SAMLING GLOBAL LIMITED
三林環球有限公司*

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

ANNUAL REPORT 2010

* for identification purposes only

The FSC logo identifies products which contain wood and virgin fibre from well-managed forests certified in accordance with the rules of the Forest Stewardship Council.

CONTENTS

The leaf motif on the cover of **Samling Global Limited** 2010 Annual Report is that of the *acacia mangium*, a fast-growing species grown in our nursery and forest plantations in Malaysia. Due to its rapid growth and adaptability to various soil conditions, *acacia mangium* plays an important role in the Group's efforts moving forward to achieving a sustainable woodflow for its timber products.

LARGE AND STRATEGICALLY LOCATED
RESOURCE BASE AND OPERATIONS

GUYANA
- Forest concession
- Plywood / Veneer
- Sawn timber

PEOPLE'S REPUBLIC OF CHINA (PRC)
- Forest plantation
- Plywood / Laminated veneer lumber (LVL)
- Flooring
- Distribution of flooring products (approx 825 distributor outlets)

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

AUSTRALIA
- Distribution of timber products (7 branches)

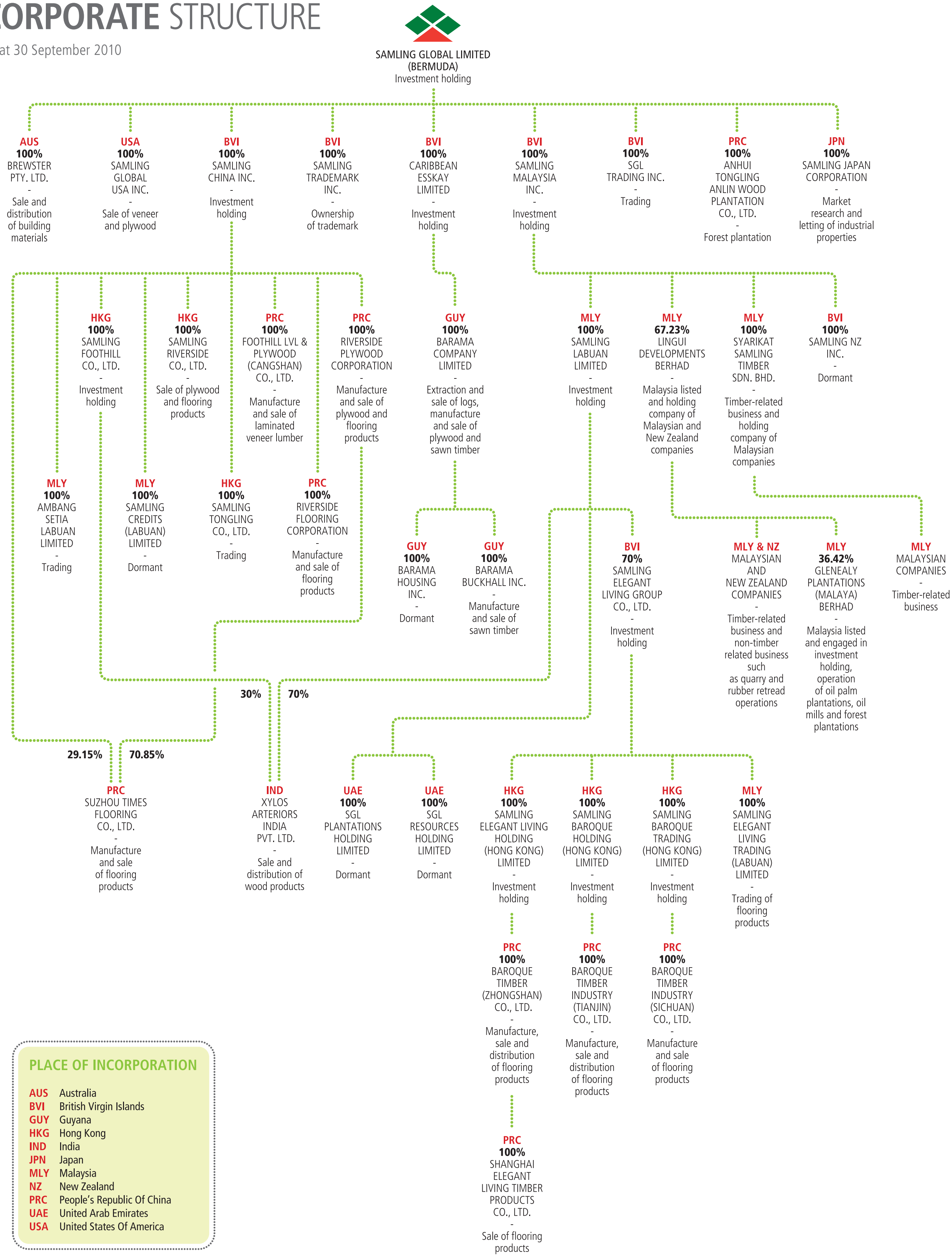
NEW ZEALAND
- Forest plantation

- Forest Resource Base
- Downstream Manufacturing
- End User Products & Distribution

• Samling Global Limited is an integrated forest resource and wood products company • Strategically located locations in Malaysia, Guyana, the PRC, New Zealand and Australia • Extensive forestry and management expertise with more than 40 years of track record • More than 13,000 employees across its operations •

CORPORATE STRUCTURE

As at 30 September 2010



PLACE OF INCORPORATION

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

CORPORATE STRUCTURE

As at 30 September 2010

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
  - **NZ 100%** TREEONE (NZ) LIMITED - Investment holding
    - **NZ 100%** HIKURANGI FOREST FARMS LIMITED - Forest plantation
      - **NZ 100%** TASMAN FORESTRY (GISBORNE) LIMITED - Dormant
      - **NZ 100%** EAST COAST FORESTS LIMITED - Dormant
        - **NZ 50%** EASTLAND DEBARKING LIMITED - Log debarking services
- **MLY 35%** SAMLING DORFOHOM SDN. BHD. - Investment holding and wood residual trading
  - **MLY 50%** MAGNA-FOREMOST SDN. BHD. - Manufacture and sale of fibreboard door facings
- **MLY 100%** TAMEX TIMBER SDN. BHD. - Contractor for timber extraction
  - **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 - Dormant
- **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. - Property investment and letting of industrial properties
  - **MLY 100%** HOCK LEE RUBBER PRODUCTS SDN. BHD. - Manufacture and sale of rubber retread compounds
- **MLY 100%** ANG CHENG HO QUARRY SDN. BHD. - Quarry licensee and operator
  - **MLY 100%** BUKIT PAREH QUARRY SDN. BHD. - Dormant

PLACE OF INCORPORATION

MLY Malaysia
NZ New Zealand
UAE United Arab Emirates

CORPORATE STRUCTURE

As at 30 September 2010

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

- **MLY 100%** SERTAMA SDN. BHD. - Extraction and sale of logs
- **MLY 70%** MAJULABA SDN. BHD. - Extraction and sale of logs
- **MLY 100%** SAMLING REFORESTATION (BINTULU) SDN. BHD. - Extraction and sale of logs
- **MLY 70%** DAYALABA SDN. BHD. - Extraction and sale of logs
- **MLY 56.1%** SAMLING HOUSING PRODUCTS SDN. BHD. - Manufacture and sale of housing products
  - **MLY 100%** SAMLING CHIPBOARD SDN. BHD. - Manufacture and sale of particle board
- **MLY 100%** MERAWA SDN. BHD. - Extraction and sale of logs
- **MLY 100%** SAMLING FLOORING PRODUCTS SDN. BHD. - Manufacture and sale of flooring products, veneer and plywood
- **MLY 100%** KTN TIMOR SDN. BHD. - Extraction and sale of logs
- **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%** RAVENSCOURT SDN. BHD. - Extraction and sale of logs
- **MLY 100%** KAYUNEKA SDN. BHD. - Agent for sale of logs
- **MLY 100%** SYARIKAT RELOH SDN. BHD. - Extraction and sale of logs
- **MLY 100%** BEDIANEKA SDN. BHD. - Trading of logs
- **MLY 100%** S.I.F. MANAGEMENT SDN. BHD. - Extraction and sale of logs, manufacture and sale of veneer
- **MLY 100%** SAMLING RESOURCES SDN. BHD. - Rental of equipment
  - **MLY 49%** SAMLING-PDT RESOURCES SDN. BHD. - Dormant
- **MLY 100%** SORVINO HOLDINGS SDN. BHD. - Provision of machinery repairs and re-conditioning services
- **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)*
(passed away on 19 September 2010)
David William Oskin
Tan Li Pin, Richard

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE
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Jalan Temenggong Datuk Oyong Lawai Jau
98000 Miri
Sarawak
Malaysia

PLACE OF BUSINESS IN HONG KONG
Room 2205, 22nd Floor, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong
Tel: +852 2500 3099

COMPANY SECRETARY
Navin Kumar Aggarwal
(LL.B. (Hons.) London, P.C.LL (Hong Kong))

AUDITORS
KPMG

CORPORATE COMMUNICATIONS AND INVESTOR RELATIONS
Samling Global Limited
enquiry@samling.com
Tel: +852 2500 3099

Strategic Financial Relations Limited
keris.leung@sprg.com.hk
Tel: +852 2111 8468

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Bermuda) Limited
65 Front Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel: +852 2862 8555

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

STOCK CODE
Hong Kong Stock Exchange 3938

WEBSITE
www.samling.com

FINANCIAL HIGHLIGHTS

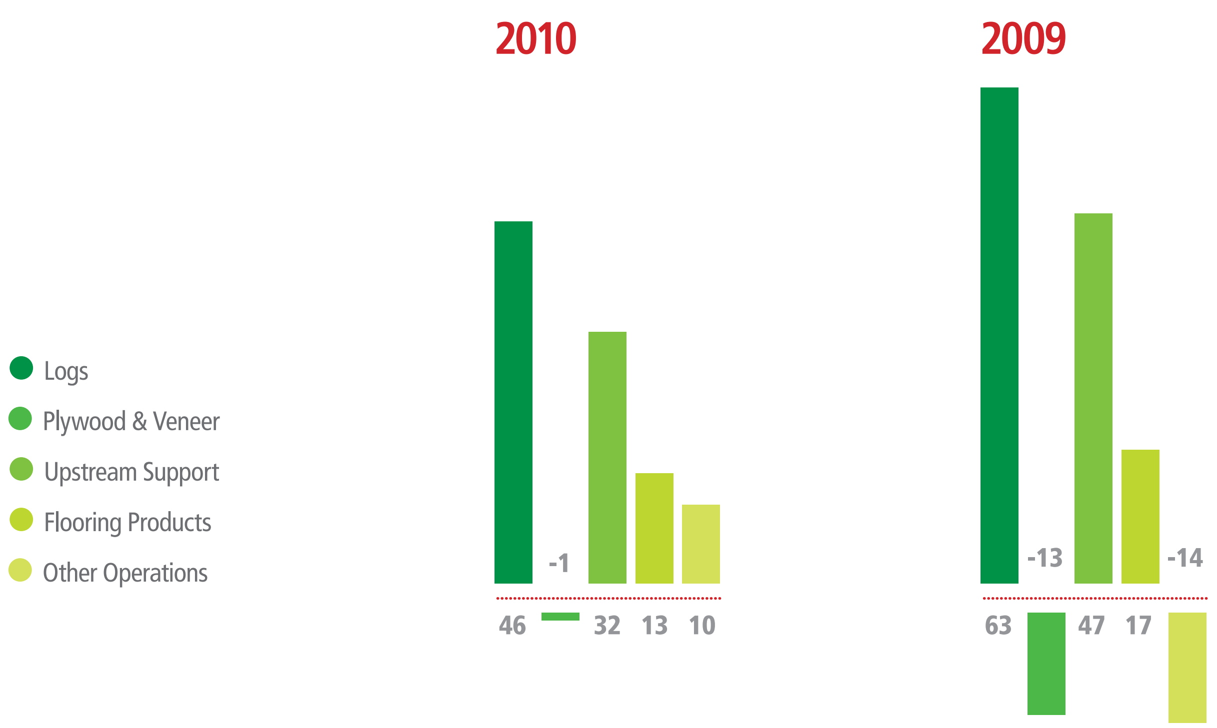
	For the year ended 30 June				
	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000
Revenue	598,248	478,960	545,293	561,223	388,686
Profit/(loss) before taxation	29,060	(38,394)	27,636	147,385	(65)
Profit/(loss) attributable to equity shareholders	12,645	(37,447)	14,035	98,491	5,211
EBITDA (i)	94,238	52,596	110,044	196,673	83,530
Total equity attributable to equity shareholders	563,925	518,526	597,890	600,115	168,666
Total assets	1,279,139	1,244,036	1,357,344	1,316,965	894,936
Earnings/(loss) per share (US cent) (ii)	0.29	(0.87)	0.33	6.03	0.17
Gearing ratio (%) (iii)	26.1%	29.7%	28.7%	28.3%	41.4%

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

(ii) The calculation of basic earnings/(loss) per share for the year ended 30 June 2006 is based on the profit attributable to equity shareholders of the Company and 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.

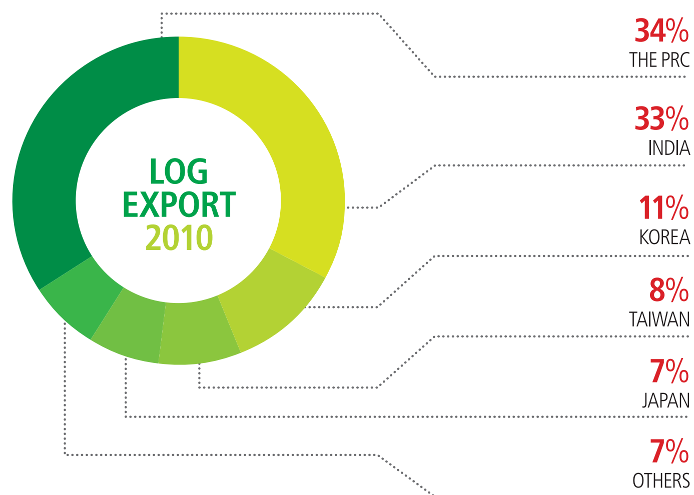
(iii) Gearing ratio is derived by dividing the total borrowings by total assets.

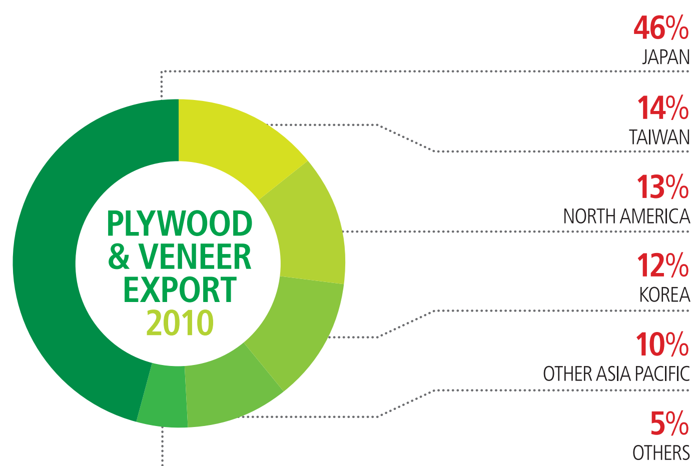
EBITDA CONTRIBUTION IN PERCENTAGE (%) BY SEGMENT



DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS (THE "BOARD") OF SAMLING GLOBAL LIMITED ("THE GROUP"), I AM PLEASED TO PRESENT THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010.





BUSINESS REVIEW

The financial year under review began with governments around the world struggling to contain the global financial crisis which spread from the financial sector and threatened other sectors of the economy. With aggressive monetary easing measures and large fiscal spending by major economies, the uncertain situation has generally eased over the course of the financial year with some signs of stabilisation of economic activities and a gradual emergence from recession in most countries. However, the road to sustained recovery was marked by bumps and setbacks notably in the second half of the financial year as economic recovery in various countries slowed when stimulus measures were gradually withdrawn. High national budget deficits and rising unemployment in developed countries were also impediments to a smooth recovery and amidst the uncertainty, investors' confidence remained depressed. The recent sovereign debt crisis that affected Greece, Spain and Portugal led to these countries diving deeper into recession, caused ripples in international markets and indicated that much more needs to be done. These market sentiments have dampened prospects of a sustained growth, and the economic outlook is likely to be more conservative than expected in the near term.

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

Operating under such a volatile market situation was challenging as the Group worked towards realigning its business focus to be in line with economic developments and demand in its key markets.

Log Trading Segment

Log trading which reported an operating profit of US$27.2 million was the main profit contributor to the Group. Demand from the People's Republic of China ("PRC") remained strong, principally driven by robust domestic log requirements (for both hardwood and softwood logs) for its rapidly expanding construction and housing sectors, fuelled by the central government's economic stimulus packages as well as the rising affluence of its population. Demand from India, a timber deficient country, also increased, mainly for the harder log species, riding on its aggressive economic expansion, global economic recovery and resurgent consumption by a growing middle class population.

Plywood and Veneer Segment

Even with gradual improvement in demand, the performance of the plywood segment remained dismal as new housing starts in the Group's key market, Japan, plunged to a record low level of less than 800,000 units in 2009 and remained relatively low at approximately 380,000 units for the second half of the financial year under review. In spite of the limited success of past efforts to jumpstart the Japanese economy, buyers have been unwilling to commit as they adopt a wait-and-see approach for signs of improving market conditions. Even the comparatively stronger Japanese Yen which afforded the Japanese higher purchasing power did not translate into higher level of consumer spending. For veneer, the demand improved marginally in the financial year under review.

Flooring Products Segment

The performance of the Group's flooring products segment, which has its manufacturing facilities in the PRC, improved, driven by strong domestic demand as developers and homeowners increased use of flooring products, both for new houses and when undertaking house remodeling works. In its effort to increase its marketing presence in the PRC, the Group added on another 277 distribution outlets to bring the total to 825 outlets as at the end of the financial year under review.

