLE ASSETS

	The Group						
	Timber concessions $'000	Plantation licence $'000	Goodwill $'000	Distribution network $'000	Trade names $'000	Customer relationship $'000	Total $'000
Cost:							
At 1 July 2007	43,525	—	671	—	—	—	44,196
Additions through business combinations (note 29)	—	—	104	—	—	—	104
Other additions	—	6,531	—	—	—	—	6,531
Exchange differences	2,506	80	49	—	—	—	2,635
At 30 June 2008	46,031	6,611	824	—	—	—	53,466
At 1 July 2008	46,031	6,611	824	—	—	—	53,466
Additions through business combinations (note 29)	—	—	227	11,322	12,724	2,688	26,961
Exchange differences	(3,345)	(481)	(80)	(47)	(50)	(15)	(4,018)
At 30 June 2009	42,686	6,130	971	11,275	12,674	2,673	76,409
Accumulated amortisation:							
At 1 July 2007	14,580	—	—	—	—	—	14,580
Charge for the year	5,160	107	—	—	—	—	5,267
Exchange differences	893	1	—	—	—	—	894
At 30 June 2008	20,633	108	—	—	—	—	20,741
At 1 July 2008	20,633	108	—	—	—	—	20,741
Charge for the year	4,838	120	—	783	1,060	279	7,080
Exchange differences	(1,502)	(8)	—	(4)	(3)	(2)	(1,519)
At 30 June 2009	23,969	220	—	779	1,057	277	26,302
Net book value:							
At 30 June 2009	18,717	5,910	971	10,496	11,617	2,396	50,107
At 30 June 2008	25,398	6,503	824	—	—	—	32,725

16. INTANGIBLE ASSETS (Continued)

Timber concessions

The Group acquired five timber concession licences through acquisitions of subsidiaries. The Group has also been granted certain timber concession licences by the government of Malaysia and Guyana at no initial cost. Each licence covers a specific area called a forest management unit or concession. Each concession is divided into annual allowable harvest areas called "coupes" which are sequentially harvested over a number of years. Concessions are harvested according to a schedule of between 5 to 25 years. The annual allowable volume of timber that can be extracted is determined by and agreed with the Sarawak Forest Department or Guyana Forestry Commission. The licences expire between 2010 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 31(b)).

The amortisation charge and royalties for the years ended 30 June 2009 and 2008 are included in "cost of sales" in the consolidated income statement.

Plantation licence

On 30 August 2007, a subsidiary of the associate, Timor Enterprises Sdn. Bhd. ("Timor") which is engaged in oil palm plantation business, entered into an agreement with Samling Reforestation Bintulu Sdn. Bhd. ("SRB") pursuant to which Timor agreed to sub-licence, 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 $6,531,000). The plantation licence expires in 2058.

On 30 August 2007, SRB entered into an agreement with Timor pursuant to which SRB agreed to sub-licence, 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 $5,818,000). The disposal of the plantation licence resulted in a gain on disposal amounting to $4,561,000.

The above transactions were completed on 4 December 2007.

17. PLANTATION ASSETS

	The Group	
	2009 $'000	2008 $'000 (restated)
At 1 July	241,209	228,715
Additions	17,362	20,794
Harvested timber transferred to inventories	(9,054)	(4,297)
Change in fair value less estimated point-of-sale costs	(1,952)	(3,034)
Exchange differences	(34,169)	(969)
At 30 June	213,396	241,209

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

	The Group	
	2009 $'000	2008 $'000 (restated)
PRC	3,651	3,143
New Zealand	193,326	220,363
Malaysia	16,419	17,703
	213,396	241,209

Included in additions to the Group's plantation assets are interest capitalised of $7,602,000 (2008: $9,358,000) and depreciation of fixed assets of $252,000 (2008: $318,000) for the year ended 30 June 2009.

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 7 (2008: 7) plantation licences for a gross area of approximately 458,000 (2008: 458,000) hectares in Malaysia. The licences are for 60 years, the earliest of which expires in December 2058. The newly acquired subsidiary, Anhui Tongling, was granted the plantation rights to a total land area of 3,079 hectares.

At 30 June 2009, plantation assets represent standing timber planted by the Group and comprise approximately 43,084 (2008: 41,691) hectares of tree plantations, which range from newly established plantations to plantations that are 27 years old. During the year ended 30 June 2009, the Group harvested approximately 387,813 m^3 (2008: 244,886 m^3) of wood, which had a fair value less estimated point-of-sale costs of $9,054,000 (2008: $4,297,000) at the date of harvest.

17. PLANTATION ASSETS (Continued)

The Group's plantation assets in Malaysia and the PRC were independently valued by Pöyry Forest Industry Pte Ltd ("Pöyry") while the plantation assets in New Zealand were independently valued by Chandler Fraser Keating Limited ("CFK"). In view of the non-availability of market value for tree plantations in New Zealand, Malaysia and the PRC, both Pöyry and CFK have applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at the rate of 10.2% (2008: 10.2%) for plantation assets in Malaysia, 10% (2008: 10%) for plantation assets in China and 7.25% (2008: 7.25%) for plantation assets in New Zealand 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 discount rate used in the valuation of the plantation assets in the PRC was based on an average discount rate used by plantation assets in Asia-Pacific Region.

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 tax and finance costs.

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

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

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

Certain plantation assets are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25(a).

18. INTEREST IN SUBSIDIARIES

	The Company	
	2009 $'000	2008 $'000
Unlisted shares, at cost	78,564	34,129
Amounts due from subsidiaries	382,815	309,427
	461,379	343,556

Included in amounts due from subsidiaries is an amount of $251,151,000 (2008: $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 2009 are set out in note 34.

19. INTEREST IN ASSOCIATES

	The Group	
	2009 $'000	2008 $'000
Share of net assets:		
— Associates listed outside Hong Kong	59,975	62,921
— Unlisted associates	8,522	12,451
	68,497	75,372
Market value of listed associates	43,406	69,958

(Expressed in United States dollars unless otherwise indicated)

19. 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 %	Percentage of ownership interest: Held by a subsidiary %	Issued and fully paid share capital	Principal activity
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.	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	28.35	47.50	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 sale 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
Aino Tech Middle East FZCO	United Arab Emirates	23.88	40	Dhs1,000,000 divided into 10 ordinary shares of Dhs100,000 each	Sale and distribution of kitchen components

19. INTEREST IN ASSOCIATES (Continued)

Summary financial information of associates:

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Profit $'000 (note)
2008					
100 per cent	396,427	(192,717)	203,710	225,625	53,894
Group's interest held by the subsidiaries	148,829	(73,457)	75,372	85,612	19,539
2009					
100 per cent	356,303	(171,562)	184,741	165,694	45
Group's interest held by the subsidiaries	132,627	(64,130)	68,497	62,645	96

Note: The profit for the year (Group's effective interest) includes loss from changes in fair value of plantation assets less estimated point-of-sale costs of $21,000 (2008: gain of $6,254,000) for the year ended 30 June 2009.

20. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2009 $'000	2008 $'000
Share of net assets, unlisted	10,828	10,815
Loan to a jointly controlled entity	—	4,072
	10,828	14,887

20. 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 %	Held by a subsidiary %	Issued and fully paid share capital	Principal activity
Foremost Crest Sdn. Bhd.	Malaysia	29.85	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 was unsecured, interest bearing at 1% above LIBOR per annum (2008: 1% above LIBOR per annum) and is expected to be recovered within 1 year and accordingly the loan was reclassified as current asset at 30 June 2009.

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

	2009 $'000	2008 $'000
Non-current assets	19,616	24,289
Current assets	15,658	15,151
Total assets	35,274	39,440
Current liabilities	5,193	4,915
Non-current liabilities	8,424	12,895
Total liabilities	13,617	17,810
Revenue	24,600	23,990
Expenses	23,000	20,466
Group's share of profit after tax	800	1,762

21. DEFERRED TAX

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

	The Group	
	2009 $'000	2008 $'000 (restated)
Net deferred tax liabilities	53,008	55,320
Net deferred tax assets	(2,789)	(5,853)
	50,219	49,467

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the years ended 30 June 2008 and 2009 are as follows:

	The Group (restated)				
	At 1 July 2007 $'000	(Credited)/ charged to consolidated income statement $'000 (note 7)	Acquisition of subsidiaries $'000 (note 29)	Exchange differences $'000	At 30 June 2008 $'000
Deferred tax liabilities					
Fixed assets	15,568	(4,058)	283	1,066	12,859
Plantation assets	30,540	2,123	—	(603)	32,060
Intangible assets:					
— Timber concessions	7,797	(2,067)	—	327	6,057
Others	5,931	—	—	(149)	5,782
Total	59,836	(4,002)	283	641	56,758
Deferred tax assets					
Fixed assets	(3,808)	(2,416)	—	(286)	(6,510)
Unutilised tax losses	(19)	(649)	—	163	(505)
Others	212	(40)	(268)	(180)	(276)
Total	(3,615)	(3,105)	(268)	(303)	(7,291)
Net deferred tax liabilities	56,221	(7,107)	15	338	49,467

21. DEFERRED TAX (Continued)

	The Group				
	At 1 July 2008 $'000	(Credited)/ charged to consolidated income statement $'000 (note 7)	Acquisition of subsidiaries $'000 (note 29)	Exchange differences $'000	At 30 June 2009 $'000
Deferred tax liabilities					
Fixed assets	12,859	3,641	150	(924)	15,726
Plantation assets	32,060	718	—	(5,096)	27,682
Intangible assets:					
— Timber concessions	6,057	(1,196)	—	(440)	4,421
— Other intangible assets	—	(531)	6,683	(25)	6,127
Others	5,782	(126)	127	(2)	5,781
Total	56,758	2,506	6,960	(6,487)	59,737
Deferred tax assets					
Fixed assets	(6,510)	(3,125)	—	475	(9,160)
Unutilised tax losses	(505)	414	—	37	(54)
Others	(276)	—	—	(28)	(304)
Total	(7,291)	(2,711)	—	484	(9,518)
Net deferred tax liabilities	49,467	(205)	6,960	(6,003)	50,219

21. DEFERRED TAX (Continued)

No deferred tax assets have been recognised for the following items:

	The Group	
	2009 $'000	2008 $'000
Net deductible temporary differences	111,634	83,173
Unutilised tax losses	159,699	133,895
	271,333	217,068

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

22. INVENTORIES

	The Group	
	2009 $'000	2008 $'000 (restated)
Timber logs	35,910	31,614
Raw materials	8,990	9,859
Work-in-progress	17,225	17,870
Manufactured inventories	39,583	40,556
Stores and consumables	33,749	39,150
	135,457	139,049

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

	The Group	
	2009 $'000	2008 $'000 (restated)
Carrying amount of inventories sold	443,112	493,538
Write-down of inventories	2,666	—
	445,778	493,538

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009 $'000	2008 $'000 (restated)	2009 $'000	2008 $'000
Trade receivables	57,122	61,563	—	—
Less: allowance for doubtful debts (note 23(b))	(12,561)	(12,070)	—	—
	44,561	49,493	—	—
Prepayments, deposits and other receivables	27,926	30,546	296	9,226
Loan to a jointly controlled entity (note 20)	1,618	—	—	—
	74,105	80,039	296	9,226

Included in the Group's trade receivables are amounts due from related parties of $7,799,000 (2008: $9,758,000) as at 30 June 2009.

The amount of the group's and the company's prepayments and deposits expected to be recognised as expense or recovered after more than one year is $1,346,000 (2008: $1,993,000) and $41,000 (2008: $32,000) respectively. All other trade and other receivables are expected to be recognised as expense or recovered within one year.

(a) Ageing analysis

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

An ageing analysis of trade receivables is as follows:

	The Group	
	2009 $'000	2008 $'000
Within 30 days	26,511	34,124
31–60 days	5,816	5,277
61–90 days	2,152	2,205
91–180 days	5,812	3,484
181–365 days	2,907	2,679
1–2 years	1,179	993
Over 2 years	184	731
	44,561	49,493

23. TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

	The Group	
	2009 $'000	2008 $'000
At 1 July	12,070	11,445
Impairment loss recognised	1,324	2
Exchange differences	(833)	623
	12,561	12,070

At 30 June 2009, the Group's trade receivables of $13,540,000 (2008: $12,187,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $12,561,000 (2008: $12,070,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2009 $'000	2008 $'000
Within 30 days	26,341	34,124
31–60 days	5,780	5,277
61–90 days	2,029	2,205
91–180 days	5,742	3,484
181–365 days	2,445	2,679
1–2 years	1,179	898
Over 2 years	66	709
	43,582	49,376

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009 $'000	2008 $'000 (restated)	2009 $'000	2008 $'000
Deposits with banks and other financial institutions	197,285	233,772	167,126	220,627
Cash at bank and in hand	43,591	39,544	589	848
Cash and cash equivalents in the balance sheet	240,876	273,316	167,715	221,475
Bank overdrafts (note 25(a))	(19,990)	(24,912)		
Secured deposits with banks and other financial institutions	(29,636)	(7,280)		
Cash and cash equivalents in the cash flow statement	191,250	241,124		

As at 30 June 2008 and 2009, certain deposits are pledged to banks against certain banking facilities granted to the Group as disclosed in note 25(a).