Manufacturing capacity also increased with the construction of two new manufacturing facilities in Chengdu and Nantong. Sales from these two plants will be mainly for the western region of the PRC where the Group targets to increase its market share.

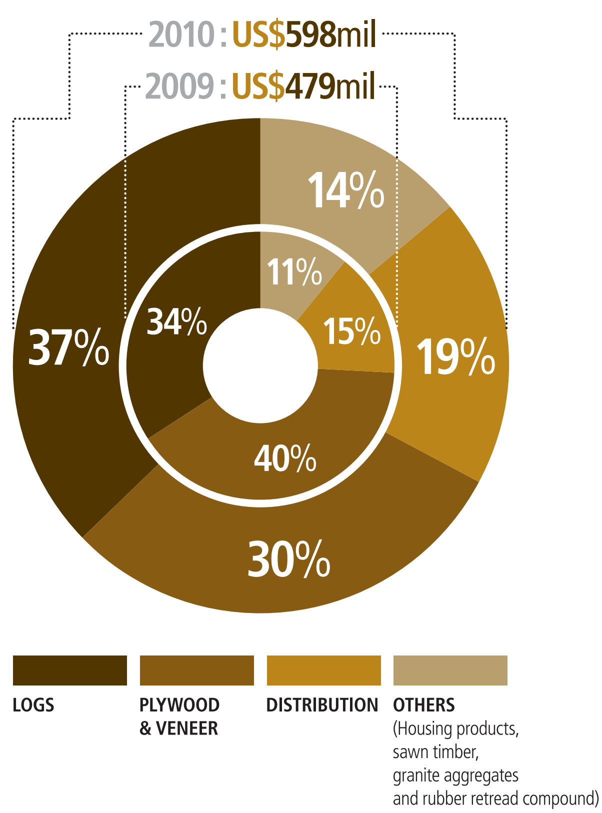
> ... the Group continues to work on improving operational efficiency by enhancing the productivity of its workforce and its equipment fleet, emphasising tight control over cash cost of production.

GROUP STRATEGIES AND RESULTS HIGHLIGHT

With the changes in demand from its key markets as well as the different return from the key product segments, the Group continued to work towards maximising returns on its timber resources by alternately adopting the more favourable option between processing logs into plywood or veneer versus the outright selling of logs. Such flexibility is possible because the Group has an integrated timber operation with a sustainable wood resources. With constant pressure on margins, the Group continues to work on improving operational efficiency by enhancing the productivity of its workforce and its equipment fleet, emphasising tight control over cash cost of production.

For the financial year under review, the Group recorded revenue and profit before taxation of US$598.2 million and US$29.1 million respectively compared to US$479.0 million and a loss before taxation of US$38.4 million respectively in the preceding financial year. In terms of cash flow, the Group recorded an operating profit before changes in working capital of US$97.8 million compared to US$69.4 million achieved in the preceding financial year.

BREAKDOWN OF REVENUE BY PRODUCT



CORPORATE PROPOSALS

On 19 August 2010, the Company announced the subscription of US$20.0 million in Stone Tan China Holding Corporation ("Stone Tan") which will represent approximately 36.8% of Stone Tan's issued and paid up capital. Stone Tan will be engaged in the business of financial services such as (i) credit guarantee; (ii) financial leasing; and (iii) small-sum business loans. This investment will complement the Group's strategy of further increasing its flooring business in the PRC. The expansion of the Group's flooring distribution network will be boosted by the provision of financial assistance through Stone Tan to potential new distributors who meets the Group's criteria. The focus is in the western region of the PRC (including Chongqing), where the government has encouraged new investments for future growth. This provides the Group with an investment opportunity in financial services, a sector which is also promoted by the government of the PRC.

PROSPECTS AND FUTURE PLANS

General Outlook

Whilst there may be indications that the worst financial crisis in decades may have abated and major global economies are en route to recovery, elements of uncertainty over its sustainability remains as developed countries continues to face setbacks such as high unemployment and national budget deficits. It has yet to be fully seen if the world's key economies can maintain its growth momentum once the stimulus measures are gradually withdrawn. The recent sovereign debt crisis in Greece which spread to other European countries has renewed worries of the looming threat of a double-dip in the world's largest economies.

As a result, consumer demand remains narrow and the shadow of global economic uncertainty is holding back capital spending and could disrupt industrial production and credit growth.

Demand Drivers, Emerging Markets

The PRC, which has overtaken Japan as the world's second biggest economy, is still facing a property boom although there are signs of softening due to the central government actions in curtailing speculation on fears of formation of a property bubble. Any slowdown in housing development activities resulting from this governmental action will have an adverse impact on timber demand from the PRC. However, the rising affluence of its population with higher purchasing power may still provide a relatively stable base for sustained timber demand for the housing sector, albeit at a lower level.

In Japan, it is hoped that government efforts to give the long depressed housing industry a boost after recording record low housing starts in 2009 will provide the impetus for sustained recovery. However, current economic stagnation and anxiety over the future will be important considerations to homebuyers who might delay purchases until the outlook is clearer.

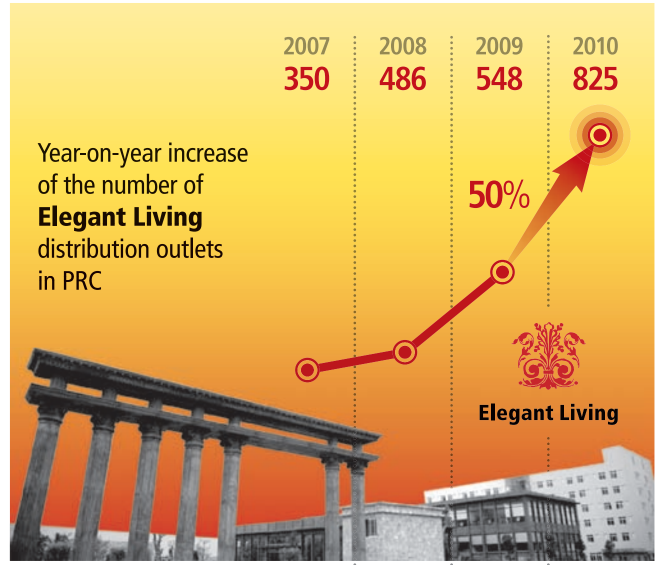
India will continue to be a key buyer for the harder log species to meet the increasing demand for better housing as the population's standard of living improves.

In the United States, it is hoped the momentum of the government stimulus efforts to turn around its relatively fragile economy can achieve the desired results.

Supply Drivers

In terms of log supply, it has generally stabilised at lower than pre-crisis levels but the supply dynamics has gradually shifted to countries like New Zealand and Papua New Guinea, as Russian raw log exports have been on the decreasing trend. The Group plans to capitalise on this shift in supply source by ramping up production volume of its softwood logs in New Zealand. For plywood, although Indonesia is currently not much of a threat, the PRC's plywood exports will continue to compete for market share.

> Increasing sustainable woodflow to meet the requirements of downstream processing in the future is an important area of focus for the Group.



Business Strategies

For its future growth, the Group will continue to strengthen its core timber business, build on its timber resources and enhance its distribution network.

For its core timber business, the Group, besides continuing to improve equipment and labour efficiencies, has taken steps to enhance its manufacturing capabilities through the acquisitions of new equipment. These new equipment will enable new product offerings besides improving wood recovery rates. Logging equipment are kept in a well maintained state, ready for deployment when a full economic recovery takes place. Close rapport is maintained with customers and suppliers across the Group's business to ensure that our 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. (which has presence in major cities in Australia), and in the PRC through the Elegant Living group of companies (which currently has 825 distribution outlets in the PRC with plans to set up more). Through these companies, the Group is able to reach further down the supply chain closer to end users, to better understand and respond quickly to changing consumer needs and market trends. The Group has also established offices in India and Japan to increase market access and to service its customers better in these two countries.

Continue Building Resources

Increasing sustainable woodflow which currently is stable at about 1.9 million cubic meter ("m^3") per annum to meet the requirements of downstream processing in the future is an important area of focus for the Group. The strategy for growth will be through organic growth as well as new acquisitions.

Recognising that the cost of extracting woodflow from concession areas may become more expensive in the future with extraction taking place in deeper areas of the forest, the Group has placed more emphasis on increasing its tree plantation hectarage to provide the Group with a sustainable source of wood. To date, the Group has planted 25,748 hectares in New Zealand, 16,928 hectares in Malaysia and 764 hectares in the PRC. In line with the planned ramp up of the New Zealand plantation production to a sustainable level of about 800,000 m^3 per annum, road construction and infrastructural development will be accelerated.

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

Sustainable Forest Management and Voluntary Certification

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

Over the years, the Group's extensive efforts in obtaining voluntary certification in forest management, chain-of-custody, and product and quality management systems from internationally-recognised certification schemes underscore its commitment to promote the sustainable use of natural resources and wood products.

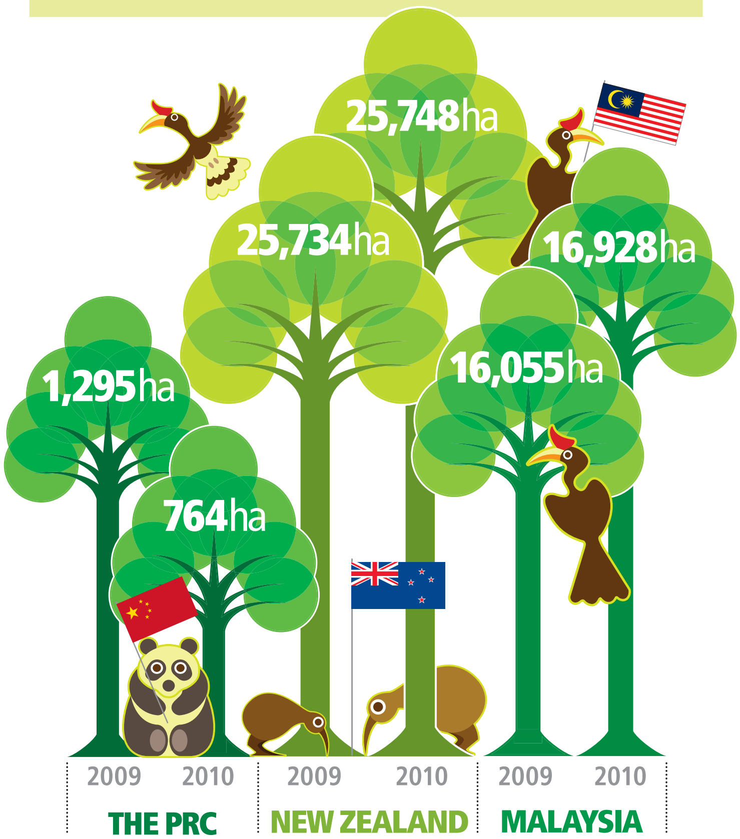
CORPORATE GOVERNANCE

The Board is committed to achieving and maintaining high standards of corporate governance in managing the business and affairs of the Group. It is guided by principles and best practices of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These practices are instilled throughout the Group's operations. These are further described in the Corporate Governance Report found on pages 37 to 43.

For its future growth, the Group will continue to strengthen its core timber business, build on its timber resources and enhance its distribution network.

ENSURING LONG-TERM GROWTH OF SUSTAINABLE RESOURCES

Tree plantation hectarage (ha)



As a long term forest manager, the Group will continue to subscribe to the principles of sustainable forest management and the importance of products manufactured from legal timber sources.

HUMAN RESOURCE DEVELOPMENT

Human capital remains an essential element to the Group's growth and success. To attract and retain diverse talents executive succession planning, personal development, career advancement and talent training programmes and plans are put in place. Employees are sent for both in-house training programmes and external professional courses relating to technical knowledge, management standards and skills reinforcement to improve their technical aptitude and field exposure. Also, the safety of our people is a priority. Safe work practices and behaviour in the workplace are greatly emphasised and is a commitment the Group pledges to safeguard.

CORPORATE SOCIAL RESPONSIBILITY

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

DIVIDENDS

The Directors recommend the payment of a final dividend of 0.622 HK cents (equivalent to approximately 0.080 US cents) per share amounting to HK$26.8 million in respect of the financial year ended 30 June 2010 to shareholders whose names appear on the Register of Members of the Company on 15 November 2010. The proposed final dividend will be paid on 17 December 2010 following approval of the shareholders at the forthcoming Annual General Meeting.

APPRECIATION

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

Chan Hua Eng
Chairman

Hong Kong, 17 September 2010

CORPORATE SOCIAL RESPONSIBILITY

The Group stands proudly by its corporate social responsibility ("CSR") efforts and initiatives which are inseparable from the objective of generating sustainable and viable growth for our businesses.

For any company, the drive for sustainable growth begins with profitability, while remaining strong and focused amid worldwide economic uncertainties. In the prevailing business environment, profit is also determined by markets that place increasing focus on environmental sustainability.

Samling Global Limited strives to achieve this balance by taking an approach to CSR that is integrated into our business models. We partner our stakeholders in fostering economic, social and environmental well-being, which encompass areas of **community involvement, workplace, environment and marketplace.**

Community

We reach out to local indigenous communities by investing in, engaging with and working with them...

The nature of our business means that we sometimes operate in the most remote parts of Sarawak, Malaysia and Guyana. Our operations are inevitably connected to the livelihoods and quality of living of our employees and neighbouring communities. We recognise our duty and ability to engage with these communities, while ensuring the continual viability of our business.

We reach out to local indigenous communities by investing in, engaging with and working with them in areas of community assistance, community development and education. We aim to empower community members to lead safer and easier lives and develop independent and balanced living, while preserving their unique values and cultures.

The Group is one of the largest employers of indigenous tribes in Sarawak, Malaysia. We have more than 3,500 employees from diverse indigenous backgrounds in our employment. We have also implemented CSR programmes that have benefitted eight tribes from 163 villages. Of these, 32 (about 20 percent) are Penan communities, the second largest indigenous tribe to benefit from our CSR activities. Other beneficiaries in our forest concessions include the Lun Bawangs, Kenyahs, Kayans and Kelabits.

These CSR initiatives cover infrastructure construction and utilities (bridge and road building, electricity supply, direct water supply), income generating skills (animal husbandry and crop cultivation), disaster relief (floods and fire) and education (scholarship and bursaries).

Even more gratifying is the fact that many villages in our concession areas welcome our presence, and want us to build roads and bridges (and we have) for better access to schools, medical facilities, and markets to sell their agricultural produce. In remote areas, our site offices serve as focal points for medical outreach programmes and emergency call-outs.

Educational support is another essential element in the Group's CSR initiatives. Since year 2000 to the current financial year under review, we have awarded a total of 43 scholarships amounting to US$0.4 million to students in Malaysia 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 the financial year 2010, our bursary scheme covered 51 primary and 7 secondary schools within the areas where we operate in Sarawak.

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

COMMUNITY SUPPORT HIGHLIGHTS AND PROJECTS

Bridging the Distance

Access to the nearest healthcare, school, and markets has 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 providing assistance to build link roads and bridges to connect villages to main roads.

Bario, a village with eco-tourism potential located in the Kelabit Highlands in Sarawak, is finally accessible by road after the completion of a wooden bridge built by the Group as part of its community assistance programme.

Scholarships and Bursaries

The Group grants annual scholarships to students with outstanding academic credentials and leadership potential, and bursaries to youth in needs ranging from school leavers and students from low income background, to those admitted to special institutions for disability-related reasons.

Medical Outreach Programme in Ulu Baram

In a medical outreach programme in collaboration with Kuching Specialist Hospital, two medical camps were organised in the remote region of Ulu Baram, Sarawak. More than 1,000 people from 20 villages received medical attention at the Group's logging camps which were converted into bustling medical points. This has allowed many more people to receive treatment, instead of having the medical team moving from one place to another which would involve a far more complicated logistics arrangement.

This rare gathering of local communities of such strength also presented a unique opportunity for government agencies such as National Registration Department, Marudi Department of Agriculture, and Pusat Kemahiran dan Pembangunan Sarawak, and a local NGO, Sarawak AIDS Council Society, to serve the people in their respective capacities.

Cultural Celebration

Staff and family members of our Guyanese operations celebrating the Amerindian Heritage Month, a celebration in recognition of the Amerindian contributions the cultural, social and economic fabric of the Guyanese Society.

Medical Outreach Programme in Guyana

As an extension of its corporate social responsibility programme, Barama Company Limited initiated a medical outreach programme for three neighboring communities. Over one hundred people, mainly women and children from the communities of Great Troolie Island, Caria Caria and Bethany, received treatment for various ailments.

This was the first time a private company has embarked on such an undertaking in their communities and that the communities welcome and appreciate this gesture by Barama. Barama also has a medical center in its Buckhall operations from which these communities and others nearby could go to receive medical assistance.

Humanitarian and Disaster Relief

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

Workplace:
Our People, Our Strength

The Group is committed to the well-being and success of its 13,000 employees across its operations from diverse backgrounds, cultures and occupations. To succeed, we must inspire ingenuity, nurture talent and create an inclusive workplace where people thrive and grow. And we must balance this work with our other business needs.

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

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

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

Participants of the MIM-certified management development programme

Participants of a safety programme in discussion

Samling's Senior Managers at the International Strategic Leadership Programme training

Employees are also encouraged to take ownership of their own careers by self-identifying personal development needs and opportunities in line with business goals.

Environment

Across our supply chain, from our forestry practices to manufacturing operations, we seek to manage our environmental impact. As guardians of forest concessions and plantations, we are aware that our business and the wider community are very much dependent on the well-being of the environment we operate in. We operate in regulated environments overseen by state and national forestry departments, which require strict compliance to our concession agreements.

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

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

... we are aware that our business and the wider community are very much dependent on the well-being of the environment we operate in.

We are also currently involved in the initial dialogues with other agencies and institutions for Heart of Borneo, a conservation programme covering a network of protected areas, sustainably-managed forest and other land use management. The Heart of Borneo programme area refers to a 240,000 sq km (2 million hectares) of equatorial rainforests straddling Sarawak, Brunei, Sabah and Kalimantan (Indonesia). The programme is led by the Bornean governments and supported by a global effort.

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

Our Marketplace

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

Certification

We take pride in our reputation for being the first tropical timber company in Malaysia with an ISO 9001:2000 quality management system certification. We received this certification in 1996, and have since embraced the certification's obligatory culture of continuous improvement to our processes, initiating remedial measures and corrective actions when necessary.

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

- Forest Stewardship Council ("FSC") Certificate for Chain-of-Custody for plywood manufacturing for Samling Plywood (Bintulu) Sdn. Bhd.
- FSC Certificate for Chain-of-Custody for moulded doorskin manufacturing and the 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 takes pride in providing assurance that our wood products come from well-managed forests in accordance with an approved standard, by adopting the most relevant certification in forest management, chain-of-custody, products, and quality management systems.

In 2009, Samling Plywood (Baramas) Sdn. Bhd. and Samling Plywood (Bintulu) Sdn. Bhd. obtained the internationally recognised StandardsMark certification for their plywood products that have been manufactured to Australian Standards. This gives the Group an edge over its overseas competitors as wood products without this certification will not have market access to certain building products segment in Australia.

The Group's Malaysian Timber Certification Council (MTCC) Certificate for Forest Management for Samling Plywood (Baramas) Sdn. Bhd. that manages the Sela'an-Linau Forest Management Unit assessed to the MC&I(2001) standards which expired on 17 October 2009 has been replaced by the MC&I(2002) under the recently restructured Malaysian Timber Certification Scheme (MTCS) endorsed by the Programme for Endorsement of Forest Certification (PEFC) as the new standard for forest management certification.

In line with this change-over to the use of the new assessment standard, Samling Plywood (Baramas) Sdn. Bhd. is now actively pursuing to re-certify Sela'an-Linau FMU under MC&I(2002).

The Group remains committed to sustainable forest management and will continue to comply within the laws, regulations and good practices that guide our forest operations while undergoing the recertification of its FMU.

While there continues to be a varied approach to evaluating well-managed forests with multiple certification bodies, and which above all, is voluntary the Group will continue to comply within the laws, regulations and good practices that guide our forest management activities.

We endeavour to extend the coverage of formal certification for our forest concessions, manufacturing practices and products following the prominence of voluntary third-party certification worldwide as well as based on customer need.

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

Engaging Our Stakeholders

We believe in establishing collaborative relationships with our stakeholders by engaging them in a constructive and transparent manner, understanding their views and responding to issues important to them and relevant to the timber industry.

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 investor conferences are the interfaces through which we engage our investors. The Group's website allows users to access the latest announcements, financial 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, dialogues, reports and correspondence.

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

We believe in establishing collaborative relationships with our stakeholders

Dialogues between our upstream operations personnel and indigenous communities are also common, and the former are known to have gone the extra mile to extend various types of assistance to these remote communities.

We have proven ourselves a long-term player, having been in the business for almost 50 years. We have also evolved from a logging operator to a public-listed entity delivering healthy performances year after year. We understand that long-term success depends on our capacity to generate returns while nurturing our forests, supporting our communities, delivering shareholder value and empowering our employees to bring useful, innovative products to market.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY FINANCIAL HIGHLIGHTS

	Logs* US$'000	Plywood and veneer US$'000	Upstream support US$'000	Flooring products US$'000	Other operations US$'000	Eliminations US$'000	Total US$'000
Segment Revenue							
2010							
External customers	220,279	181,300	35,642	58,002	103,025	—	598,248
Inter-segment revenue	67,683	21,445	196,349	3,271	5,013	(293,761)	—
Total revenue	287,962	202,745	231,991	61,273	108,038	(293,761)	598,248
2009							
External customers	165,102	191,603	7,268	32,564	82,423	—	478,960
Inter-segment revenue	64,201	21,479	163,052	—	7,556	(256,288)	—
Total revenue	229,303	213,082	170,320	32,564	89,979	(256,288)	478,960
Segment Gross Profit							
2010							
Gross profit/(loss)	24,517	(5,622)	8,780	11,613	18,063	—	57,351
Gross profit/(loss) margin (%)	*8.5*	*(2.8)*	*3.8*	*19.0*	*16.7*	—	*9.6*
Percentage of segment contribution (%)	*42.7*	*(9.8)*	*15.3*	*20.3*	*31.5*	—	*100.0*
2009							
Gross profit/(loss)	21,260	(8,664)	252	8,879	11,455	—	33,182
Gross profit/(loss) margin (%)	*9.3*	*(4.1)*	*0.1*	*27.3*	*12.7*	—	*6.9*
Percentage of segment contribution (%)	*64.1*	*(26.1)*	*0.7*	*26.8*	*34.5*	—	*100.0*

* Logs comprise hardwood and softwood logs

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

	2010 US$'000	2009 US$'000
Gross profit	57,351	33,182
Other expenses net of other income before gain/loss from changes in fair value of plantation assets less estimated point-of-sale costs	(43,491)	(51,194)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	4,232	(1,952)
Profit/(loss) from operations	18,092	(19,964)
Net financing income/(costs)	112	(19,326)
Share of profits less losses of associates and jointly controlled entities	10,856	896
Profit/(loss) before taxation	29,060	(38,394)
Income tax	(592)	(4,593)
Profit/(loss) for the year	28,468	(42,987)
Non-controlling interests	(15,823)	5,540
Profit/(loss) attributable to equity shareholders of the Company	12,645	(37,447)

REVIEW OF GROUP RESULTS

With higher volumes of logs being sold, partially driven by strong demand from the People's Republic of China ("PRC") and India, the Group achieved a higher revenue of US$598.2 million for the financial year under review, representing a 24.9% increase from the revenue of US$479.0 million achieved in the preceding financial year.

With the gradual recovery of the world economy from the financial crisis which significantly affected the results of the Group for the preceding financial year, the Group's financial results for the financial year under review was a turnaround as all the businesses of the Group improved on their gross profits. Gross profit improved to US$57.4 million from US$33.2 million achieved in the preceding financial year, an increase of about 72.9%. Gross profit margin has also increased to 9.6% compared to 6.9% for the preceding financial year. For the key business of log trading and flooring products, with higher volumes sold, the average cost of production per cubic metres ("m^3") or square metres ("m^2") were lower as semi-fixed and fixed operating costs were allocated over higher volumes. Diesel and glue prices were also lower compared to the preceding financial year. This has enabled log trading and flooring products to achieve higher gross profits. Although the volume of plywood sold was lower due to lacklustre demand from Japan, the higher sales prices obtained enabled the plywood division to achieve better gross profits. After accounting for the higher other income (principally due to higher royalty income for flooring products) and deducting administrative and distribution expenses, the Group recorded a profit from operations of US$18.1 million compared to a loss from operations of US$20.0 million recorded in the preceding financial year. Due to the recognition of unrealised foreign exchange gains on US Dollar loans in a foreign subsidiary company and foreign currency deposits, the Group recognised net financing income of US$0.1 million during the financial year as compared to net financing costs of US$19.3 million recorded in the preceding financial year. Principally as a result of higher crude palm oil ("CPO") prices achieved and higher volume sold by the associate involved in oil palm plantations, share of profits less losses of associates and jointly controlled entities was higher at US$10.9 million. As a result of the above factors, the Group achieved a profit before taxation of US$29.1 million compared to a loss before taxation of US$38.4 million recorded in the preceding financial year. After accounting for non-controlling interests of US$15.8 million, profit attributable to equity shareholders of the Company was US$12.6 million compared to loss of US$37.4 million in the preceding financial year.

With the higher profit before taxation of US$29.1 million, operating profit before changes in working capital was US$97.8 million which was 40.9% higher than the preceding financial year.

REVIEW OF BUSINESS SEGMENT RESULTS

Log Trading

Log trading, a major business segment, accounted for approximately 36.8% and 34.5% of total revenue for the financial year under review and the preceding financial year respectively. It continued to be the largest contributor to operating profits at US$27.2 million. The following table shows selected operating and financial data with respect to sales volume, weighted average price and revenue of logs sold, including inter-segment log sales.

	Year ended 30 June 2010			Year ended 30 June 2009		
	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	812,590	*157.51*	127,991	532,886	*174.26*	92,862
Hardwood logs — local sales	691,540	*79.04*	54,659	595,353	*78.62*	46,809
Softwood logs — export sales	379,765	*81.81*	31,070	344,833	*61.52*	21,214
Softwood logs — local sales	65,837	*99.62*	6,559	54,897	*76.82*	4,217
Total external log sales	1,949,732	*112.98*	220,279	1,527,969	*108.05*	165,102
Internal log sales(i)	729,696	*92.76*	67,683	706,290	*90.90*	64,201
Total log sales	2,679,428	*107.47*	287,962	2,234,259	*102.63*	229,303

(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 1,504,130 m^3 of hardwood logs and 445,602 m^3 of softwood logs which was 33.3% and 11.5% higher respectively than the preceding financial year.

The volume of hardwood logs sold in the financial year under review represented approximately 62.7% of total hardwood logs extracted with the balance being processed in the Group's downstream mills. The volume of hardwood logs extracted included 335,922 m^3 of salvage logs extracted under supply agreements signed with two local buyers from areas earmarked for tree plantations and flooding under a government dam project. The volume of salvage logs extracted under the similar arrangement in the preceding financial year was 292,689 m^3. Excluding the volume of salvage logs sold under these contracts, the volume of logs extracted was higher than the preceding financial year as demand from the PRC and India increased. With no significant changes in the volumes of plywood produced by the Group's downstream plants due to the stagnant Japanese market, the volume of own logs used by the downstream plants was about the same level as the preceding financial year. Due to log mix and sizes, the average hardwood log export prices achieved for the financial year under review was US$157.5 per m^3 which was lower compared to US$174.3 per m^3 achieved for the preceding financial year.

For the financial year under review, the New Zealand subsidiary company, Hikurangi Forest Farms Limited ("HFF") sold 445,602 m^3 of softwood logs as compared to 399,730 m^3 of softwood logs sold in the preceding financial year. This increase in production from the New Zealand forest was part of the ramp up plan in line with the maturity profile of the maturing radiata pine trees. To cater for the gradual ramp up to about 800,000 m^3 in approximately 2 years time, additional logging crews were hired and road construction works were accelerated. The increased production volumes were mainly exported to the PRC which increased its demand for logs to meet the needs of the booming housing and construction sector. Principally due to better prices from the PRC, the average softwood log prices achieved was US$84.4 per m^3, an improvement of 32.7% compared to the preceding financial year.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Log Trading (Continued)

The PRC, which has overtaken Japan as the world's second largest economy, remained as the major importer of both tropical hardwood and softwood logs and this augers well for the log market by providing a certain level of stability to log prices. Its huge demand for logs for the production of end products for domestic use has offset the slowdown in log requirements for the manufacturing of end products for the export market, especially to the United States ("US") which economy has yet to fully recover. The Chinese government massive stimulus, including spending on public infrastructure and rural development, has helped boost the domestic economy and mitigate the impact of the lower exports. The Group sold 33.6% of its log exports to the PRC.

The level of construction spending in India has remained generally unabated in the midst of the financial crisis as rapid urbanisation remains on an upward trend with the increase in affluence of its population. The easing of credit and with more vessels calling on Indian ports helped in facilitating the increase in timber trade with India. As India prefers the harder species which was sold at higher prices, the Group has been actively promoting the harder species from Malaysia and Guyana to this market. During the financial year under review, the Group sold 33.1% of its total log exports to India.

The weak housing starts for Japan did not auger well for log demand from this market. Faced with competition from imported plywood and weaker domestic demand, Japanese plywood mills curtailed their production volumes which resulted in lower log requirements. The Group managed to export 7.3% of its total log exports to Japan, principally those of a premium grade.

On the supply side, with the general improvement in demand, there were more logging operators back in the market. With pressure on margins easing as fuel prices dropped to more manageable levels when compared to the preceding financial year and the lacklustre plywood market of Japan, more logging operators which owns plywood mills have shifted more towards direct sale of logs to the key importing countries such as the PRC and India instead of the manufacturing of plywood. Although the supply of logs by Russia has dropped partially due to its export taxes and the move to retain logs in Russia for downstream manufacturing, it still remains as the key supplier of softwood logs in the market, especially to the PRC. This situation has caused buyers to source for alternative supply sources, opening up new demand opportunities for Malaysia and New Zealand, of which the Group has resources.

Whilst the margins of softwood logs were higher, this effect was offset by lower margins achieved by hardwood logs which was impacted by lower selling prices. As a result, overall gross profit margin for the log trading segment was lower at 8.5% compared to 9.3% in the preceding financial year. However with higher volumes sold, gross profit was higher at US$24.5 million, an increase of US$3.2 million compared to US$21.3 million achieved in the preceding financial year.

The changes in fair value of plantation assets less estimated point-of-sale costs was a gain of US$4.2 million compared to a loss of US$2.0 million in the preceding financial year. The gain from changes in fair value of plantation assets for the financial year under review was due to the impact of higher selling prices of the New Zealand plantation and the value of growth of the planted trees.

In the financial year under review, the Group expended US$19.3 million to maintain and expand its forest plantation areas in New Zealand, Malaysia and the PRC. The Group views New Zealand radiata pine 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 and the PRC, the Group currently has a combined planted area of 17,692 hectares. The main species planted are acacia, khaya, rubberwood and poplar. The timber from these plantations will complement the sustainable wood resource from the natural forest in the future.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Plywood and Veneer

Plywood and veneer contributed 30.3% to the Group's total revenue 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-segment sales.

Plywood

	Year ended 30 June 2010			Year ended 30 June 2009		
	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	306,631	*425.15*	130,363	331,268	*417.68*	138,364
Plywood — local sales	39,786	*367.97*	14,640	53,267	*349.82*	18,634
Total external plywood sales	346,417	*418.58*	145,003	384,535	*408.28*	156,998
Internal plywood sales	16,818	*631.47*	10,620	19,711	*521.54*	10,280
Total plywood sales	363,235	*428.44*	155,623	404,246	*413.80*	167,278

Veneer

	Year ended 30 June 2010			Year ended 30 June 2009		
	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	60,442	*296.83*	17,941	62,368	*307.61*	19,185
Veneer — local sales	69,527	*264.01*	18,356	64,594	*238.72*	15,420
Total external veneer sales	129,969	*279.27*	36,297	126,962	*272.56*	34,605
Internal veneer sales	32,288	*335.26*	10,825	37,806	*296.22*	11,199
Total veneer sales	162,257	*290.42*	47,122	164,768	*278.00*	45,804

In the financial year under review, the Group sold 346,417 m^3 of plywood at an average selling price of US$418.6 per m^3. The 9.9% drop in sales volume compared to the preceding financial year was the result of a lacklustre Japanese market. As plywood mills curtailed its production volumes, supplies fell and this caused plywood prices to move up which partially mitigated the impact of lower volumes. The total volume of veneer sold of 129,969 m^3 was a marginal increase of 2.4% compared to the preceding financial year. Average prices also increased in line with the movement of plywood prices and the mix of veneer sold. Veneer prices averaged US$279.3 per m^3 for the financial year under review, an increase of 2.5% compared to US$272.6 per m^3 for the preceding financial year.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Plywood and Veneer (Continued)

In spite of the various government incentives to boost the economy, Japan, the key export market for the Group's plywood, recorded weaker housing starts due to house buyers' lack of confidence in the economic situation of the country. For 2009, housing starts of approximately 788,000 units was the lowest in the last 45 years. Housing starts from January to June 2010 of approximately 380,000 units also did not provide the market the boost it much needed. The Japanese government's push for house owners to remodel existing homes by announcing new environmental incentives have, to a certain extent, helped mitigate the slide in demand. However with no real sustained positive leads on the recovery of the housing sector, users and traders of plywood were not willing to make long term commitments to avoid having an overstocked position. The stronger Japanese Yen which afforded the Japanese greater purchasing power did not translate into higher level of purchases. In spite of the lower housing starts, total sales to Japan, which purchases higher quality plywood at premium prices, accounted for 52.1% 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 its long established relationship with its loyal buyers.

In efforts to boost the housing sector, the tax credit breaks given by the US government has caused housing starts to trend upwards in the second half of the financial year under review. However, indications are that this upward trend has been buckled after the tax credit break incentive expired. This uncertain outlook is further compounded by the increasing unemployment rate and tight credit conditions imposed by financial institutions. The Group recorded 14.3% of its total export sales to the US, which was higher than the 4.0% achieved in the preceding financial year. The Group's export sales to other markets such as South Korea and Taiwan accounted for 14.2% and 8.9% respectively of the Group's total exported plywood sales.

The Group continues to work on certifying its wood products to expand to markets that require such certification. During the financial year under review, two of its subsidiary companies obtained the internationally recognised Standards Mark certification for their plywood products that have been manufactured according to Australian Standards. This gives the Group an edge over its overseas competitors as wood products without this certification will not have market access to the certain building products segment in Australia. The Group will continue to work to expand its market share in this segment through Brewster Pty. Ltd. ("Brewster"), the distribution arm of the Group in Australia.

On the supply front, the 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. As the PRC producers manufacture more of commodity based plywood, the Group focus on producing more niche and higher quality plywood has lessened its direct competition with Chinese producers.

The veneer plants, which are located near to the forest resource to peel fresh salvage logs from plantation areas that are just harvested to maximise log recovery, recorded a marginal increase in external sales by 2.4% as less volumes were used for internal plywood production. As the veneer used by the Group's plywood plants comprise of the higher value face and back veneer, this has resulted in average external selling prices increasing only marginally by 2.5% compared to the preceding financial year. On the production front, the Group focused on the maximising log recovery and the production of face and back veneer which provided better gross profit margins.