25. BORROWINGS

(a) Bank loans and overdrafts

The bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2009 $'000	2008 $'000 (restated)	2009 $'000	2008 $'000
Within 1 year or on demand	101,084	120,829	5,000	—
After 1 year but within 2 years	28,801	14,917	10,000	—
After 2 years but within 5 years	96,814	64,503	35,000	—
After 5 years	80,783	99,907	—	—
	206,398	179,327	45,000	—
	307,482	300,156	50,000	—

25. BORROWINGS (Continued)

(a) Bank loans and overdrafts (Continued)

The bank loans and overdrafts were secured as follows:

	The Group		The Company	
	2009 $'000	2008 $'000 (restated)	2009 $'000	2008 $'000
Overdrafts (note 24)				
— unsecured	15,937	18,458	—	—
— secured	4,053	6,454	—	—
	19,990	24,912	—	—
Bank loans				
— unsecured	139,227	183,867	—	—
— secured	148,265	91,377	50,000	—
	287,492	275,244	50,000	—
	307,482	300,156	50,000	—

The carrying value of assets secured for bank loans and overdrafts are as follows:

	The Group	
	2009 $'000	2008 $'000
Fixed assets	58,857	56,284
Interests in leasehold land held under operating leases	5,374	3,178
Plantation assets	193,326	220,363
Cash and cash equivalents	29,636	7,280
	287,193	287,105

At 30 June 2009, a bank loan amounting to $50,000,000 of the Group was secured by the Group's investment in Lingui Developments Berhad ("Lingui").

The banking facilities of the Group amounting to $367,399,000 (2008: $327,439,000 (restated)) were utilised to the extent of $307,482,000 (2008: $300,156,000 (restated)) at 30 June 2009.

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 32(e).

25. BORROWINGS (Continued)

(b) Obligations under finance leases

Obligations under finance leases are payable as follows:

	The Group					
	2009			2008		
	Gross $'000	Interest $'000	Principal $'000	Gross $'000	Interest $'000	Principal $'000
Less than one year	30,989	2,942	28,047	37,221	4,711	32,510
Between one and two years	21,795	1,426	20,369	30,739	2,630	28,109
Between two and five years	14,501	578	13,923	30,432	1,421	29,011
	36,296	2,004	34,292	61,171	4,051	57,120
	67,285	4,946	62,339	98,392	8,762	89,630

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009 $'000	2008 $'000 (restated)	2009 $'000	2008 $'000
Trade payables	57,204	63,689	—	—
Other payables	29,514	26,264	8,336	—
Accrued expenses	28,823	39,846	650	431
Derivative financial instruments	8,635	2,550	2,339	—
Amounts due to group companies	—	—	—	2,755
	124,176	132,349	11,325	3,186

The amounts due to group companies are unsecured, interest free and repayable on demand.

Included in the Group's trade payables are amounts due to related parties of $6,694,000 (2008: $8,454,000) at 30 June 2009. The amount of the Group's and the Company's other payables and accrued expenses expected to be recognised as income or settled after more than one year is $327,000 (2008: $160,000). All of the other trade and other payables (including amounts due to group companies) are expected to be settled within one year or are repayable on demand.

26. TRADE AND OTHER PAYABLES (Continued)

An ageing analysis of trade payables is as follows:

	The Group	
	2009 $'000	2008 $'000
Within 30 days	20,365	21,939
31–60 days	8,652	9,153
61–90 days	5,874	5,450
91–180 days	5,916	11,833
181–365 days	11,356	12,027
1–2 years	4,782	449
Over 2 years	259	2,838
	57,204	63,689

27. SHARE CAPITAL

(a) Authorised and issued share capital

		2009		2008	
	Note	Number of shares ('000)	$'000	Number of shares ('000)	$'000
Authorised:					
Ordinary shares of $0.1 each	(b)	5,000,000	500,000	5,000,000	500,000
Ordinary shares, issued and fully paid:					
At beginning/end of the financial year		4,301,737	430,174	4,301,737	430,174

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

27. SHARE CAPITAL (Continued)

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a total debt-to-total assets ratio. For this purpose, the Group defines total debt as interest-bearing loans and borrowings, and obligations under finance leases.

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain the total debt-to-total assets ratio at not more than 50%.

The total debt-to-total assets ratio at 30 June 2009 and 2008 was as follows:

	Note	2009 $'000	2008 $'000 (restated)
Current liabilities			
Bank loans and overdrafts	25(a)	101,084	120,829
Obligations under finance leases	25(b)	28,047	32,510
		129,131	153,339
Non-current liabilities			
Bank loans and overdrafts	25(a)	206,398	179,327
Obligations under finance leases	25(b)	34,292	57,120
		240,690	236,447
Total debt		369,821	389,786
Total assets		1,244,036	1,357,344
Total debt-to-total assets ratio		30%	29%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28. RESERVES

(a) The Company

	Share premium $'000	Other reserve $'000	Retained earnings $'000	Total $'000
At 1 July 2007	261,920	(134,671)	30,288	157,537
Profit for the year	—	—	11,115	11,115
Dividends declared and paid (note 9)	—	—	(27,574)	(27,574)
At 30 June 2008	261,920	(134,671)	13,829	141,078
At 1 July 2008	261,920	(134,671)	13,829	141,078
Profit for the year	—	—	3,710	3,710
Dividends declared and paid (note 9)	—	—	(3,441)	(3,441)
At 30 June 2009	261,920	(134,671)	14,098	141,347

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981.

(ii) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(d)(ii) to the financial statements.

(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.

28. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(iv) Other reserve

The other reserve arose from the acquisition of subsidiaries from the controlling shareholders as part of the reorganisation exercise on 4 February 2007.

On 15 August 2008, the Group completed the acquisition of the entire equity interest in Anhui Tongling from Samling International Limited, a related party of the Group, at a consideration of US$8.6 million. The difference between the consideration and the net assets of Anhui Tongling is recorded in other reserves, as merger accounting was used to consolidate Anhui Tongling.

(v) Distributable reserves

The aggregate amount of distributable reserves at 30 June 2009 was $14,098,000 (2008: $13,829,000).