Although gross profit margin from this segment has improved from the negative margin of 4.1% recorded in the preceding financial year, it still remained negative at 2.8%. This squeeze on margins was mainly due to the impact of fixed and semi-fixed production costs 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. On a cash cost basis, this segment achieved a positive gross profit based on cash cost of US$7.5 million which was improved over the US$3.7 million achieved in the preceding financial year. The Group continued to improve on the operational flow to achieve higher operational efficiency.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

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 increased by US$28.3 million to US$35.6 million for the financial year under review from US$7.3 million for the preceding financial year. With the increase in extraction volumes, total revenue from billings to companies within the Group for the financial year under review amounted to US$196.3 million, an increase of US$33.2 million compared to the US$163.1 million billed for the preceding financial year. Gross profit achieved from the upstream support services was US$8.8 million, an improvement of US$8.5 million over that of the preceding financial year as operating cost per m^3 were lower with fixed and semi-fixed cost allocated over a higher volume extracted coupled with lower fuel cost. In terms of gross profit margin, it has improved to 3.8% compared to 0.1% in the preceding financial year.

The strict control over operating costs is of paramount importance for upstream support services as the operations involves a large fleet of machineries, vehicles and vessels operating at the forest resource. Regular monitoring against benchmarks set ensured that operators are aware of and accountable for its each machine. The improvement of workers' productivity through a performance based reward system where workers are aware of their performance measurement indicators was continued to be emphasised. In efforts to reduce costs, the Group's central purchasing company continues to source for alternative spare parts supply sources while at the same time ensuring that the quality of the spare parts are maintained, if not improved.

Flooring Products

In the financial year under review, the Group consolidated the full financial year results of the Elegant Living group based in the PRC, which principal activities are the manufacture and sale of solid, engineered and laminated flooring. In the preceding financial year, 10 months results were consolidated into the Group's results as the acquisition was completed on 1 September 2008. 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 the PRC for hand sculptured engineered flooring, the Elegant Living group has 825 distribution outlets throughout the PRC.

For the financial year under review, engineered flooring sales totalled 1,819,652 m^2 at an average selling price of US$19.5 per m^2. The domestic market remained robust, partially boosted by the impact of the stimulus packages and increased use of wooden flooring both for new houses and renovations as the population becomes more affluent. 968,450 m^2 or 53.2% of the total engineered flooring sales was for the domestic market.

The sale of laminated flooring was principally for the domestic PRC market. For the financial year under review, laminated flooring sales totalled 2,173,378 m^2 at an average selling price of US$8.1 per m^2. Demand for laminated flooring was strong as many Chinese household started to use laminated flooring, which was priced at about 58.5% 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.

As part of the plan to capture more market share in the growing flooring business in the PRC, especially in the western region, the Group had during the financial year under review increased its manufacturing capacities in the PRC. It invested in a new laminated flooring plant in Chengdu, expanded on its flooring plant capacity in Nantong and acquired a new subsidiary, Suzhou Times Flooring Co., Ltd. which business is in flooring.

For the financial year under review, the flooring segment contributed US$11.6 million in gross profit compared to US$8.9 million for the 10 months ended 30 June 2009. Royalty income from the licensing of the Elegant Living name further contributed US$5.3 million which was recognised as other income in the consolidated income statement of the Group.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Other Operations

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

Revenue from other operations increased by US$20.6 million or approximately 25.0%, to US$103.0 million in the financial year under review from US$82.4 million in the preceding financial year. This increase was primarily due to higher sales by the Australian subsidiary, Brewster and a better performance by the housing products division.

In terms of gross profit, other operations achieved US$18.1 million which was 57.4% higher than the preceding financial year.

Net Financing Income/(Costs)

The Group recognised a net financing income of US$0.1 million compared to net financing costs of US$19.3 million recorded for the preceding financial year. This was mainly due to recognition of unrealised foreign exchange gains on the translation of US Dollar loan in a New Zealand subsidiary company as the US Dollar weakened against the NZ Dollar and unrealised gain arising from foreign currency deposits.

Share of Profits less Losses of Associates

The Group recognised a profit of US$9.2 million as share of profits less losses of associates, an increase of US$9.1 million from the profit of US$0.1 million recognised as share of profits less losses of associates for the preceding financial year. This increase was primarily attributable to an increase in profits from associated company, Glenealy Plantations (Malaya) Berhad ("Glenealy") which operationally benefited from higher CPO sales volumes and selling prices. As CPO selling prices was higher, the Group's share of Glenealy's gain from changes in fair value of plantation assets less estimated point-of-sale costs also increased in the financial year under review.

Share of Profits less Losses of Jointly Controlled Entities

The Group recognised US$1.6 million as share of profits less losses of jointly controlled entities, an increase of approximately 100.0%, from the US$0.8 million recognised in the preceding financial year. This increase was primarily attributable to a better performance by the door manufacturing joint venture, Foremost Crest Sdn. Bhd.

Income Tax

The taxation charge for the financial year under review was US$0.6 million against a profit before taxation of US$29.1 million. This was lower than the US$4.6 million taxation charge for the preceding financial year when the Group incurred a loss before taxation of US$38.4 million. The main reason for this lower taxation charge for the financial year under review even with better results was due to the inclusion of a tax credit in respect of the reversal of deferred taxation arising from a change in tax rate in New Zealand. In the preceding financial year, the higher taxation charge included the reversal of deferred tax assets for certain loss making subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group's cash and bank balances amounted to US$163.9 million compared to US$240.9 million as at 30 June 2009.

The gearing ratio was 26.1% and 29.7% as at 30 June 2010 and 30 June 2009, respectively. The gearing ratio is derived by dividing the total of bank overdrafts, loans and obligations under finance leases by total assets. The gearing ratio remained relatively stable in the financial year under review compared to 30 June 2009.

Available facilities that were not drawndown as at 30 June 2010 amounted to US$42.5 million compared to US$59.9 million as at 30 June 2009. As at 30 June 2010, the Group has outstanding indebtedness of US$334.2 million compared to US$369.8 million as at 30 June 2009. Of the US$334.2 million of indebtedness, US$134.0 million is repayable within one year with the balance of US$200.2 million having a maturity of more than one year as presented below:

	US$ million
Within one year	134.0
After one year but within two years	44.3
After two years but within five years	155.9
Total	334.2

	US$ million
Secured	170.5
Unsecured	163.7
Total	334.2

The indebtedness carry interest rates ranging from 1.9% 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. Exposure to floating interest rates presents us with risk when there are unexpected adverse interest rate movements. The Group's policy is to manage such interest rate risk, working with an established framework, pursuant to which we selectively enter into swap or interest rate hedging transactions to ensure that we are not unduly exposed to significant interest rate movements and rates are appropriately fixed as necessary. As part of our interest rate hedging framework, we monitor and control our interest rate exposure by regularly monitoring relevant interest rates and their outlook. When the Group borrows floating rate loans, it will continue to monitor the relevant interest rates and their outlook, and then switch to fixed interest rates by means of swap or interest rate hedging transactions if the monitoring of relevant interest rates and their outlook indicates that, considering their tenure, such a change would be prudent. Several of the secured and unsecured debt facilities carry interest at floating rates, and the Group currently enter into swap or interest rate hedging transactions in connection with some, but not all, of these debt facilities, considering their tenure.

FOREIGN EXCHANGE RISK

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

Certain of the foreign exchange gains and losses are attributable to foreign exchange transactions on the US Dollars loan above booked on the accounts of the New Zealand plantation forest subsidiary, HFF with outstanding principal amount, including capitalised interest, as of 30 June 2010 of US$46.4 million. As HFF's functional currency is the New Zealand Dollars, exchange differences on the value of the HFF's US Dollars loans are recognised as part of the financial income and expense.

The Group does 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 2010 amounted to US$59.9 million.

CHARGE ON ASSETS

As at 30 June 2010 the Group pledged assets with aggregate carrying value of US$296.9 million (30 June 2009: US$287.2 million) to secure bank loans facilities of the Group.

CONTINGENT LIABILITIES

As at 30 June 2010, 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 20 May 2010, the Company completed the acquisition of the entire equity interest of Suzhou Times Flooring Co., Ltd., a Foreign Invested Enterprise established in the PRC for a cash consideration of US$1.1 million.

Other than the above, the Group had no material acquisition or disposal of subsidiaries and associated companies during the year ended 30 June 2010.

On 19 August 2010, the Company announced the subscription of US$20.0 million in Stone Tan China Holding Corporation which represent approximately 36.8% of the issued and paid up capital.

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 2010.

EMPLOYEES

As at 30 June 2010, the Group employed a total of 13,034 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.

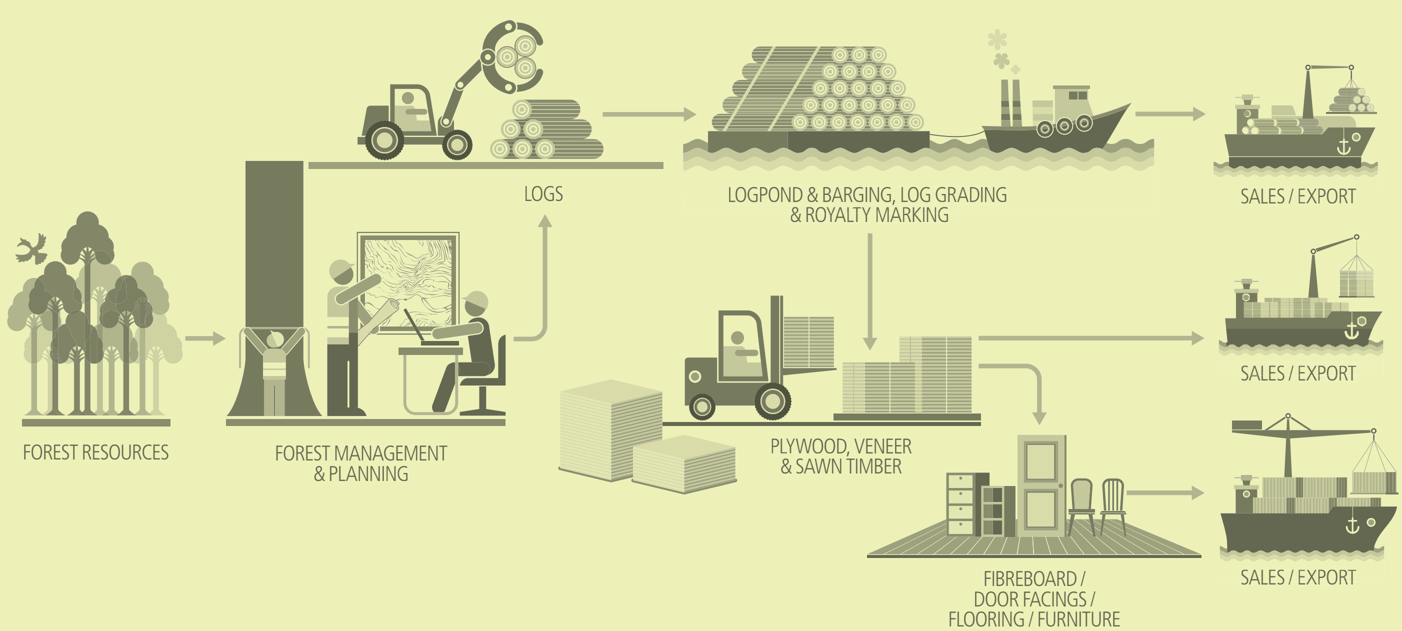
FINAL DIVIDEND

The Directors recommend the payment of a final dividend of 0.622 HK cents (equivalent to approximately 0.080 US cents) per share amounting to HK$26.8 million in respect of the financial year ended 30 June 2010 to shareholders whose names appear on the Register of Members of the Company on 15 November 2010. The proposed final dividend will be paid on 17 December 2010 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

The transformation from a log to a finely crafted piece of furniture, via our integrated timber operations, is an incredible journey.

Samling Global understands the world's intrinsic need for wood and has always been mindful of the amazing qualities of wood and respectful of its natural origins. Our approach enhances operational efficiencies while providing economy of scale for our customers. Our track record of more than 40 years in the business testifies to the quality of our timber and value-added wood products such as flooring, furnishings, or even a full kitchen system.

INTEGRATED TIMBER OPERATIONS



BOARD OF DIRECTORS' PROFILE

YAW CHEE MING
Executive Director

Yaw Chee Ming, **51**, 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
Executive Director

Cheam Dow Toon, **56**, had 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 was 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 had been with our Group since 1987 and had over 20 years of experience in the timber industry and over 10 years in the oil palm industry. Mr. Cheam was 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. Mr. Cheam passed away on 19 September 2010.

CHAN HUA ENG
Non-Executive Director

Chan Hua Eng, **82**, was appointed Chairman and Non-Executive Director of our Company on 17 October 2005 and was classified by a direction of the Listing Committee of The Stock Exchange of Hong Kong Limited ("SEHK") as a Non-Independent Director on 26 January 2007. He was appointed an Independent Non-Executive Director of Lingui on 28 March 1990 and Chairman of the board of directors of Lingui on 8 November 1990. He was also appointed the Chairman of the board of directors and an Independent Non-Executive Director of Glenealy on 28 September 1995. Mr. Chan is also currently a Director of 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 and solicitor of the High Court in Malaya, became a Partner of Shearn Delamore & Co, Advocates & Solicitors in Malaysia in 1960 and retired as its Senior Partner in 1987.

In Memory of Mr. Cheam Dow Toon

It is with great sadness that we announce the passing of Mr. Cheam Dow Toon, who passed away on 19 September 2010.

Throughout his 23 years with the Group, he had consistently provided valuable and strategic counsel, and offered insightful guidance and support. His work ethics were characterised by a passionate belief in our people, an unwavering commitment to developing our business, and a firm conviction in our vision.

Mr. Cheam's dedication to the Group was inspiring. He had together with the founders built the Group to what it is today, a global business with operations in various regions of the world. He was a figure of discipline and professionalism to the Group throughout its development and his contributions were instrumental in the Group's listing on the SEHK.

We thank Mr. Cheam for his invaluable contributions to the Group. He will be dearly missed.

FUNG KA PUN (alias K.B. FUNG)

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 Hao Tian Resources Group Limited, a company whose shares are listed on SEHK. He is also the founder and Chairman of Goodwill International (Holdings) Limited. Mr. Fung has over 30 years of experience in finance, securities and commodities trading and corporate finance. He is a Fellow Member of the Association of International Accountants. Mr. Fung worked for Deloitte Touche Tohmatsu from 1970 to 1972, and has extensive experience in dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements of public companies. He is also an Associate Member of the Institute of Chartered Secretaries and Administrators. Mr. Fung is a Director of a number of other companies whose shares are listed on SEHK — he is a Non-Executive Director of China SCE Property Holdings Limited and an Independent Non-Executive Director of GZI Transport Limited, Lee Hing Development Limited and Denway Motors Limited.

DAVID WILLIAM OSKIN

Independent
Non-Executive
Director

David William Oskin, **68**, 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 whose 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 whose 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

Independent
Non-Executive
Director

Tan Li Pin, Richard, **55**, 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 an entrepreneur with over 30 years of experience in the paper and finance industries and is the founder and President of various companies under the Pacific Millennium Group. He is also the Director and Chief Executive Officer of Stone Tan China Holding Corporation and Stone Tan China Acquisition (Hong Kong) Company Limited. Mr. Tan is a Director of Domtar Corporation, an established producer of white paper in North America whose shares are listed on the Toronto Stock Exchange in Canada and the American Stock Exchange in the United States. Mr. Tan participates actively in public services. He is a member of the China National Political Consultative Committee, a member of the Anhui Province Political Consultative Committee, a business adviser of the Chongqing Municipality, Vice Chairman of the Shanghai International Chamber of Commerce and an adviser of the Shanghai Modern Management Center. He has a Master of Business Administration degree from the University of Southern California and was awarded an Honorary Doctorate degree in International Business by Widener University in May 2009, for his role in creating and cultivating partnerships between Widener and several universities in China.

SENIOR MANAGEMENT PROFILE

MALAYSIA

JAMES HO YAM KUAN, 64
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 17 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 is also qualified as a Barrister-at-Law in the United Kingdom.

CHIN THAT THONG, 60
has been with our Group since 1987. He is currently the General Manager of Forest Operations in the Forest Resource Division of our upstream operations in Malaysia. Mr. Chin began his career in the Group as a Camp Manager in 1987 and became the Regional Manager of our Forest Resource Division in 1998. From 1998 to 2007, Mr. Chin served as the Assistant General Manager of our Forest Operations in Malaysia. He was appointed to his current position in 2008. Mr. Chin has over 30 years of experience in forest operations, including eight years of working in various companies in the forestry industry in Indonesia and seven years working in another Malaysian timber company prior to joining the Group.

CHOO SIONG LIEW, 50
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. Prior to joining our Group, he has held various senior managerial positions in the Hong Kong, Malaysia, PRC and Indonesia offices of Universal Furniture Ltd., an international furniture manufacturer based in the United States.

YEO SOON HEE, 47
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.

LIN LAN HUI, 57
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.

ERIC KANG KUN WEE, 42
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.

VINCENT CHIENG AI UNG, 41
joined our Group in 1999 and is currently the Assistant General Manager of the Veneer Operations. He is involved in the production and management of our veneer plants. Mr. Chieng has experience in the Group's Marketing and Operations departments prior to his current appointment. He has a degree in Forestry Science, majoring in Wood Industry.

YAP FUI FOOK, 45
as been with our Group since 1996. He is currently the Assistant General Manager of the Finished Products Division in Malaysia, responsible for managing operations that produce door skins, doors, mouldings, flooring and furniture. He joined Samling Housing Products Sdn. Bhd., our subsidiary involved in the manufacture and sale of housing products in 1996 and served as its Production Controller. In 2008, the scope of his responsibilities expanded to include other lines of finished products. Mr. Yap's prior working experience includes IBM Asia Pacific, Japan and Sunway Computer Services Sdn. Bhd. He was a Malaysia Public Service Department scholar and a graduate from Universiti Kebangsaan Malaysia with a Bachelor of Economics. He was also a Japanese Mombusho scholar at Osaka Gaidai and holds a Master of International Economics from Wakayama University.

UNITED STATES & PEOPLE'S REPUBLIC OF CHINA

CHIA TI LIN, COLIN, 52
has been with our Group since 1992. He is currently the Director 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, 50
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 brand names with 825 distribution outlets in the 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, 60
has been with our Group since 1995. He is currently the General Manager of our New Zealand operations and the Managing Director of Hikurangi Forest Farms Limited, a wholly-owned subsidiary in New Zealand. Mr. Hunter has worked in the forest industry for 40 years and has extensive experience gained throughout North, South and Central America, Africa, Australasia, the Asia Pacific region, Eastern and Western Europe and Russia. Mr. Hunter graduated from the University of Southern California with a Master of Business Administration degree and the University of Alberta with a Bachelors Degree in Forest Science, and obtained a Diploma in Forestry at the British Columbia Institute of Technology. He is a brother-in-law of Mr. Yaw Chee Ming, an executive director and the chief executive officer of our Company.

YAW CHEE CHIK, 50
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 a brother of Mr Yaw Chee Ming, an executive director and the chief executive officer of our Company.

GUYANA

CLEMENT OOI, 47
joined our Group in 2010. He is the Chief Executive Officer of Barama Company Limited, Guyana. Prior to taking over the helm of our Guyana operations, Mr. Ooi was the General Manager — International Marketing with Hume Industries (Malaysia) Berhad, a public listed building material company of a Malaysian conglomerate, the Hong Leong Group. He has a track record of more than 20 years in the fast moving consumer goods and oil and gas industries, having held senior managerial portfolios in ExxonMobil and Petronas, and was responsible for expanding and delivering operation results in Asia Pacific markets. He holds an MBA from University of Hull, United Kingdom, and Bachelor of Arts (Economics) degree from University of Malaya.

AUSTRALIA

CHIN CHUN-YEAN (C.Y. CHIN), 66
joined our Group in 2009 and is currently the Chairman of Brewster Pty. Ltd. He is the Executive Chairman of our distribution and retail operations in Australia and is responsible for the Group's expansion in the Australian market. He has extensive experience in retail and wholesale in the oil industry across Shell's global operations; and sales and marketing in Maxis Communications Berhad, Celcom Berhad and ASTRO, Malaysia's leading telecommunications providers. Mr. Chin was a Colombo Plan scholar of the Canadian Government and also a scholar of the Ford and McAlister Foundation. He holds a Bachelor of Engineering (Honours) Degree in Mechanical Engineering from the Technological University of Nova Scotia and a Master of Science Degree in Engineering from the University of Saskatchewan, Canada. He is a member of the Association of Professional Engineers, Canada; and also the Institute of Engineers Malaysia, and is a Fellow of the Technical Association of Malaysia.

INDIA

JERRY JOHN, 42
has been with our Group since 2008. He is currently the Chief Executive Officer of Xylos Arteriors India Pvt. Ltd., India. He was responsible for setting up our operations in India, and currently manages distribution and project channels for downstream products across the country. He has 18 years of experience in the building industry, with 15 years in the flooring industry. He was previously the Chief Executive Officer for Pergo India Pvt. Ltd., which introduced laminated flooring to the Indian market. He holds a Bachelor in Commerce degree from Mumbai University.

FINANCE

GOH YORK POOI, 48
is the Group's 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, 36
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.

CORPORATE GOVERNANCE REPORT

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

The Board is pleased to report that the Company has been in full compliance with the code provisions and most of the recommended best practices in the CG Code throughout the financial year ended 30 June 2010 except for the Code Provision A.4.1 in respect of the specific term of the non-executive directors. The Code Provision A.4.1 has been met by the bye-laws requiring that in each annual general meeting of the Company, one-third of the directors retire from office by rotation so that every director shall be subject to retirement of at least once in every three years. A retiring director shall be eligible for re-election and the detailed biography of such directors will be stated in the notice of the annual general meeting.

DIRECTORS

The Board and its Responsibilities

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

The Board is primarily responsible for the followings:

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

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

The Board 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.

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

DIRECTORS (Continued)

Board Composition and Balance

The Board comprises 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. The profile of each Director is presented on pages 32 and 33.

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

The Board is led by Mr. Chan Hua Eng who is a Non-Executive Chairman, and the executive management of the Company is led by Mr. Yaw Chee Ming as the Chief Executive Officer. The roles and responsibilities of the Chairman and the Chief Executive Officer are clearly defined and separated so as to ensure a balance of power and authority. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in the Board decisions. The Directors are professionals in the field of business administration, finance, accounting and legal services. The Executive Directors, with their intimate knowledge of the business, take on the primary responsibility for leadership of the Group whilst the Non-Executive Directors bring in independent 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 The Stock Exchange of Hong Kong Limited ("SEHK"), and to discuss and approve the Group's annual budget and business plans.

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

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

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. Further details on the Audit Committee, including their terms of reference and a summary of their activities during the year are set out in the Audit Committee Report on pages 44 to 48.

2. Remuneration Committee

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

   During the financial year, the Remuneration Committee held three (3) meetings with the presence of all members to deliberate, review and recommend to the Board the remuneration packages of the Executive Directors and senior management. All Directors abstain from discussing their own remuneration.

DIRECTORS (Continued)

Board Committees (Continued)

3. Nomination Committee

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

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

During the financial year, the Nomination Committee reviews the structure, size and composition of the Board and decided that no changes are needed.

In accordance with the bye-laws of the Company, the Committee recommended the retirement and re-election of Mr. Chan Hua Eng and Mr. Fung Ka Pun at the 2009 Annual General Meeting.

At the forthcoming 2010 Annual General Meeting, Mr. Yaw Chee Ming and Mr. Tan Li Pin, Richard who was appointed by the Board, will retire and being eligible will present themselves for re-election.

4. Independent Non-Executive Directors Committee

The Independent Non-Executive Directors Committee ("INED Committee") consists of Mr. David William Oskin as the Chairman and Mr. Fung Ka Pun and Mr. Tan Li Pin, Richard as members. Details of the INED Committee, including their terms of reference and a summary of their activities during the year are set out in the Independent Non-Executive Directors Committee Report on pages 49 to 51.

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

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

The details of Directors' remuneration paid or payable or otherwise made available to all Directors of the Company during the financial year are set out on page 103.

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 52 to 54 provides an overview of the system of internal control within the Group.

Relationship with the External Auditors

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

The role of the Audit Committee with the external auditors is set out in the terms of reference of the Committee.

During the financial year, audit fees paid to the external auditors totalled US$823,000, whilst non-audit fees paid amounted to US$525,000. Breakdown of non-audit services rendered by the external auditors were as follows:

Nature of service	Fees paid (US$'000)
Tax services	110
Other advisory services	415

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 17 September 2010.

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

SAFEGUARDING THE INTEREST OF INDEPENDENT SHAREHOLDERS

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

Call Option Agreements

The INED Committee have further reviewed the relevant information up to or as at 9 September 2010 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 64 to 70.

COMMUNICATION WITH SHAREHOLDERS

Dialogue between the Company and Investors

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

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

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

Annual General Meeting

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

Special General Meeting

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

AUDIT COMMITTEE REPORT

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

MEMBERS

The Board has established an Audit Committee comprising 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 the secretary to the Committee.

The main roles and responsibilities of the Audit Committee are set out in written terms of reference shown on pages 46 to 48.

MEETINGS

During the financial year, the Audit Committee met on three (3) occasions where all members attended. The Committee normally meets four times during each financial year; however a meeting scheduled in June 2010 had been postponed to July 2010 to run concurrently with the Board's re-scheduled meeting to review the Group's annual budget. The Committee agreed to delay the meeting after confirming that no major matter has arisen for the period since its last meeting held in March 2010 to June 2010 that requires their consideration, and that they could achieve economy, effectiveness and efficiency by having the Committee's meeting held concurrently with the said Board meeting.

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 2010 and the Group's Annual Report and annual results announcement at a meeting held in September 2010. The Audit Committee was briefed on accounting and judgmental issues that required their attention by the Company's officers, the staff responsible for the accounting and financial reporting function and KPMG.
- In July 2010, the Audit Committee reviewed KPMG's overall work plan, their remuneration and terms of engagement for the financial year ended 30 June 2010. The Committee also considered the briefing by KPMG on regulatory and accounting developments and their impact on the Group.

  In September 2010, 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 2010 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 meeting.
- Discussed issues concerning risks and controls in the operations.
- Reported on its activities at each of the Board meeting.

INTERNAL AUDIT FUNCTION AND ACTIVITIES

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

The activities of the Internal Audit Department are summarised below:

- Prepared the annual audit plan and the audit process for approval by the Audit Committee.
- Attended Committee's meetings to table and discuss the audit reports and followed up on matters raised.
- Reported to the Committee on their reviews on the adequacy, appropriateness and compliance with the procedures established to monitor connected transactions.
- Regularly performed risk based audits on strategic business units of the Company and the Group, which include reviews of the system of internal control, accounting and management information system and risk management.
- Assessed the effectiveness of key internal controls to mitigate the risks and exposures on the Group, focusing on the Group's significant business risks.
- Assessed the adequacy and efficiency of the Group's business processes.
- Issued audit reports to the Committee and management identifying weaknesses and issues as well as highlighting recommendations for improvements.
- Reviewed on the appropriateness of the disclosure statements in regard to compliance with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rule and the state of internal controls as well as the Audit Committee Report.

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

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

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Membership

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

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

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

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

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

2. Proceedings

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

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.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (Continued)

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.

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.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (Continued)

4. Duties (Continued)

4.2 Review of financial information of the Company (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Others

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

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

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

6. Publication of these Terms of Reference

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

INDEPENDENT NON-EXECUTIVE DIRECTORS COMMITTEE REPORT

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

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

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

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

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

MEMBERS

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

The main roles and responsibilities of the INED Committee are set out in the written terms of reference shown on pages 50 to 51.

MEETINGS

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

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

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

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

SUMMARY OF ACTIVITIES OF THE INED COMMITTEE

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

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

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

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

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

TERMS AND REFERENCE OF THE INED COMMITTEE

1. Membership

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

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

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

2. Proceedings

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

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

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

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

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

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

3. Authority

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

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

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

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

TERMS AND REFERENCE OF THE INED COMMITTEE (Continued)

4. Duties

The duties of the INED Committee include reviewing:

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

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

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

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

5. Publication of These Terms of Reference

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

STATEMENT ON INTERNAL CONTROL

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

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

RISK MANAGEMENT

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

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

i. Risk Management Policy

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

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

ii. Risk Management Framework

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

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

RISK MANAGEMENT (Continued)

ii. Risk Management Framework (Continued)

- 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.

OTHER KEY ELEMENTS OF INTERNAL CONTROL (Continued)

- 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. MC&I 2001 has recently been replaced by MC&I 2002 as the new standard for forest management certification. In line with the Group's policy to keep current with best practices in forest management, it is now actively pursuing the new MC&I 2002 certification.

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

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

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

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

FINANCIAL SECTION

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited financial statements for the financial year ended 30 June 2010.

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 statements. There have been no significant changes in the nature of these activities during the financial year.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 30 June 2010 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 72 to 157.

The final dividend of 0.080 US cents in respect of the financial year ended 30 June 2009 was paid on 18 December 2009. No interim dividend for the six months ended 31 December 2009 was paid. The Board has resolved to recommend payment of a final dividend of 0.622 HK cents (equivalent to approximately 0.080 US cents) per share for the financial year ended 30 June 2010. 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

Profit attributable to equity shareholders, before dividends, of US$12,645,000 (2009: loss of US$37,447,000) 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. Yaw Chee Ming and Mr. Tan Li Pin, Richard 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 unspecified term commencing on 1 July 2006. The service contracts are determinable by the Company within one (1) year by giving not less than twelve (12) months' written notice or payment in lieu. The Board shall, where necessary, recommend for shareholders' approval, payment of such ex-gratia payment as it deems fit, taking into account the contribution made by the Directors to the Company.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

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

The total number of securities available for issue under the share option scheme as at 30 June 2010 was 129,052,000 shares which represented 3% of the issued share capital of the Company at 30 June 2010. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

As at 30 June 2010, there were no options granted to any employees.

PRE-EMPTIVE RIGHTS

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

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

As at 30 June 2010, 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%

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

Name of Director	Interests in Company, Subsidiary or Associated Corporation	Number and Class of Shares/Equity Interest Held	Capacity/Nature of the Interest	Long/Short Position	Approximate Percentage of Shareholding in Such Class of Shares
		100,000 Class C redeemable preference shares(6)	Interest in a controlled corporation	Long	100%
		950,000 Class D redeemable preference shares(5)	Interest in a controlled corporation	Long	100%
	the Company	2,340,420,260 ordinary shares(4), (7)	Interest in a controlled corporation	Long	54.41%
	Lingui	449,307,101 ordinary shares(8)	Interest in a controlled corporation	Long	68.11%
	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 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 67.23% of Lingui, which, in turn, holds 36.42% of Glenealy. Yaw Chee Ming is therefore deemed interested in all the ordinary shares of Lingui held by Samling Malaysia Inc. and in all the ordinary shares of Glenealy held by Lingui. Yaw Chee Ming is also deemed interested in 0.88% of Lingui by virtue of Tan Sri Yaw Teck Seng's substantial interest in Plieran Sdn. Bhd.; and

(ii) Samling Strategic holds 15.35% of Glenealy. By virtue of note (4) above, Yaw Chee Ming is deemed 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. By virtue of note (8)(i) above, Yaw Chee Ming is also deemed interested in 41,548,522 ordinary shares of Glenealy held by Lingui.

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

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

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

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

Save as disclosed above, as at 30 June 2010, 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 2010, the interests and short positions of substantial shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register of interests required to be kept under section 336 of the SFO were as follows:

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

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

Long positions of other substantial shareholders with notifiable interests

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

Notes:

(1) Yaw Chee Ming is interested in approximately 39.6% of the issued share capital of Yaw Holding, which owns the entire issued ordinary share capital of Samling Strategic and is deemed interested in all the shares owned by Samling Strategic. Additionally, he is also interested in 20,130,000 ordinary shares of the Company since he is interested in 100% of the issued share capital of Growtrade Investments Limited, which in turn holds 20,130,000 ordinary shares of the Company.

(2) Tan Sri Yaw Teck Seng is interested in approximately 39.6% of the issued share capital of Yaw Holding, which owns the entire issued ordinary share capital of Samling Strategic and is deemed interested in all the shares owned by Samling Strategic. Tan Sri Yaw Teck Seng also owns 99.9% of the issued share capital of Samling International Limited ("SIL") and is deemed interested in 203,764,310 ordinary shares in the Company, representing approximately 4.74% of the Company's issued share capital, owned by SIL. The 203,764,310 ordinary shares in the Company owned by SIL have been pledged as security for a term loan facility of US$11,240,000 granted by Maybank International (L) Ltd to Yaw Chee Ming. Tan Sri Yaw Teck Seng is also directly beneficially interested in 68,236,710 shares in the Company, representing approximately 1.59% of the Company's issued share capital and such numbers of shares have been pledged as security for a term loan facility of US$11,240,000 granted by Maybank International (L) Ltd to Yaw Chee Ming.

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

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

Save as disclosed above, as at 30 June 2010, 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:

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

CONNECTED TRANSACTIONS

During the financial year, the Group entered into the continuing connected transactions and connected transactions as defined under Chapter 14A of the Listing Rules of SEHK ("Connected Transactions") set out on pages 64 to 70.

DIRECTORS' INTEREST IN CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

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

EMOLUMENT POLICY

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

FIXED ASSETS

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

DONATIONS

The Group made charitable and other donations during the financial year amounting to US$0.2 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 revenue attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and Group revenue.

PUBLIC FLOAT

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

AUDITORS

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

By order of the Board

Chan Hua Eng
Chairman

Yaw Chee Ming
Chief Executive Officer

Hong Kong, 17 September 2010

CONNECTED TRANSACTIONS

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

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

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

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

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

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

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

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

(d) have not exceeded the caps disclosed in the Company's announcements made in respect of each of the continuing connected transactions.

I. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Sojitz Corporation, a company listed on the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co., Ltd., owns a 14.9% interest in Samling Housing Products Sdn. Bhd. ("Samling Housing Products"), a subsidiary of the Group. Sojitz Corporation and its subsidiaries are, therefore, connected persons of the Company. Sojitz Corporation and its subsidiaries are engaged, amongst other things, in the trading of plywood, logs, LVL and/or other wood products. Sojitz Corporation is a long term customer and business partner of the Group.

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

For the financial year ended 30 June 2010, total sales of logs by Kayuneka to Sojitz Corporation and its subsidiaries, total sales of plywood and other wood products by SP (Miri), SP (Baramas) and SP (Bintulu) to Sojitz Corporation and its subsidiaries and total sales of LVL by Foothill to Sojitz Corporation and its subsidiaries, together amounted to US$25,758,000 compared to a cap of US$40,000,000.

I. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

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

For the financial year ended 30 June 2010, total sales of housing products by Samling Housing Products to Sojitz Building Materials amounted to US$19,681,000 compared to a cap of US$23,000,000.

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

For the financial year ended 30 June 2010, total purchases by Tamex Timber, Miri Parts Trading, Syarikat Samling Timber and Sorvino of logging vehicles and parts from Hap Seng Auto amounted to US$5,758,000 compared to a cap of US$14,500,000.

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

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

For the financial year ended 30 June 2010, total trade-in of used logging vehicles by Syarikat Samling Timber and Tamex Timber to Hap Seng Auto amounted to US$221,000 compared to a cap of US$2,500,000.

I. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

(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$3,800,000 and US$1,200,000 respectively for the year ended 30 June 2010.

For the financial year ended 30 June 2010, the following amounts were transacted with Grand Perfect compared to the respective caps.

	Actual for the financial year ended 30 June 2010 US$'000	Cap for the financial year ended 30 June 2010 US$'000
Establishment of tree plantations	3,408	3,800
Maintenance of tree plantations	798	1,200

(5) 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 Seri Panglima 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.

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

For the financial year ended 30 June 2010, total purchases of fertilizers and agro-chemicals by Amalania Koko, Timor Enterprises and Samling Plantation from Hap Seng Fertilizers amounted to US$5,807,000 compared to a cap of US$26,400,000.

II. EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Provision of products marketing, grant of license to use technical information, agency services and supply of consumables by 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 20 October 2008, Samling Housing Products entered into a new 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 until either party gives termination notice at least 90 days prior to the expiration of the extended term, with terms of the agreement remain substantially the same. The annual caps for the transactions contemplated under the marketing services agreement amounted to US$100,000 for each of the three years ending 30 June 2012.