29. ACQUISITIONS OF SUBSIDIARIES

On 3 December 2007, the Company issued a circular in respect of the offer to acquire the entire equity interest in Brewster Pty. Ltd. ("Brewster") (formerly known as Brewster Ltd.), a public unlisted company incorporated in Australia for a consideration of approximately $7.7 million. As at 20 December 2007, the Company had acquired a 99.69% equity interest in Brewster and the compulsory acquisition for the remaining interest was completed on 11 February 2008. Following the acquisition, Brewster changed its legal status from a public unlisted company to a proprietary company. The principal activities of Brewster are the sale and distribution of building materials including panel and wood engineered products, timber and hardware.

On 6 November 2007, the Company acquired Samling Japan Corporation, a private company incorporated in Japan, for a consideration of Yen 4.5 million (equivalent to $42,000). The principal activity of Samling Japan Corporation is the provision of market research data.

The revenue and net profit attributable to the equity holders of the Company for the year ended 30 June 2008 as if the date of the acquisitions had been the beginning of the year were $42,915,000 and $201,000 respectively.

29. ACQUISITIONS OF SUBSIDIARIES (Continued)

The acquisitions of Brewster and Samling Japan Corporation had the following effect on the Group's assets and liabilities:

	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised value of acquisition $'000
Fixed assets, net	3,318	587	3,905
Interests in leasehold land held under operating leases	24	—	24
Goodwill	104	—	104
Deferred tax assets	268	—	268
Inventories	6,622	—	6,622
Trade and other receivables	5,954	—	5,954
Current tax recoverable	9	—	9
Cash and cash equivalents	56	—	56
Bank overdraft	(2,589)	—	(2,589)
Bank loans	(877)	—	(877)
Trade and other payables	(3,602)	—	(3,602)
Deferred tax liabilities	(283)	—	(283)
Net identifiable assets and liabilities	9,004	587	9,591
Excess of fair value over purchase consideration credited to the income statement (note 4)			(1,889)
Total purchase consideration			7,702
Add: Cash and bank overdraft acquired			2,533
Net cash outflow in respect of the acquisitions			10,235

On 15 August 2008, the Group completed the acquisition of the entire equity interest of Anhui Tongling at a cash consideration of $8.6 million. This acquisition was accounted for using the merger method of accounting.

On 26 August 2008, the Group completed the acquisition of the business of Elegant Living (Hong Kong) Limited, Elegant Living International Holdings Limited and New Elegant Living Timber Manufacturing (Zhongshan) Co., Ltd. (collectively the "Elegant Living companies") through Samling Elegant Living Inc., a 70% owned subsidiary, for an initial consideration of $38.3 million and a contingent consideration of up to approximately $25.7 million if certain profit targets are achieved within three years after acquisition.

29. ACQUISITIONS OF SUBSIDIARIES (Continued)

The acquisition of the business of Elegant Living companies had the following effect on the Group's assets and liabilities:

	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised value of acquisition $'000
Fixed assets, net	4,947	600	5,547
Interests in leasehold land held under operating leases	9,650	206	9,856
Intangible assets	—	26,734	26,734
Inventories	11,814	302	12,116
Trade and other receivables	7,347	—	7,347
Current tax recoverable	269	—	269
Cash and cash equivalents	25,926	—	25,926
Bank loans	(4,546)	—	(4,546)
Trade and other payables	(9,687)	—	(9,687)
Current tax payable	(255)	—	(255)
Deferred tax liabilities	—	(6,960)	(6,960)
Minority interests	(13,639)	(6,265)	(19,904)
Net identifiable assets and liabilities	31,826	14,617	46,443
Goodwill			227
Total purchase consideration			46,670
Less: Contingent consideration			(8,335)
Less: Initial purchase consideration not yet paid			(2,500)
			35,835
Less: Cash and cash equivalents acquired			(25,926)
Net cash outflow in respect of the acquisition			9,909

The goodwill is attributable mainly to the skills and technical talent of Elegant Living companies' work force, and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquisition, which was consolidated since 1 September 2008, contributed turnover amounting to $32.6 million and profit after taxation of $7.7 million for the year ended 30 June 2009.

The turnover and profit after taxation for the year ended 30 June 2009 if the acquisition had occurred at the beginning of the year would have been $40.6 million and $8.7 million.

30. RELATED PARTY TRANSACTIONS

During the years ended 30 June 2009 and 2008, 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, a controlling shareholder and director of the Company
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
3D Networks Sdn. Bhd. ("3D Networks")	3D Networks is controlled by Mr. Yaw Chee Ming
Hap Seng Auto Sdn. Bhd. ("Hap Seng Auto")	Hap Seng Auto is controlled by the father-in-law of Mr. Yaw Chee Ming
Sojitz Building Materials 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
Pi Zhou Yanglin Woodware Co., Ltd. ("Pi Zhou Yanglin") and Pacific Plywood Co., Ltd. ("Pacific Plywood")	Pi Zhou Yanglin and Pacific Plywood are controlled by Mr. Chia Ti Lin, Colin, a senior management of the Group

30. RELATED PARTY TRANSACTIONS (Continued)

Particulars of significant transactions between the Group and the above related parties during the years ended 30 June 2009 and 2008 are as follows:

(a) Transactions

Recurring transactions:

	2009 $'000	2008 $'000
Sale of goods to:		
Rimalco	4,323	5,530
Daiken	40	47
Magna-Foremost	1,418	2,778
Sojitz Building	17,867	11,506
Arif Hemat	4	5
Pacific Plywood	192	—
	23,844	19,866
Provision of services to:		
Yaw Holding Group	134	140
Daiken	124	76
Magna-Foremost	198	264
Foremost Crest	37	29
	493	509
Rental of properties and equipment to:		
Yaw Holding Group	17	25
Rimalco	239	270
Daiken	68	114
Magna-Foremost	12	13
3D Networks	47	50
Arif Hemat	15	16
	398	488

30. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Recurring transactions: (Continued)

	2009 $'000	2008 $'000
Interest income from:		
Magna-Foremost	101	266
Rental of properties and equipment from:		
Yaw Holding Group	795	852
Purchase of goods from:		
Sepangar	13,472	16,055
Daiken	2,768	3,475
Foremost Crest	—	18
Hap Seng Auto	3,354	4,071
Pacific Plywood	525	1,016
Pi Zhou Yanglin	210	2,077
	20,329	26,712
Purchase of services from:		
Yaw Holding Group	639	721
Purchase of fixed assets from:		
Yaw Holding Group	265	—
Hap Seng Auto	3,795	5,312
	4,060	5,312
Sub-licence of oil palm compartment to:		
Glenealy Group (note 16)	—	5,818
Sub-licence of tree plantation compartment from:		
Glenealy Group (note 16)	—	6,531

Note:

(i) The outstanding balances with these related parties are unsecured, interest free and have no fixed repayment terms. The balances owed to related parties are included in "Trade and other payables" (note 26) and the balances owed by the related parties are included in "Trade and other receivables" (note 23).

30. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 11 and certain of the highest paid employees as disclosed in note 12, is as follows:

	2009 $'000	2008 $'000
Short-term employee benefits	2,212	2,560
Post-employment benefits	113	125
	2,325	2,685

Total remuneration is included in "personnel expenses" (note 6(a)).

31. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At 30 June 2009 and 2008, the Group had capital commitments for acquisition and construction of land and buildings and equipment as follows:

	The Group	
	2009 $'000	2008 $'000
Authorised but not contracted for	48,983	70,133

(b) Future minimum royalty payments

At 30 June 2009 and 2008, the total future minimum royalty payments payable under the terms of the timber concession licences of the Group are as follows (see note 16):

	The Group	
	2009 $'000	2008 $'000
Within 1 year	1,417	1,524
After 1 year but within 5 years	4,454	5,404
After 5 years	3,942	4,458
	9,813	11,386

31. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(c) Contingent liabilities

(i) Legal claims from the Penans

Two of the Company's subsidiaries, Syarikat Samling Timber Sdn. Bhd. ("SST") and Samling Plywood (Baramas) Sdn. Bhd. ("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.

The Malaysian High Court further adjourned the pre trial case management of this action to a date to be fixed or to a date to be requested by counsels. Although the plaintiff's advocates have filed an appeal in the Court of Appeal against the Court Order of 28 July 2005, they have withdrawn the same on the 28 July 2008. The Plaintiffs wrote to the Native Court for an early date to dispose off their appeal which the mention had been fixed on 24 October 2008. At the mention on 10 February 2009, the Miri High Court Judge struck off the case with the cost to the defendants with Liberty for the plaintiffs to be file afresh.

In 2007, another subsidiary, Merawa Sdn. Bhd. ("Merawa"), together with the Director of Forests and the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses and settlements situated on timber concessions held by Merawa. The action commenced in 2007 and the plaintiffs are claiming various 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 2009, 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.

31. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(c) Contingent liabilities (Continued)

(ii) Contingent consideration in respect of business combination

The Group has recognised contingent consideration of $8.3 million for the acquisition of the business of Elegant Living companies as discussed in note 29 above which represents the Directors estimate of the most likely contingent consideration payable. The Group may be required to pay additional contingent consideration of up to $17.4 million under the terms of the acquisition.

(iii) 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 2009. 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.

32. 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.

32. FINANCIAL INSTRUMENTS (Continued)

(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.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

(c) Foreign currency exchange risk

(i) The Group's main income from timber related business is mostly derived in US$. The movements of US$ against Malaysian Ringgit ("RM"), Australian Dollars ("AU$") and New Zealand Dollars ("NZ$") will affect the revenue and costs of some production materials, spare parts and equipment purchases.

The Group's investment in a New Zealand subsidiary, which holds plantation assets also exposes the Group to foreign currency exchange risk. The Group is exposed to a certain degree of risk resulting from the fluctuation in NZ$ against US$.

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.

32. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency exchange risk (Continued)

(ii) The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency to which they relate. For presentation purposes, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	2008 (expressed in United States Dollars)						
	United States Dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Hong Kong Dollars $'000	New Zealand Dollars $'000	Australian Dollars $'000	China RMB $'000
Trade and other receivables	14,983	3,480	140	36	—	—	—
Cash and cash equivalents	9,959	3,036	2,521	192,754	19,059	7,089	—
Trade and other payables	(3,249)	(1,443)	—	(256)	—	—	—
Bank loans and overdrafts	(58,452)	—	—	—	—	—	—
Net exposure arising from recognised assets and liabilities	(36,759)	5,073	2,661	192,534	19,059	7,089	—

	2009 (expressed in United States Dollars)						
	United States Dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Hong Kong Dollars $'000	New Zealand Dollars $'000	Australian Dollars $'000	China RMB $'000
Trade and other receivables	8,276	1,869	—	41	—	—	2,339
Cash and cash equivalents	11,075	1,188	7,400	100,263	27,885	30,447	—
Trade and other payables	(1,341)	(1,614)	—	(310)	—	—	9
Bank overdrafts, loans and borrowings	(54,776)	—	—	—	—	—	—
Net exposure arising from recognised assets and liabilities	(36,766)	1,443	7,400	99,994	27,885	30,447	2,348

32. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency exchange risk (Continued)

(ii) (Continued)

The Company

	2008 (expressed in United States Dollars)						
	United States Dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Hong Kong Dollars $'000	New Zealand Dollars $'000	Australian Dollars $'000	China RMB $'000
Prepayments, deposits and other receivables	—	—	140	36	—	—	—
Cash and cash equivalents	—	—	2,521	192,754	19,059	7,089	—
Other payables and accruals	—	—	—	(256)	—	—	—
Net exposure arising from recognised assets and liabilities	—	—	2,661	192,534	19,059	7,089	—

	2009 (expressed in United States Dollars)						
	United States Dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Hong Kong Dollars $'000	New Zealand Dollars $'000	Australian Dollars $'000	China RMB $'000
Prepayments, deposits and other receivables	—	—	—	41	—	—	—
Cash and cash equivalents	—	—	7,400	100,263	27,885	30,443	—
Other payables and accruals	—	—	—	(310)	—	—	—
Net exposure arising from recognised assets and liabilities	—	—	7,400	99,994	27,885	30,443	—

32. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency exchange risk (Continued)

(iii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss for the year (2008: profit for the year) and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	The Group				
	2009			2008	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss for the year $'000	Increase/ (decrease) in retained profits $'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year and retained profits $'000
United States Dollars	10%	2,760	(2,760)	10%	(2,474)
	(10)%	(2,760)	2,760	(10)%	2,474
Japanese Yen	5%	(54)	54	5%	188
	(5)%	54	(54)	(5)%	(188)
Malaysian Ringgit	1%	(62)	62	1%	22
	(1)%	62	(62)	(1)%	(22)
Hong Kong Dollars	1%	(835)	835	1%	1,608
	(1)%	835	(835)	(1)%	(1,608)
New Zealand Dollars	10%	(2,322)	2,322	10%	1,592
	(10)%	2,322	(2,322)	(10)%	(1,592)
Australian Dollars	10%	(2,542)	2,542	10%	628
	(10)%	2,542	(2,542)	(10)%	(628)
Renminbi	1%	(23)	23	—%	—
	(1)%	23	(23)	—%	—

32. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency exchange risk (Continued)

(iii) Sensitivity analysis (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit or loss for the year and equity measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign exchange currency risk at the balance sheet date. The analysis is performed on the same basis for 2008.