(b) On 20 October 2008, Samling Housing Products entered into a new license agreement with 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 with retrospective effect from 1 January 2008 to 31 December 2010. The annual caps for the transactions contemplated under the license agreement amounted to US$150,000 for each of the two years ended 30 June 2010 and US$80,000 (represents the fees for approximately six months) for the period ending 31 December 2010, respectively.

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

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

For the financial year ended 30 June 2010, the following amounts were transacted with Dainippon compared to the respective caps.

	Actual for the financial year ended 30 June 2010 US$'000	Cap for the financial year ended 30 June 2010 US$'000
Housing products marketing services fee	85	100
Technical license fee	150	150
Purchase of laminated paper and consumables	3,292	4,800
Agency fee	4	8

II. EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

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

For the financial year ended 30 June 2010, there was no transaction for the sale of veneer by Pi Zhou Yanglin to Riverside Plywood compared to a cap of US$1,200,000.

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

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

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

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

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

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

For the financial year ended 30 June 2010, the following amounts were transacted with Pacific Plywood compared to the respective caps.

	Actual for the financial year ended 30 June 2010 US$'000	Cap for the financial year ended 30 June 2010 US$'000
Sale of veneer	53	500
Purchase of plywood and veneer	331	3,000
Sale of logs	—	200

II. EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

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

Various subsidiaries of the Group have entered into various tenancy agreements (with 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.

On 21 October 2008, Doyon entered into nine new agreements with various subsidiaries of the Group to extend the existing tenancy agreements. Two agreements have terms from 1 October 2008 to 30 September 2011 and seven agreements have terms from 1 July 2009 to 30 June 2012. The annual caps for the aggregate amount of the rental payable by the Group to Doyon amounted to US$1,000,000, US$1,000,000 and US$980,000 for each of the three years ending 30 June 2012.

For the financial year ended 30 June 2010, total aggregate rent paid by the subsidiaries of the Group to Doyon amounted to US$834,000 compared to a cap of US$1,000,000.

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

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

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

For the financial year ended 30 June 2010, total aggregate amount paid by the subsidiaries of the Group to Hornbill Travel amounted to US$721,000 compared to a cap of US$1,000,000.

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

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

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

For the financial year ended 30 June 2010, there was no transaction for the charter of helicopters from Adtec compared to a cap of US$500,000.

II. EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

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

For the financial year ended 30 June 2010, provision of hotel accommodation by Insan Sejati and Kemena amounted to US$128,000 compared to a cap of US$300,000.

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

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

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

For the financial year ended 30 June 2010, total purchases of vehicles and spare parts from Auto Pacifica amounted to US$177,000 compared to a cap of US$700,000.

Certain related party transactions as disclosed in note 30 to the financial statements also constituted continuing connected transactions of the Group within the meaning of the Listing Rules. These continuing connected transactions which the Group had entered into with Arif Hemat Sdn. Bhd. and 3D Networks Sdn. Bhd. were for the sale of goods and renting of properties and equipment.

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Samling Global Limited (the "Company") set out on pages 72 to 157, which comprise the consolidated and company balance sheets as at 30 June 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation 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.

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 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

17 September 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2010

(Expressed in United States dollars)

	Note	2010 $'000	2009 $'000
Revenue	3	598,248	478,960
Cost of sales		(540,897)	(445,778)
Gross profit		57,351	33,182
Other operating income	4	11,615	6,334
Distribution costs		(21,745)	(17,118)
Administrative expenses		(33,292)	(35,480)
Other operating expenses		(69)	(4,930)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	17	4,232	(1,952)
Profit/(loss) from operations		18,092	(19,964)
Financial income		17,409	8,695
Financial expenses		(17,297)	(28,021)
Net financing income/(costs)	5	112	(19,326)
Share of profits less losses of associates		9,225	96
Share of profits less losses of jointly controlled entities		1,631	800
Profit/(loss) before taxation	6	29,060	(38,394)
Income tax	7(a)	(592)	(4,593)
Profit/(loss) for the year		28,468	(42,987)
Attributable to:			
Equity shareholders of the Company		12,645	(37,447)
Non-controlling interests		15,823	(5,540)
Profit/(loss) for the year		28,468	(42,987)
Dividend attributable to the year:	9		
Final dividend proposed after the balance sheet date		3,441	3,441
Earnings/(loss) per share (US cent)	10		
Basic and diluted		0.29	(0.87)

The notes on pages 80 to 157 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

(Expressed in United States dollars)

	2010 $'000	2009 $'000
Profit/(loss) for the year	28,468	(42,987)
Other comprehensive income for the year (Note)		
Exchange difference on re-translation of financial statements of subsidiaries	29,121	(48,125)
Total comprehensive income for the year	57,589	(91,112)
Attributable to:		
Equity shareholders of the Company	29,298	(67,323)
Non-controlling interests	28,291	(23,789)
Total comprehensive income for the year	57,589	(91,112)

Note: The component of other comprehensive income does not have any significant tax effect for the years ended 30 June 2010 and 2009.

The notes on pages 80 to 157 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 30 June 2010

(Expressed in United States dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Fixed assets	13		
– Investment properties		15,925	7,525
– Other property, plant and equipment		379,804	370,430
Construction in progress	14	13,696	15,401
Interests in leasehold land held under operating leases	15	35,035	34,216
Intangible assets	16	44,560	50,107
Plantation assets	17	239,263	213,396
Interests in associates	19	82,360	68,497
Interests in jointly controlled entities	20	13,494	10,828
Other investment		34	31
Deferred tax assets	21	6,103	2,789
Total non-current assets		830,274	773,220
Current assets			
Inventories	22	144,655	135,457
Trade and other receivables	23	122,235	74,105
Current tax recoverable	7(c)	18,121	20,378
Cash and cash equivalents	24	163,854	240,876
Total current assets		448,865	470,816
Total assets		1,279,139	1,244,036
Current liabilities			
Bank loans and overdrafts	25(a)	112,008	101,084
Obligations under finance leases	25(b)	21,979	28,047
Trade and other payables	26	152,969	124,176
Current tax payable	7(c)	2,461	1,787
Total current liabilities		289,417	255,094
Net current assets		159,448	215,722
Total assets less current liabilities		989,722	988,942
Non-current liabilities			
Bank loans	25(a)	176,493	206,398
Obligations under finance leases	25(b)	23,685	34,292
Deferred tax liabilities	21	54,423	53,008
Total non-current liabilities		254,601	293,698

	Note	2010 $'000	2009 $'000
Total liabilities		544,018	548,792
Capital and reserves			
Share capital	27	430,174	430,174
Reserves		133,751	88,352
Total equity attributable to equity shareholders of the Company		563,925	518,526
Non-controlling interests		171,196	176,718
Total equity		735,121	695,244
Total liabilities and equity		1,279,139	1,244,036

Approved and authorised for issue by the Board of Directors on 17 September 2010.

Chan Hua Eng
Director

Yaw Chee Ming
Director

The notes on pages 80 to 157 form part of these financial statements.

BALANCE SHEET

At 30 June 2010

(Expressed in United States dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Fixed assets	13	3,201	3,456
Interests in subsidiaries	18	514,493	461,379
		517,694	464,835
Current assets			
Prepayments, deposits and other receivables	23	3,074	296
Cash and cash equivalents	24	99,235	167,715
Total current assets		102,309	168,011
Total assets		620,003	632,846
Current liabilities			
Bank loans	25(a)	10,000	5,000
Other payables and accrued expenses	26	6,627	11,325
Total current liabilities		16,627	16,325
Net current assets		85,682	151,686
Non-current liabilities			
Bank loans	25(a)	35,000	45,000
Total non-current liabilities		35,000	45,000
Total liabilities		51,627	61,325
Capital and reserves			
Share capital	27	430,174	430,174
Reserves	28(a)	138,202	141,347
Total equity		568,376	571,521
Total liabilities and equity		620,003	632,846

Approved and authorised for issue by the Board of Directors on 17 September 2010.

Chan Hua Eng
Director

Yaw Chee Ming
Director

The notes on pages 80 to 157 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

(Expressed in United States dollars)

		Attributable to equity shareholders 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	Non-controlling interests $'000	Total equity $'000
At 1 July 2008		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
Total comprehensive income for the year		—	—	(29,876)	—	—	(37,447)	(67,323)	(23,789)	(91,112)
Dividends in respect of previous financial year, approved and paid during the year	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
At 1 July 2009		430,174	261,920	21,740	6,673	(309,679)	107,698	518,526	176,718	695,244
Additional investment in a subsidiary		—	—	—	—	19,542	—	19,542	(31,727)	(12,185)
Total comprehensive income for the year		—	—	16,653	—	—	12,645	29,298	28,291	57,589
Dividends in respect of previous financial year, approved and paid during the year	9	—	—	—	—	—	(3,441)	(3,441)	(2,086)	(5,527)
At 30 June 2010		430,174	261,920	38,393	6,673	(290,137)	116,902	563,925	171,196	735,121

The notes on pages 80 to 157 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2010

(Expressed in United States dollars)

	Note	2010 $'000	2009 $'000
Profit/(loss) before taxation		29,060	(38,394)
Adjustments for:			
– Depreciation and amortisation	6	69,522	69,712
– Interest income	5	(2,214)	(4,092)
– Interest expense	5	12,936	14,143
– Negative goodwill	4	(391)	—
– Gain on disposal of fixed assets	4	(2,252)	(234)
– Write off of fixed assets		720	1,480
– Impairment loss on fixed assets	6	—	4,875
– Impairment loss on interests in associates	6	91	—
– Share of profits less losses of associates		(9,225)	(96)
– Share of profits less losses of jointly controlled entities		(1,631)	(800)
– Net loss on changes in fair value of financial instruments	5	3,628	6,273
– Harvested timber transferred to inventories	17	12,853	9,054
– (Gain)/loss from changes in fair value of plantation assets less estimated point-of-sale costs	17	(4,232)	1,952
– Net unrealised foreign exchange (gain)/loss		(11,100)	5,498
Operating profit before changes in working capital		97,765	69,371
Decrease in inventories		265	7,008
(Increase)/decrease in trade and other receivables		(47,054)	10,101
Increase/(decrease) in trade and other payables		16,678	(32,516)
Net cash generated from operations		67,654	53,964
Income tax paid		(8,954)	(10,142)
Income tax refunded		8,585	4,490
Net cash generated from operating activities		67,285	48,312
Investing activities			
Payment for the purchase of fixed assets		(36,903)	(23,406)
Rebate on land purchase price		—	634
Payment for construction in progress		(4,426)	(9,186)
Capital expenditure on plantation assets		(11,474)	(9,506)
Proceeds from disposal of fixed assets		4,949	2,362
Additional investments in associate or jointly controlled entity		(35)	(113)
Dividends received from associates		960	2,175
Acquisition of subsidiaries, net of cash and cash equivalents acquired	29	(948)	(9,909)
Additional investment in a subsidiary		(12,185)	—
Repayment of loan by jointly controlled entity		1,618	2,157
Decrease/(increase) in pledged deposits		22,280	(22,356)
Interest received		2,214	4,092
Net cash used in investing activities		(33,950)	(63,056)

	Note	2010 $'000	2009 $'000
Financing activities			
Capital element of finance lease rentals paid		(34,756)	(31,397)
Dividends paid		(5,527)	(4,574)
Proceeds from bank loans		40,034	75,518
Repayment of bank loans		(69,015)	(51,055)
Interest paid on bank loans and finance lease rentals		(20,227)	(21,364)
Net cash used in financing activities		(89,491)	(32,872)
Net decrease in cash and cash equivalents		(56,156)	(47,616)
Cash and cash equivalents at the beginning of the year		191,250	241,124
Effect of foreign exchange rate changes		4,904	(2,258)
Cash and cash equivalents at the end of the year	24	139,998	191,250

The notes on pages 80 to 157 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. Note 1(z) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

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

(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(k)) and derivative financial instruments (see note 1(w)) that are stated at their fair values.

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed in note 33.

(c) Subsidiaries and non-controlling interests

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to 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. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

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

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

(d) Associates and jointly controlled entities

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign currency

(i) Functional and reporting currency

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

(ii) Transactions and balances

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

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

(f) Investment properties

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

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

Depreciation is calculated to write off the cost of investment properties, less their estimated residual value, if any, using the straight-line method over their estimated useful lives of 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(t)(iv).

(g) Other property, plant and equipment

(i) Owned assets

Items of other property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 1(o)). 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(o)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other property, plant and equipment (Continued)

(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 method over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

Buildings	Shorter of the lease term or the useful lives of 50 years except worker's quarters that are depreciated over 10 years
Roads and bridges	8–20 years or over the remaining terms of the concessions
Plant and machinery, equipment, river crafts and wharfs	5–20 years
Furniture and fittings	4–10 years
Motor vehicles	5–10 years

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

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

(v) Retirement and disposal

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

(h) Construction in progress

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

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.

(i) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

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

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (Continued)

(i) Goodwill (Continued)

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(o)). Timber concession licences give the Group rights to harvest trees in the allocated concession forests in designated areas in Malaysia and Guyana. Plantation licence gives the Group rights for tree plantation in Malaysia.

(iii) Other intangible assets

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

(iv) Amortisation

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

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

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

(j) Interests in leasehold land held under operating leases

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

(k) Plantation assets

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

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)

(l) 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.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, call deposits with banks and other financial institutions with a 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.

(o) Impairment

The carrying amounts of the Group's assets, other than plantation assets (see note 1(k)), inventories (see note 1(m)) and deferred tax assets (see note 1(v)), 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 an asset in the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smaller group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(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

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

(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(o)(i), (ii) and (iii)).

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.

(p) 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 the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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.

(r) Provisions and contingent liabilities

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

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

(s) Trade and other payables

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

(t) Revenue

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

(i) Sale of goods

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

(ii) Services rendered

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

(iii) Dividend income

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

(iv) Rental income from operating lease

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Expenses

(i) Operating lease payments

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

(ii) Royalty fees

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

(iii) Repairs and maintenance expenditure

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

(iv) Net 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.

(v) Income tax

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Income tax (Continued)

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

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

(w) Derivative financial instruments

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

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

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

(x) Related parties

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

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Segment reporting

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

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

(z) Changes in accounting policies

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

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- IAS 23 (revised 2007), *Borrowing costs*
- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*

The amendments to IAS 23 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments on the consolidated financial statements is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management and has resulted in additional reportable segments being identified and presented (see note 2). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expenses or net assets for any year presented.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Changes in accounting policies (Continued)

- As a result of the adoption of the amendments of IFRS 7, the financial statements include expanded disclosures in note 32(g) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into three-level fair value hierarchy according to the extent which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to IFRS 7, under which comparative information for newly required disclosures about the fair value measurements of financial instruments has not been provided.

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 July 2009 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Changes in accounting policies (Continued)

- As a result of the amendments to IAS 27, the following changes in policies will be applied:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions.

  – Any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

  – The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 July 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

2 SEGMENT REPORTING

The Group manages its business by divisions, which are organised by business line. On the first time adoption of IFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the six reportable segments. Operating segments with similar nature of the production process and products have been aggregated to form the following reportable segments.

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

(a) Segment results, assets and liabilities

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

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

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

2 SEGMENT REPORTING (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 30 June 2010 and 2009 is set out below.

	2010							
	Logs							
	Hardwood $'000	Softwood $'000	Sub-total $'000	Plywood and veneer $'000	Upstream support $'000	Flooring products $'000	Other operations $'000	Total $'000
Revenue from external customers	182,650	37,629	220,279	181,300	35,642	58,002	103,025	598,248
Inter-segment revenue	67,544	139	67,683	21,445	196,349	3,271	5,013	293,761
Reportable segment revenue	250,194	37,768	287,962	202,745	231,991	61,273	108,038	892,009
Reportable segment profit/(loss)	12,050	15,171	27,221	(14,533)	3,822	8,325	(6,743)	18,092
Reportable segment assets	112,804	268,141	380,945	267,421	132,178	119,619	125,047	1,025,210
Interests in associates and jointly controlled entities	—	—	—	—	—	—	95,854	95,854
Additions to non-current segment assets during the year	17,630	14,108	31,738	10,510	13,144	4,678	13,365	73,435
Reportable segment liabilities	10,610	9,884	20,494	37,175	56,542	10,217	28,541	152,969

2 SEGMENT REPORTING (Continued)

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

	2009							
	Logs							
	Hardwood $'000	Softwood $'000	Sub-total $'000	Plywood and veneer $'000	Upstream support $'000	Flooring products $'000	Other operations $'000	Total $'000
Revenue from external customers	139,671	25,431	165,102	191,603	7,268	32,564	82,423	478,960
Inter-segment revenue	64,201	—	64,201	21,479	163,052	—	7,556	256,288
Reportable segment revenue	203,872	25,431	229,303	213,082	170,320	32,564	89,979	735,248
Reportable segment profit/(loss)	14,663	246	14,909	(24,921)	(3,218)	5,693	(12,427)	(19,964)
Reportable segment assets	111,220	242,082	353,302	268,635	127,894	88,854	106,881	945,566
Interests in associates and jointly controlled entities	—	—	—	—	—	—	79,325	79,325
Additions to non-current segment assets during the year	11,432	15,511	26,943	11,058	12,305	950	9,318	60,574
Reportable segment liabilities	9,188	9,015	18,203	26,491	47,124	2,368	29,990	124,176

2 SEGMENT REPORTING (Continued)

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

	2010 $'000	2009 $'000
Revenue		
Reportable segment revenue	892,009	735,248
Elimination of inter-segment revenue	(293,761)	(256,288)
Consolidated revenue	598,248	478,960
Profit		
Reportable segment profit/(loss)	18,092	(19,964)
Share of profits less losses of associates	9,225	96
Share of profits less losses of jointly controlled entities	1,631	800
Net financing income/(costs)	112	(19,326)
Consolidated profit/(loss) before taxation	29,060	(38,394)
Assets		
Reportable segment assets	1,025,210	945,566
Interests in associates and jointly controlled entities	95,854	79,325
Deferred tax assets	6,103	2,789
Current tax recoverable	18,121	20,378
Unallocated head office and corporate assets	133,851	195,978
Consolidated total assets	1,279,139	1,244,036
Liabilities		
Reportable segment liabilities	152,969	124,176
Current tax payable	2,461	1,787
Deferred tax liabilities	54,423	53,008
Bank loans and obligations under finance leases	334,165	369,821
Consolidated total liabilities	544,018	548,792

2 SEGMENT REPORTING (Continued)

(c) Geographic information

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

	Malaysia $'000	Guyana $'000	New Zealand $'000	The PRC $'000	Japan $'000	North America $'000	Australia $'000	Other countries $'000	Total $'000
2010									
Revenue from external customers	131,610	6,871	6,919	129,833	99,616	44,785	57,946	120,668	598,248
Specified non-current assets	451,391	49,553	259,019	52,378	7,951	—	3,845	—	824,137
2009									
Revenue from external customers	86,869	8,315	4,218	82,100	104,947	26,420	40,567	125,524	478,960
Specified non-current assets	442,972	39,961	228,736	55,247	—	—	3,484	—	770,400

3 REVENUE

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

	2010 $'000	2009 $'000
Sales of goods	562,606	471,692
Revenue from provision of services	35,642	7,268
	598,248	478,960

4 OTHER OPERATING INCOME

	2010 $'000	2009 $'000
Gain on disposal of fixed assets	2,252	234
Rental income	680	592
Negative goodwill (note 29)	391	—
Royalty income	5,280	2,340
Sundry income	3,012	3,168
	11,615	6,334

5 NET FINANCING INCOME/(COSTS)

	2010 $'000	2009 $'000
Interest on loans and overdrafts from banks and finance charges on obligations under finance leases wholly repayable within five years	(19,985)	(13,306)
Interest on loans and overdrafts from banks and finance charges on obligations under finance leases wholly repayable after five years	—	(8,439)
	(19,985)	(21,745)
Less: Borrowing costs capitalised into plantation assets (note 17)	7,049	7,602
Interest expense	(12,936)	(14,143)
Net loss on changes in fair value of financial instruments	(3,628)	(6,273)
Foreign exchange losses	(733)	(7,605)
Financial expenses	(17,297)	(28,021)
Interest income	2,214	4,092
Foreign exchange gains	15,195	4,603
Financial income	17,409	8,695
	112	(19,326)

The borrowing costs have been capitalised at a rate of 4.80% to 7.31% (2009: 3.92% to 7.89%) per annum.