(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 undue exposures to significant interest rate movements and rates are appropriately fixed when necessary.

Management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the market situation and the outlook prevailing then. The Group's short term deposits are placed at fixed rate investments which management endeavours to obtain the best rate available in the market.

(i) Hedging

Interest rate and cross currency swap agreements have been entered into for loans with a notional contract amount of US$96.8 million, NZ$24.4 million and RM59.3 million as at 30 June 2009 (2008: US$46.8 million and NZ$24.4 million), to ensure that the exposure to changes in interest rates are fixed for the respective tranches throughout the tenure of the loans with swap rates between 4.65% to 7.31% (2008: 5.83% and 7.31%) per annum respectively throughout the loan period.

The swaps mature over the next 5 years matching the maturity of the related loans (see note 32(e)). The net fair value of swaps entered into by the Group and the Company at 30 June 2009 was a payable of $8,635,000 (2008: a payable of $2,550,000) and a payable of $2,339,000 (2008: $Nil) respectively. These amounts are recognised as derivative financial instruments and are included within "trade and other payables" (note 26) at 30 June 2009 and 2008 respectively.

32. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (Continued)

(ii) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the balance sheet date:

	The Group			
	2009		2008 (restated)	
	Effective interest rate %	$'000	Effective interest rate %	$'000
Fixed rate borrowings:				
Finance lease liabilities	4.73%–8.29%	62,339	5.37%–8.06%	89,630
Bank loans	4.35%–9.23%	74,880	3.89%–9.86%	79,658
		137,219		169,288
Variable rate borrowings:				
Bank overdrafts	6.30%–7.05%	19,990	7.50%–8.75%	24,912
Bank loans	2.20%–12.00%	212,612	3.63%–12.00%	195,586
		232,602		220,498
Total borrowings		369,821		389,786
Fixed rate borrowings as a percentage of total borrowings		37%		43%

	The Company			
	2009		2008	
	Effective interest rate %	$'000	Effective interest rate %	$'000
Variable rate borrowings:				
Bank loans	2.35%	50,000	—	—

32. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (Continued)

(iii) Sensitivity analysis

At 30 June 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and retained profits by approximately $2,326,000 (2008: $2,205,000). Other components of consolidated equity would not be affected (2008: $Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss for the year (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's loss for the year (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

(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.

32. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity and cash flow risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2008 (restated)					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Bank loans and overdrafts	300,156	354,962	131,794	25,369	89,691	108,108
Obligations under finance leases	89,630	98,392	37,221	30,739	30,432	—
Trade and other payables	129,799	129,799	129,799	—	—	—
Derivative financial instruments (net settled)	2,550	2,575	—	373	1,927	275
	522,135	585,728	298,814	56,481	122,050	108,383

	2009					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Bank loans and overdrafts	307,482	341,860	110,129	36,316	105,760	89,655
Obligations under finance leases	62,339	67,285	30,989	21,795	14,501	—
Trade and other payables	115,541	115,541	115,541	—	—	—
Derivative financial instruments (net settled)	8,635	11,567	3,704	3,116	4,747	—
	493,997	536,253	260,363	61,227	125,008	89,655

32. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity and cash flow risk (Continued)

The Company

	2008					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Other payables and accruals	3,186	3,186	3,186	—	—	—

	2009					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Bank loans	50,000	57,920	7,629	12,217	38,074	—
Other payables and accruals	8,986	8,986	8,986	—	—	—
Derivative financial instruments (net settled)	2,339	4,923	1,435	1,293	2,195	—
	61,325	71,829	18,050	13,510	40,269	—

(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.

32. FINANCIAL INSTRUMENTS (Continued)

(f) Natural risk (Continued)

Moreover, bad weather may adversely affect the condition of the Group's transportation infrastructure, which is critical for the Group to supply timber from the timber concessions to the Group's manufacturing plants and customers. The Group has developed a strategy for utilising different transportation modes and stockpiling, but its daily operations may be unfavourably affected by interruption of transportation due to bad weather or other reasons.

(g) Fair values

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 their fair values 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 2009 and 2008 are shown below:

	2009		2008	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000 (restated)	Fair value $'000 (restated)
The Group				
Financial asset				
— Loan to a jointly controlled entity	—	—	4,072	4,072
Financial liabilities				
— Unsecured borrowings	81,001	64,912	98,007	76,159
— Secured borrowings	125,397	108,965	81,320	52,478
— Obligations under finance leases	34,292	30,000	57,120	49,642

	2009		2008	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
The Company				
Financial liabilities				
— Secured borrowings	45,000	41,341	—	—

32. 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 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.

33. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(a) Useful lives of fixed assets

The management determines the estimated useful lives of and related depreciation charges for its fixed assets. This estimate is based on historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Fair value of plantation assets

The Group's plantation assets are valued at fair value less estimated point-of-sale costs. In determining the fair value of the plantation assets, the professional valuers have applied the net present value approach which requires a number of key assumptions and estimates to be made such as discount rate, log price, harvest profile, plantation costs, growth, 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.

(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.

33. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Impairment loss on 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 trade 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 is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycle. Management reassess these estimates at each balance sheet date.

(f) Impairment of assets

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cashflow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cashflow forecasts would increase or decrease in the provision of the impairment loss and affect the Group's net profit and net asset value in future years.

(g) Business acquisition

For the business combinations undertaken by the Group, the Group allocates the costs of the acquired entities to the assets acquired and the liabilities assumed based on their estimated fair value on the date of acquisition. This process is commonly referred to as the purchase price allocation. As part of the purchase price allocation, the Group is required to determine the fair value of any identifiable intangible assets acquired. The determination of the fair value of the intangible assets acquired involves certain judgement and estimates. These judgements can include, but are not limited to, the cashflows that an asset is expected to generate in the future.

The fair values of the identifiable intangible assets were determined by the Group with inputs from the independent appraisers using mainly the income approach. Future cashflows are predominately based on the historical pricing and expense levels, taking into consideration the relevant market size and growth factors. The resulting cashflows are then discounted at a rate approximately the Group's weighted average cost of capital.