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Personnel expenses

	2010 $'000	2009 $'000
Salaries, wages, bonuses and benefits	79,986	73,328
Contributions to retirement schemes	4,573	4,286
	84,559	77,614

Pursuant to the relevant labour rules and regulations in Malaysia, Guyana, Australia and the PRC, the Group participates in defined contribution retirement schemes ("the Schemes") organised by the respective local authorities whereby the Group is required to make contributions to the Schemes at rates in the range of 7.8% to 20.0% (2009: 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 retirement benefits beyond the annual contributions described above.

(b) Other items

	2010 $'000	2009 $'000
Impairment losses:		
– trade and other receivables	364	2,305
– fixed assets	—	4,875
– interests in associates	91	—
Auditors' remuneration	823	717
Depreciation	60,706	61,622
Amortisation of interests in leasehold land held under operating leases	1,119	1,010
Amortisation of intangible assets	7,697	7,080
Royalty fees	32,023	22,652

7 INCOME TAX

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

	2010 $'000	2009 $'000
Current tax		
Provision for the year	6,127	4,794
(Over)/under-provision in respect of prior years	(967)	4
	5,160	4,798
Deferred tax		
Origination and reversal of temporary differences	(2,380)	(205)
Effect on deferred tax balances at the beginning of the year resulting from a change in tax rate (note (e))	(2,188)	—
	(4,568)	(205)
Total income tax expense in the consolidated income statement	592	4,593

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 2010 and 2009.

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

(d) The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2009: 45%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the years ended 30 June 2010 and 2009.

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

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

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

7 INCOME TAX (Continued)

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

	2010 $'000	2009 $'000
Profit/(loss) before taxation	29,060	(38,394)
Income tax using the corporate tax rates applicable to profit/(loss) in the countries concerned	6,444	(11,125)
Effect of non-deductible expenses (note (i))	4,164	3,606
Effect of non-taxable income (note (ii))	(7,010)	(2,062)
Effect of tax credit (note (iii))	(2,920)	(3,405)
Effect of temporary differences not recognised in prior years	(3,243)	(1,190)
Effect of temporary differences and tax losses not recognised in the current year	6,312	18,765
Effect on deferred tax balances at the beginning of the year resulting from a change in tax rate	(2,188)	—
(Over)/under-provision in prior years	(967)	4
Income tax expense	592	4,593

Notes:

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

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

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

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

	The Group	
	2010 $'000	2009 $'000
Provision for the year	6,127	4,794
Provisional income tax paid	(8,654)	(9,835)
	(2,527)	(5,041)
Balance of income tax provision relating to prior years	(13,133)	(13,550)
	(15,660)	(18,591)
Represented by:		
Current tax recoverable	(18,121)	(20,378)
Current tax payable	2,461	1,787
	(15,660)	(18,591)

8 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $296,000 (2009: $3,710,000) which has been dealt with in the financial statements of the Company.

9 DIVIDENDS

(a) Dividends attributable to the year

	2010 $'000	2009 $'000
Final dividend proposed after the balance sheet date of 0.080 US cents (2009: 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) Dividends attributable to the previous financial year, approved and paid during the year

	2010 $'000	2009 $'000
Final dividend in respect of the previous financial year of 0.080 US cents (2009: 0.080 US cents) per share, approved and paid during the year	3,441	3,441

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the year ended 30 June 2010 is based on the profit attributable to equity shareholders of the Company for the year of $12,645,000 (2009: loss of $37,447,000) and 4,301,737,000 (2009: 4,301,737,000) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares during the years ended 30 June 2010 and 2009. The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

11 DIRECTORS' REMUNERATION

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

	2009				
	Fees $'000	Salaries, allowances and others benefits $'000	Discretionary bonuses $'000	Contributions to retirement schemes $'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 (2009: 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:

	2010 $'000	2009 $'000
Salaries, allowances and other benefits	928	775
Discretionary bonuses	22	22
Contributions to retirement schemes	54	29
	1,004	826

The emoluments of these individuals are within the following band:

	Number of individuals	
	2010	2009
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$2,500,000	2	2

13 FIXED ASSETS

	The Group							
	Land and buildings $'000	Roads and bridges $'000	Plant and machinery, equipment, river crafts and wharfs $'000	Motor vehicles $'000	Furniture and fittings $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost:								
At 1 July 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)	—
Written 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
At 1 July 2009	149,759	107,483	648,156	25,004	10,762	941,164	10,078	951,242
Additions through business combination (note 29)	—	—	1,093	8	19	1,120	—	1,120
Additions	5,337	5,262	27,862	1,480	1,763	41,704	7,958	49,662
Transfer from construction in progress (note 14)	—	—	6,510	—	—	6,510	—	6,510
Written off	(201)	—	(1,353)	—	(125)	(1,679)	—	(1,679)
Disposals	—	—	(12,340)	(353)	(37)	(12,730)	—	(12,730)
Exchange differences	10,848	8,825	47,940	1,623	216	69,452	860	70,312
At 30 June 2010	165,743	121,570	717,868	27,762	12,598	1,045,541	18,896	1,064,437
Accumulated depreciation:								
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
Written 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
At 1 July 2009	32,223	63,937	446,716	21,601	6,257	570,734	2,553	573,287
Charge for the year	4,167	8,543	46,012	1,430	1,185	61,337	193	61,530
Written off	(37)	—	(802)	—	(120)	(959)	—	(959)
Written back on disposals	—	—	(9,748)	(262)	(23)	(10,033)	—	(10,033)
Exchange differences	2,583	5,695	34,703	1,484	193	44,658	225	44,883
At 30 June 2010	38,936	78,175	516,881	24,253	7,492	665,737	2,971	668,708
Net book value:								
At 30 June 2010	126,807	43,395	200,987	3,509	5,106	379,804	15,925	395,729
At 30 June 2009	117,536	43,546	201,440	3,403	4,505	370,430	7,525	377,955

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 amount of these plants and as a result the carrying amounts 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 Furniture and fittings $'000
Cost:	
At 1 July 2008	211
Additions	3,299
At 30 June 2009	3,510
At 1 July 2009	3,510
Additions	522
At 30 June 2010	4,032
Accumulated depreciation:	
At 1 July 2008	30
Charge for the year	24
At 30 June 2009	54
At 1 July 2009	54
Charge for the year	777
At 30 June 2010	831
Net book value:	
At 30 June 2010	3,201
At 30 June 2009	3,456

13 FIXED ASSETS (Continued)

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

	The Group	
	2010 $'000	2009 $'000
Expensed in consolidated income statement	60,706	61,622
Capitalised into plantation assets (note 17)	824	252
	61,530	61,874

(b) Certain fixed assets and interests in leasehold land held under operating leases are pledged to banks for certain banking facilities granted to the Group as disclosed in note 25(a).

(c) The Group leases production plant and machinery, equipment and motor vehicles under finance leases expiring from 2010 to 2015. At the end of the lease term the ownership of these assets will be transferred to the Group. None of the leases includes contingent rentals.

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

	The Group	
	2010 $'000	2009 $'000
Net book value of plant and machinery, equipment and motor vehicles held under finance leases	68,175	92,950

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

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

	The Group	
	2010 $'000	2009 $'000
Within one year	363	77
After one year but within five years	176	47
	539	124

The fair values of investment property located in Malaysia and Japan amounted to $20,071,000 (2009: $16,562,000) and $7,038,000 (2009: $Nil) respectively, which were determined based on valuations carried out by independent firms of surveyors, HASB Consultants Sdn. Bhd, who have among their staff members of The Institution of Surveyors, Malaysia and Mitsui Real Estate Sales Co., Ltd., an affiliated entity of Mitsui Fudosan Group in Japan respectively, with recent experience in the location and category of property being valued.

13 FIXED ASSETS (Continued)

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

	The Group	
	2010 $'000	2009 $'000
Outside Hong Kong		
– freehold	53,929	42,162
– long-term leases	30,245	28,912
– medium-term leases	87,602	82,642
– short-term leases	5,991	5,561
	177,767	159,277

The net book value of properties represents:

	The Group	
	2010 $'000	2009 $'000
Land and buildings	126,807	117,536
Investment properties	15,925	7,525
Interests in leasehold land held under operating leases	35,035	34,216
	177,767	159,277

(f) The Group acquired fixed assets with an aggregate cost of $49,662,000 (2009: $34,026,000) during the year ended 30 June 2010, of which $12,759,000 (2009: $10,620,000) were acquired by means of finance leases.

14 CONSTRUCTION IN PROGRESS

	The Group	
	2010 $'000	2009 $'000
At 1 July	15,401	9,153
Additions	4,426	9,186
Transfer to fixed assets (note 13)	(6,510)	(2,936)
Exchange differences	379	(2)
At 30 June	13,696	15,401

15 INTERESTS IN LEASEHOLD LAND HELD UNDER OPERATING LEASES

	The Group	
	2010 $'000	**2009** $'000
Cost:		
At 1 July	42,097	35,338
Additions through business combinations (note 29)	—	9,856
Rebate on purchase price	—	(634)
Exchange differences	2,535	(2,463)
At 30 June	44,632	42,097
Accumulated amortisation:		
At 1 July	7,881	7,399
Charge for the year	1,119	1,010
Exchange differences	597	(528)
At 30 June	9,597	7,881
Net book value:		
At 30 June	35,035	34,216

Interests in leasehold land held under operating leases represent land use rights in Malaysia, Australia and the PRC, which will be expired between 2013 and 2923.

16 INTANGIBLE ASSETS

	The Group						
	Timber concessions $'000	Plantation licence $'000	Goodwill $'000	Distribution network $'000	Trade names $'000	Customer relationships $'000	Total $'000
Cost:							
At 1 July 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
At 1 July 2009	42,686	6,130	971	11,275	12,674	2,673	76,409
Exchange differences	3,643	523	65	100	114	24	4,469
At 30 June 2010	46,329	6,653	1,036	11,375	12,788	2,697	80,878
Accumulated amortisation:							
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
At 1 July 2009	23,969	220	—	779	1,057	277	26,302
Charge for the year	5,014	125	—	948	1,272	338	7,697
Exchange differences	2,277	25	—	6	9	2	2,319
At 30 June 2010	31,260	370	—	1,733	2,338	617	36,318
Net book value:							
At 30 June 2010	15,069	6,283	1,036	9,642	10,450	2,080	44,560
At 30 June 2009	18,717	5,910	971	10,496	11,617	2,396	50,107

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 2011 and 2041. Under the terms of the timber concession licences, the Group is required to pay royalty fees to the respective governments based on the volume of species harvested each year, subject to an annual minimum royalty payment (see note 31(b)).

The amortisation charge and royalty fees for the years ended 30 June 2010 and 2009 are included in "cost of sales" in the consolidated income statement.

Plantation licence

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

The amortisation charge for the years ended 30 June 2010 and 2009 are included in "cost of sales" in the consolidated income statement.

Distribution network, trade names and customer relationships

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

The amortisation charge for the years ended 30 June 2010 and 2009 are included in "distribution costs" in the consolidated income statement.

17 PLANTATION ASSETS

	The Group	
	2010 $'000	**2009** $'000
At 1 July	213,396	241,209
Additions	19,347	17,362
Harvested timber transferred to inventories	(12,853)	(9,054)
Changes in fair value less estimated point-of-sale costs	4,232	(1,952)
Exchange differences	15,141	(34,169)
At 30 June	239,263	213,396

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

	The Group	
	2010 $'000	**2009** $'000
The PRC	1,852	3,651
New Zealand	220,495	193,326
Malaysia	16,916	16,419
	239,263	213,396

Included in additions to the Group's plantation assets for the year ended 30 June 2010 are interest capitalised of $7,049,000 (2009: $7,602,000) and depreciation of fixed assets of $824,000 (2009: $252,000).

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

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

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

17 PLANTATION ASSETS (Continued)

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

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

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

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

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

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

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

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

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

18 INTERESTS IN SUBSIDIARIES

	The Company	
	2010 $'000	2009 $'000
Unlisted shares, at cost	86,899	78,564
Amounts due from subsidiaries	427,594	382,815
	514,493	461,379

Included in amounts due from subsidiaries is an amount of $251,151,000 (2009: $251,151,000) which is unsecured, interest bearing at one-year London Inter Bank Offer Rate ("LIBOR") and not expected to be recovered within one year. The remaining balances are unsecured, interest-free and not expected to be recovered within one year.

Details of the subsidiaries as at 30 June 2010 are set out in note 34.

19 INTERESTS IN ASSOCIATES

	The Group	
	2010 $'000	2009 $'000
Share of net assets:		
– Associates listed outside Hong Kong	72,298	59,975
– Unlisted associates	10,062	8,522
	82,360	68,497
Market value of listed associates	56,456	43,406

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

		Percentage of ownership interest			
Name of company	Place of incorporation	Group's effective interest %	Held by a subsidiary %	Issued and fully paid share capital	Principal activity
Glenealy Plantations (Malaya) Berhad	Malaysia	24.49	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	20.17	30.00	RM149,960,000 divided into 149,960,000 ordinary shares of RM1 each	Manufacture and sale of high and medium-density fibre board
Sepangar Chemical Industry Sdn. Bhd.	Malaysia	31.93	47.50	RM20,000,000 divided into 20,000,000 ordinary shares of RM1 each	Manufacture and sale of formalin and various formaldehyde adhesive resins
Rimalco Sdn. Bhd.	Malaysia	40.00	40.00	RM200,000 divided into 200,000 ordinary shares of RM1 each	Manufacture and sale of sawn timber
Samling-PDT Resources Sdn. Bhd.	Malaysia	49.00	49.00	RM1,000,000 divided into 1,000,000 ordinary shares of RM1 each	Dormant
Aino Tech Middle East FZCO	United Arab Emirates	26.89	40.00	AED1,000,000 divided into 10 ordinary shares of AED100,000 each	Dormant

19 INTERESTS IN ASSOCIATES (Continued)

Summary financial information of associates:

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Profit $'000 (note)
2010					
100 per cent	402,526	(159,876)	242,650	171,758	25,278
Group's effective interest	149,609	(59,862)	89,747	64,937	9,225
2009					
100 per cent	356,303	(171,562)	184,741	165,694	45
Group's effective interest	132,627	(64,130)	68,497	62,645	96

Note: The profit for the year (the Group's effective interest) includes a gain from changes in fair value of plantation assets less estimated point-of-sale costs of $3,099,000 (2009: a loss of $21,000) for the year ended 30 June 2010.