A change in the amount allocated to identifiable intangible assets would have an offsetting effect on the amount of goodwill recognised from the acquisition and would change the amount of amortisation expense recognised related to those identifiable intangible assets.

(Expressed in United States dollars unless otherwise indicated)

34. PARTICULARS OF SUBSIDIARIES

As at 30 June 2009, the Company has direct and indirect interests in the following subsidiaries.

Except for Caribbean Esskay Limited, Samling Malaysia Inc., SGL Trading Inc., Samling China Inc., Samling Trademark Inc., Samling Global USA Inc., Samling Japan Corporation, Brewster Pty. Ltd. and Anhui Tongling, all subsidiaries are held indirectly by the Company through intermediate investment holding companies.

Details of the subsidiaries at 30 June 2009 are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Syarikat Samling Timber Sdn. Bhd.	Malaysia, 26 October 1976	11,979,950 ordinary shares of RM1 each	100	Contractor for timber extraction, 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 and manufacturing and sale of veneer

(Expressed in United States dollars unless otherwise indicated)

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Samling Flooring Products Sdn. Bhd.	Malaysia, 17 January 1984	10,000,000 ordinary shares of RM1 each	100	Manufacture and sale of flooring products, veneer and plywood
Samling Housing Products Sdn. Bhd.	Malaysia, 21 August 1993	10,000,000 ordinary shares of RM1 each	56.1	Manufacture and sale of housing products
Samling Chipboard Sdn. Bhd.	Malaysia, 5 April 1994	100,000 ordinary shares of RM1 each	56.1	Manufacture and sale of particle board
Samling Resources Sdn. Bhd.	Malaysia, 8 May 1985	1,000,000 ordinary shares of RM1 each and 50,000 preference shares of RM1 each	100	Rental of equipment
Samling Reforestation (Bintulu) Sdn. Bhd.	Malaysia, 5 April 1994	500,000 ordinary shares of RM1 each	100	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

(Expressed in United States dollars unless otherwise indicated)

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
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)

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Samling Plywood (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 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 and extraction and sale of logs

(Expressed in United States dollars unless otherwise indicated)

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
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
Samling Power 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

(Expressed in United States dollars unless otherwise indicated)

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
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	59.69	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 and extraction and sale of logs
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

(Expressed in United States dollars unless otherwise indicated)

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Ainokitchen (Malaysia) 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

(Expressed in United States dollars unless otherwise indicated)

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Samling Malaysia Inc.	British Virgin Islands, 24 June 2005	35,835,000 ordinary shares of US$1 each	100	Investment holding
Barama Company Limited	Guyana, 20 August 2001	18,000,000 ordinary shares of US$1 each	100	Manufacture and sale of plywood and sawn timber, extraction and sale of logs
Barama Buckhall Inc.	Guyana, 15 April 2005	500,000 ordinary shares of G$1 each	100	Manufacture and sale of sawn timber
Barama Housing Inc.	Guyana, 27 October 2003	2 ordinary shares of G$1 each	100	Dormant
Caribbean Esskay Limited	British Virgin Islands, 8 May 1992	4 ordinary shares of US$1 each	100	Investment holding
SGL Trading Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100	Trading
Brewster Pty. Ltd.	Australia, 13 June 1954	1,147,000 ordinary shares of AU$1 each	100	Sale and distribution of building materials
Samling Japan Corporation	Japan, 1 July 2005	60 ordinary shares of Yen 50,000 each	100	Market research
Samling China Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100	Investment holding

(Expressed in United States dollars unless otherwise indicated)

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Samling Trademark Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100	Ownership of trademark
Samling Tongling Co., Ltd.	Hong Kong, 30 December 2004	1 ordinary share of HK$1 each	100	Dormant
Samling Riverside Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1 each	100	Sale of plywood and flooring products
Samling Foothill Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1 each	100	Dormant
Samling Elegant Living Inc.	British Virgin Islands, 26 February 2008	US$61,670,000	70	Investment holding
Samling Baroque Holding (Hong Kong) Limited	Hong Kong, 29 February 2008	23,400,001 ordinary share of HK$1 each	70	Dormant
Samling Baroque Trading (Hong Kong) Limited	Hong Kong, 29 February 2008	1 ordinary share of HK$1 each	70	Dormant
Samling Elegant Living Holding (Hong Kong) Limited	Hong Kong, 29 February 2008	176,367,992 ordinary share of HK$1 each	70	Dormant
Samling Labuan Limited	Malaysia, 31 January 2008	35,835,000 ordinary share of US$1 each	100	Investment holding

(Expressed in United States dollars unless otherwise indicated)

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
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, veneer and flooring products
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
Anhui Tongling Anlin Wood Plantation Co., Ltd.	PRC, 23 October 1995	RMB9,000,000	100	Tree plantation

(Expressed in United States dollars unless otherwise indicated)

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activity
Baroque Timber (Zhongshan) Co., Ltd.	PRC, 12 May 2006	RMB130,000,000	70	Manufacture and sale of flooring products
Baroque Timber Industry (Tianjin) Co., Ltd.	PRC, 25 January 2007	RMB15,309,944	70	Manufacture and sale of flooring products
Shanghai Elegant Living Timber Products Co., Ltd.	PRC, 25 May 2005	RMB1,000,000	70	Sale of timber products
Samling Credits (Labuan) Limited	Malaysia, 15 June 2009	1 ordinary share of US$1 each	100	Dormant
Samling NZ Inc.	British Virgin Island, 9 December 2008	1 ordinary share of US$1 each	100	Manufacture and sale of plywood
Xylos Arteriors India Private Limited	India, 31 March 2009	10,000 ordinary shares of Rs10 each	100	Manufacture and sale of wood products
Riverside Flooring Corporation	PRC, 30 March 2009	US$2,000,000	100	Manufacture and sale of flooring products

(Expressed in United States dollars unless otherwise indicated)

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2009

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2009 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

	Effective for accounting periods beginning on or after
IFRIC 16, *Hedges of a net investment in a foreign operation*	1 October 2008
IFRS 8, *Operating segments*	1 January 2009
Revised IAS 1, *Presentation of financial statements*	1 January 2009
Revised IAS 23, *Borrowing costs*	1 January 2009
Amendments to IAS 32, *Financial instruments: Presentation* and IAS 1, *Presentation of financial statements — Puttable financial instruments and obligations arising on liquidation*	1 January 2009
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards,* and IAS 27, *Consolidated and separate financial statements — Cost of an investment in a subsidiary, jointly-controlled entity or associate*	1 January 2009
Revised IFRS 3, *Business combinations*	1 July 2009
Amendments to IAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendments to IAS 39, *Financial instruments: Recognition and measurement — Eligible hedged items*	1 July 2009

36. PARENT AND ULTIMATE CONTROLLING PARTY

At 30 June 2009, the directors consider the immediate parent and ultimate controlling party of the Company to be Samling Strategic Corporation Sdn. Bhd. and Yaw Holding Sdn. Bhd. respectively, both of which are incorporated in Malaysia. Neither of them produces financial statements available for public use.

FIVE YEAR SUMMARY

(Expressed in United States dollars)

	2009 $'000	2008 $'000 (restated)	2007 $'000 (restated)	2006 $'000 (restated)	2005 $'000 (restated)
Turnover	478,960	545,293	561,223	388,686	409,132
Cost of sales	(445,778)	(493,538)	(410,834)	(341,781)	(339,783)
Gross profit	33,182	51,755	150,389	46,905	69,349
Other operating income	6,334	7,817	5,927	2,780	14,727
Distribution costs	(17,118)	(10,417)	(6,527)	(4,536)	(4,457)
Administrative expenses	(35,480)	(29,733)	(27,508)	(17,114)	(16,957)
Other operating expenses	(4,930)	(170)	(140)	(1,538)	(524)
(Loss)/gain from changes in fair value of plantation assets less estimated point-of-sale costs	(1,952)	(3,034)	3,600	(15,194)	(14,686)
(Loss)/profit from operations	(19,964)	16,218	125,741	11,303	47,452
Financial income	8,695	11,283	30,929	6,876	9,067
Financial expenses	(28,021)	(21,166)	(18,950)	(22,377)	(16,631)
Net financing (costs)/income	(19,326)	(9,883)	11,979	(15,501)	(7,564)
Share of profits less losses of associates	96	19,539	7,760	1,317	2,282
Share of profits less losses of jointly controlled entities	800	1,762	1,905	2,816	2,440
(Loss)/profit before taxation	(38,394)	27,636	147,385	(65)	44,610
Income tax	(4,593)	(1,523)	(16,443)	1,694	(1,334)
(Loss)/profit for the year	(42,987)	26,113	130,942	1,629	43,276
Attributable to:					
Equity holders of the Company	(37,447)	14,035	98,491	5,211	23,129
Minority interests	(5,540)	12,078	32,451	(3,582)	20,147
(Loss)/profit for the year	(42,987)	26,113	130,942	1,629	43,276
Dividend attributable to the year:					
Interim dividend declared during the year	—	—	—	2,449	—
Final dividend proposed after the balance sheet date	3,441	3,441	27,574	—	2,500
	3,441	3,441	27,574	2,449	2,500
(Loss)/earnings per share (US cents) — Basic and diluted	(0.87)	0.33	6.03	0.17	0.75

FIVE YEAR SUMMARY

(Expressed in United States dollars)

	2009 $'000	2008 $'000 (restated)	2007 $'000 (restated)	2006 $'000 (restated)	2005 $'000 (restated)
Non-current assets					
Fixed assets, net					
— Investment properties	7,525	10,322	9,940	9,581	9,493
— Other property, plant and equipment	370,430	428,051	415,253	381,522	321,764
Construction in progress	15,401	9,153	5,480	1,963	4,825
Interests in leasehold land held under operating leases	34,216	27,939	27,172	26,504	22,934
Intangible assets	50,107	32,725	29,616	32,474	17,242
Plantation assets	213,396	241,209	228,716	167,696	195,961
Interest in associates	68,497	75,372	54,675	44,883	42,788
Interest in jointly controlled entities	10,828	14,887	14,592	15,345	18,118
Other investment	31	34	32	30	29
Deferred tax assets	2,789	5,853	3,578	3,642	3,399
Total non-current assets	773,220	845,545	789,054	683,640	636,553
Current assets					
Inventories	135,457	139,049	110,554	83,475	69,006
Trade and other receivables	74,105	80,039	78,693	97,277	218,790
Current tax recoverable	20,378	19,395	12,013	9,390	8,502
Cash and cash equivalents	240,876	273,316	326,651	21,154	26,542
Total current assets	470,816	511,799	527,911	211,296	322,840
Total assets	1,244,036	1,357,344	1,316,965	894,936	959,393
Current liabilities					
Bank loans and overdrafts	101,084	120,829	103,782	121,792	91,949
Obligations under finance leases	28,047	32,510	29,222	22,790	15,050
Bonds	—	—	43,422	—	39,474
Trade and other payables	124,176	132,349	115,602	186,889	138,411
Current tax payable	1,787	263	2,633	1,843	2,531
Total current liabilities	255,094	285,951	294,661	333,314	287,415
Net current assets/(liabilities)	215,722	225,848	233,250	(122,018)	35,425

FIVE YEAR SUMMARY

(Expressed in United States dollars)

	2009 $'000	2008 $'000 (restated)	2007 $'000 (restated)	2006 $'000 (restated)	2005 $'000 (restated)
Total assets less current liabilities	988,942	1,071,393	1,022,304	561,622	671,978
Non-current liabilities					
Bank loans and overdrafts	206,398	179,327	132,904	129,241	83,058
Obligations under finance leases	34,292	57,120	63,590	55,509	39,837
Bonds	—	—	—	40,816	39,271
Deferred tax liabilities	53,008	55,320	59,681	48,498	53,950
Total non-current liabilities	293,698	291,767	256,175	274,064	216,116
Total liabilities	548,792	577,718	550,836	607,378	503,531
Capital and reserves					
Share capital	430,174	430,174	430,174	979	50,442
Reserves	88,352	167,716	169,941	167,687	198,238
Total equity attributable to equity holders of the Company	518,526	597,890	600,115	168,666	248,680
Minority interests	176,718	181,736	166,014	118,892	207,182
Total equity	695,244	779,626	766,129	287,558	455,862
Total liabilities and equity	1,244,036	1,357,344	1,316,965	894,936	959,393

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 a group reorganisation exercise, 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 had 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.

On 15 August 2008, the Group completed the acquisition of the entire equity interest in Anhui Tongling. Since Anhui Tongling is ultimately controlled by Mr. Yaw Chee Ming and Datuk Yaw Teck Seng immediately before and after the acquisition, this financial summary for the years ended 30 June 2005, 2006 and 2007 thereof have been prepared using the principle of merger accounting as if the Group had always been in existence.

The calculation of basic earnings per share for the years ended 30 June 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 2005 represents the aggregate of the share capital of the companies comprising the Group. Share capital at 30 June 2006, 2007, 2008 and 2009 represents the share capital of the Company.