20 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2010 $'000	2009 $'000
Share of net assets, unlisted	13,494	10,828

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

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

20 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

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

	2010 $'000	2009 $'000
Non-current assets	20,157	19,616
Current assets	17,839	15,658
Total assets	37,996	35,274
Current liabilities	4,776	5,193
Non-current liabilities	6,242	8,424
Total liabilities	11,018	13,617
Revenue	23,071	24,600
Expenses	19,809	23,000
The Group's share of profit after taxation	1,631	800

21 DEFERRED TAX ASSETS AND LIABILITIES

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

	The Group	
	2010 $'000	2009 $'000
Net deferred tax liabilities	54,423	53,008
Net deferred tax assets	(6,103)	(2,789)
	48,320	50,219

21 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	The Group					
	At 1 July 2008 $'000	(Credited)/ charged to income statement $'000	Acquisition of subsidiaries $'000	Change in tax rates $'000	Exchange differences $'000	At 30 June 2009 $'000
Deferred tax arising from:						
Fixed assets	6,349	516	150	—	(449)	6,566
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
Unutilised tax losses	(505)	414	—	—	37	(54)
Others	5,506	(126)	127	—	(30)	5,477
Total	49,467	(205)	6,960	—	(6,003)	50,219

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

21 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	The Group	
	2010 $'000	2009 $'000
Net deductible temporary differences	132,442	111,634
Unutilised tax losses	153,773	159,699
	286,215	271,333

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

22 INVENTORIES

	The Group	
	2010 $'000	2009 $'000
Timber logs	33,892	35,910
Raw materials	11,811	8,990
Work-in-progress	19,323	17,225
Manufactured inventories	43,927	39,583
Stores and consumables	35,702	33,749
	144,655	135,457

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

	The Group	
	2010 $'000	2009 $'000
Carrying amount of inventories sold	538,006	443,112
Write-down of inventories	2,891	2,666
	540,897	445,778

23 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010 $'000	**2009** $'000	**2010** $'000	**2009** $'000
Trade receivables	67,921	57,122	—	—
Less: allowance for doubtful debts (note 23(b))	(1,536)	(12,561)	—	—
	66,385	44,561	—	—
Prepayments, deposits and other receivables	44,150	27,926	3,074	296
Loans to third parties	11,700	—	—	—
Loan to a jointly controlled entity	—	1,618	—	—
	122,235	74,105	3,074	296

The amount of the Group's and the Company's trade and other receivables which is expected to be recognised as expense or recovered after more than one year is $3,437,000 (2009: $1,346,000) and $40,000 (2009: $41,000) respectively. All other trade and other receivables are expected to be recognised as expense or recovered within one year.

Included in the Group's trade receivables are amounts due from associates, jointly controlled entities and related parties of $4,658,000 (2009: $3,323,000), $756,000 (2009: $484,000) and $915,000 (2009: $2,319,000) respectively, as at 30 June 2010.

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

(i) A loan of $9,000,000 (2009: $Nil) disbursed to a third party in connection with a proposed acquisition of coal mining business in Indonesia. The Group elected to terminate this proposed acquisition in April 2010 and in accordance with the sales and purchase agreement and convertible loan agreement in place, the loan of $9,000,000 shall then be repaid to the Group in full by 19 November 2010 or the commercial operation of the coal mine in Indonesia, whichever occurs earlier. The loan is unsecured and bears interest at 6% per annum; and

(ii) A loan of $2,700,000 (2009: $Nil) which is unsecured, interest bearing at 5.5% per annum and was due for repayment in April 2010. This amount was subsequently repaid to the Group in August 2010.

As at 30 June 2009, the loan to a jointly controlled entity was unsecured, interest bearing at 1% above LIBOR per annum and was expected to be recovered within one year.

23 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis

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

An ageing analysis of trade receivables is as follows:

	The Group	
	2010 $'000	2009 $'000
Within 30 days	36,226	26,511
31–60 days	9,604	5,816
61–90 days	4,634	2,152
91–180 days	9,161	5,812
181–365 days	4,360	2,907
1–2 years	1,278	1,179
Over 2 years	1,122	184
	66,385	44,561

(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	
	2010 $'000	2009 $'000
At 1 July	12,561	12,070
Impairment loss recognised	265	1,324
Uncollectible amounts written off	(11,331)	—
Exchange differences	41	(833)
	1,536	12,561

At 30 June 2010, the Group's trade receivables of $1,536,000 (2009: $13,540,000) 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 $1,536,000 (2009: $12,561,000) were recognised. The Group does not hold any collateral over these balances.

23 TRADE AND OTHER RECEIVABLES (Continued)

(c) Trade receivables that are not impaired

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

	The Group	
	2010 $'000	2009 $'000
Within 30 days	36,226	26,341
31–60 days	9,604	5,780
61–90 days	4,634	2,029
91–180 days	9,161	5,742
181–365 days	4,360	2,445
1–2 years	1,278	1,179
Over 2 years	1,122	66
	66,385	43,582

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

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

24 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Deposits with banks and other financial institutions	121,647	197,285	98,426	167,126
Cash at bank and in hand	42,207	43,591	809	589
Cash and cash equivalents in the balance sheet	163,854	240,876	99,235	167,715
Bank overdrafts (note 25(a))	(16,500)	(19,990)		
Secured deposits with banks and other financial institutions	(7,356)	(29,636)		
Cash and cash equivalents in the consolidated cash flow statement	139,998	191,250		

As at 30 June 2010 and 2009, certain deposits of the Group are pledged to banks for 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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Within one year or on demand	112,008	101,084	10,000	5,000
After one year but within two years	29,626	28,801	10,000	10,000
After two years but within five years	146,867	96,814	25,000	35,000
After five years	—	80,783	—	—
	176,493	206,398	35,000	45,000
	288,501	307,482	45,000	50,000

The bank loans and overdrafts were secured as follows:

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Bank overdrafts (note 24)				
– unsecured	11,410	15,937	—	—
– secured	5,090	4,053	—	—
	16,500	19,990	—	—
Bank loans				
– unsecured	152,231	139,227	—	—
– secured	119,770	148,265	45,000	50,000
	272,001	287,492	45,000	50,000
	288,501	307,482	45,000	50,000

25 BORROWINGS (Continued)

(a) Bank loans and overdrafts (Continued)

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

	The Group	
	2010 $'000	2009 $'000
Fixed assets	56,992	51,776
Interests in leasehold land held under operating leases	12,101	12,455
Plantation assets	220,495	193,326
Cash and cash equivalents	7,356	29,636
	296,944	287,193

At 30 June 2010, a bank loan of the Group and the Company amounting to $45,000,000 (2009: $50,000,000) was secured by the Group's shares in Lingui Developments Berhad ("Lingui").

The banking facilities of the Group and the Company amounting to $331,001,000 (2009: $367,399,000) and $45,000,000 (2009: $50,000,000) were utilised to the extent of $288,501,000 (2009: $307,482,000) and $45,000,000 (2009: $50,000,000) respectively, as at 30 June 2010.

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

Further details of the Group's management of liquidity risk are set out in note 32(e).

25 BORROWINGS (Continued)

(b) Obligations under finance leases

The Group had obligations under finance leases repayable as follows:

	The Group			
	2010		2009	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within one year	21,979	23,958	28,047	30,989
After one year but within two years	14,653	15,732	20,369	21,795
After two years but within five years	9,032	9,444	13,923	14,501
	23,685	25,176	34,292	36,296
	45,664	49,134	62,339	67,285
Less: total future interest expenses		(3,470)		(4,946)
Present value of lease obligations		45,664		62,339

26 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Trade payables	69,529	57,204	—	—
Other payables	33,110	29,514	—	8,336
Accrued expenses	37,332	28,823	1,112	650
Derivative financial instruments	12,998	8,635	5,515	2,339
	152,969	124,176	6,627	11,325

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 $290,000 (2009: $327,000) and $Nil (2009: $Nil) respectively. All of the other trade and other payables are expected to be settled within one year or are repayable on demand.

Included in the Group's trade payables are amounts due to associates, jointly controlled entities and related parties of $1,435,000 (2009: $1,666,000), $30,000 (2009: $18,000) and $4,299,000 (2009: $5,010,000) respectively, at 30 June 2010.

26 TRADE AND OTHER PAYABLES (Continued)

An ageing analysis of trade payables is as follows:

	The Group	
	2010 $'000	**2009** $'000
Within 30 days	29,469	20,365
31–60 days	10,757	8,652
61–90 days	7,046	5,874
91–180 days	9,179	5,916
181–365 days	10,333	11,356
1–2 years	2,670	4,782
Over 2 years	75	259
	69,529	57,204

27 SHARE CAPITAL

(a) Authorised and issued share capital

		2010		2009	
	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 the beginning and the 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 shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

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

During 2010, the Group's strategy, which was unchanged from 2009, 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 2010 and 2009 was as follows:

	Note	2010 $'000	2009 $'000
Current liabilities			
Bank loans and overdrafts	25(a)	112,008	101,084
Obligation under finance leases	25(b)	21,979	28,047
		133,987	129,131
Non-current liabilities			
Bank loans	25(a)	176,493	206,398
Obligation under finance leases	25(b)	23,685	34,292
		200,178	240,690
Total debt		334,165	369,821
Total assets		1,279,139	1,244,036
Total debt-to-total assets ratio		26%	30%

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 2008	261,920	(134,671)	13,829	141,078
Total comprehensive income 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
At 1 July 2009	261,920	(134,671)	14,098	141,347
Total comprehensive income for the year	—	—	296	296
Dividends declared and paid (note 9)	—	—	(3,441)	(3,441)
At 30 June 2010	261,920	(134,671)	10,953	138,202

(b) Nature and purpose of reserves

(i) Share premium

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

(ii) Currency translation reserve

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

(iii) Revaluation reserve

The revaluation reserve arose in 2001 from (a) the acquisition of subsidiaries by Lingui from its associate where the identifiable assets and liabilities of the subsidiaries were remeasured to fair values; and (b) the disposal of subsidiaries by Lingui to its associate where the carrying value of Lingui's investment in the associate was remeasured to reflect the fair values of the assets and liabilities of these subsidiaries.

(iv) Other reserve

Other reserve of the Group and the Company arose from the acquisitions of subsidiaries from the controlling shareholders in 2007 and 2008.

(v) Distributable reserves

The aggregate amount of distributable reserves at 30 June 2010 was $10,953,000 (2009: $14,098,000).

29 ACQUISITIONS OF SUBSIDIARIES

On 20 May 2010, the Group completed the acquisition of the entire equity interest of Suzhou Times Flooring Co., Ltd. ("Times Flooring"), a Foreign Invested Enterprise established in the PRC for a cash consideration of $1,142,000.

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

	Recognised fair value at the date of acquisition $'000
Fixed assets	1,120
Inventories	1,215
Trade and other receivables	116
Current tax recoverable	20
Cash and cash equivalents	194
Trade and other payables	(1,132)
Net identifiable assets and liabilities	1,533
Negative goodwill credited to the income statement	(391)
Total purchase consideration	1,142
Less: Cash and cash equivalents acquired	(194)
Net cash outflow in respect of the acquisition	948

Times Flooring, which was consolidated since 1 June 2010, contributed $367,000 to the consolidated revenue and a loss of $1,000 to the consolidated net profit of the Group for the year ended 30 June 2010.

If the acquisition had occurred on 1 July 2009, management estimates that the consolidated revenue would have been $600,090,000 and the consolidated profit for the year would have been $27,971,000.

29 ACQUISITIONS OF SUBSIDIARIES (Continued)

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 Group Co., Ltd. (formerly known as Samling Elegant Living Inc.), a 70% owned subsidiary, for an initial consideration of $38,300,000 and a contingent consideration of up to approximately $25,700,000 if certain profit targets are achieved within three years after acquisition.

The acquisitions 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 fair value at the date of acquisition $'000
Fixed assets	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 payables	(255)	—	(255)
Deferred tax liabilities	—	(6,960)	(6,960)
Non-controlling 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 as at 30 June 2009			(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.

Elegant Living companies, which were consolidated since 1 September 2008, contributed $32,600,000 to the consolidated revenue and a profit of $7,700,000 to the consolidated net loss of the Group for the year ended 30 June 2009.

If the acquisition had occurred on 1 July 2008, management estimates that consolidated revenue would have been $486,960,000 and the consolidated loss for the year would have been $41,987,000.

On 15 August 2008, the Group completed the acquisition of the entire equity interest of Anhui Tongling Anlin Wood Plantation Co., Ltd. at a cash consideration of $8,600,000.

30 RELATED PARTY TRANSACTIONS

During the years ended 30 June 2010 and 2009, 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 beneficial shareholder and director of the Company
Perkapalan Damai Timur Sdn. Bhd. ("PDT")	PDT is a major shareholder of the Company and is controlled by Mr. Wan Morshidi bin Tuanku Abdul Rahman, a director of various subsidiaries of the Group
Arif Hemat Sdn. Bhd. ("Arif Hemat")	Arif Hemat is controlled by Mr. 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 Materials")	Sojitz Building Materials 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 2010 and 2009 are as follows:

(a) Related party transactions

	2010 $'000	2009 $'000
Sale of goods to:		
Rimalco	2,652	4,323
Daiken	36	40
Magna-Foremost	2,400	1,418
Sojitz Building Materials	19,681	17,867
Arif Hemat	1	4
Pacific Plywood	53	192
	24,823	23,844
Provision of services to:		
Yaw Holding Group	138	134
Daiken	122	124
Magna-Foremost	224	198
Foremost Crest	53	37
	537	493
Rental of properties and equipment to:		
Yaw Holding Group	12	17
Rimalco	115	239
Daiken	61	68
Magna-Foremost	9	12
3D Networks	49	47
Arif Hemat	8	15
	254	398
Interest income from:		
Magna-Foremost	6	101
Rental of properties and equipment from:		
Yaw Holding Group	834	795
Purchase of goods from:		
Sepangar	8,308	13,472
Daiken	3,557	2,768
Hap Seng Auto	4,527	3,354
Pacific Plywood	331	525
Pi Zhou Yanglin	—	210
	16,723	20,329

30 RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

	2010 $'000	2009 $'000
Provision of services from:		
Yaw Holding Group	785	639
Purchase of fixed assets from:		
Yaw Holding Group	177	265
Hap Seng Auto	1,231	3,795
	1,408	4,060

Note: The amounts payable to the related parties are included in "Trade and other payables" (see note 26) and the amounts receivable from the related parties are included in "Trade and other receivables" (see note 23).

(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:

	2010 $'000	2009 $'000
Short-term employee benefits	2,622	2,212
Post-employment benefits	159	113
	2,781	2,325

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

31 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding at 30 June 2010 and 2009 not provided for in the financial statements were as follows:

	The Group	
	2010 $'000	2009 $'000
Authorised but not contracted for	59,933	48,983

31 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Future minimum royalty fees

At 30 June 2010 and 2009, the total future minimum royalty fees payable under the terms of the timber concession licences of the Group are as follows (see note 16):

	The Group	
	2010 $'000	**2009** $'000
Within one year	1,441	1,417
After one year but within five years	3,876	4,454
After five years	3,375	3,942
	8,692	9,813

(c) Contingent liabilities

(i) Legal claims from inhabitants of longhouses

(a) In 2007, a subsidiary of the Group, Merawa Sdn. Bhd. ("Merawa"), together with the Director of Forests and the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses and settlements situated on timber concessions held by Merawa. The action commenced in 2007 and the plaintiffs are claiming various reliefs including a declaration that they have native customary rights over claimed land located within the relevant timber concession areas. Merawa denied the claim and also counterclaimed for damages, costs, interest and/or other relief. As at 30 June 2010, the above proceeding remained pending before the Malaysian courts.

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

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

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

The timber licence and the licence for planted forest held by Samling Plywood and Samling Reforestation respectively have been issued by governmental authorities in Sarawak. As at 30 June 2010, the Group has made applications to strike out the two writs of summons and waiting for hearing and decision from the court.

31 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(c) Contingent liabilities (Continued)

(i) Legal claims from inhabitants of longhouses (Continued)

The directors believe that the Group has merit in their defence to these claims and have not experienced any material interference to the logging operations as a result of these claims. In the event that the Malaysian courts order a judgement against the Group, the Group may be ordered to terminate their operations on the relevant parcels of land claimed by the plaintiffs, remove the structures, machineries and equipment from these areas and/or pay damages and costs incurred, and/or the courts may order other reliefs as it considers just.

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

(ii) Contingent consideration in respect of business combination

With respect to the acquisition of Elegant Living companies (see note 29) in 2008, contingent consideration of $8,300,000 recognised as payables previously was paid during the year ended 30 June 2010 for the acquisition of the business of Elegant Living companies as discussed in note 29. The Group may be required to pay additional contingent consideration of up to $17,400,000 if certain terms and conditions as set in the sales and purchase agreement are met. As at 30 June 2010, such terms and conditions which lead to the payment of additional contingent consideration were not met.

(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 2010. 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 is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. Generally, trade receivables are due within 90 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from debtors.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At the balance sheet date, 3% (2009: 4%) and 12% (2009: 7%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group or the Company to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23.

(c) Foreign currency exchange risk

(i) The Group's major 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 foreign currency exchange risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity 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

	2010 (expressed in United States dollars)						
	United States Dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Hong Kong Dollars $'000	New Zealand Dollars $'000	Australian Dollars $'000	Renminbi $'000
Trade and other receivables	20,366	2,091	—	40	—	—	7,638
Cash and cash equivalents	6,308	1,471	4,586	30,293	9,338	30,572	5
Trade and other payables	(1,663)	(1,455)	—	(311)	—	—	(9)
Bank loans, overdrafts and obligations under finance leases	(51,214)	—	—	—	—	—	—
Net exposure arising from recognised assets and liabilities	(26,203)	2,107	4,586	30,022	9,338	30,572	7,634

	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	Renminbi $'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 loans, overdrafts and obligations under finance leases	(54,776)	—	—	—	—	—	—
Net exposure arising from recognised assets and liabilities	(36,766)	1,443	7,400	99,994	27,885	30,447	2,330

32 FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency exchange risk (Continued)

(ii) (Continued)

The Company

	2010 (expressed in United States dollars)			
	Malaysian Ringgit $'000	Hong Kong Dollars $'000	New Zealand Dollars $'000	Australian Dollars $'000
Prepayments, deposits and other receivables	—	40	—	—
Cash and cash equivalents	4,586	30,289	9,338	23,534
Other payables and accrued expenses	—	(308)	—	—
Net exposure arising from recognised assets and liabilities	4,586	30,021	9,338	23,534

	2009 (expressed in United States dollars)			
	Malaysian Ringgit $'000	Hong Kong Dollars $'000	New Zealand Dollars $'000	Australian Dollars $'000
Prepayments, deposits and other receivables	—	41	—	—
Cash and cash equivalents	7,400	100,263	27,885	30,443
Other payables and accrued expenses	—	(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 instantaneous change in the Group's profit or loss for the year (and retained earnings) that would arise if foreign currency exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	The Group				
	2010		2009		
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year and retained earnings $'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss for the year $'000	Increase/ (decrease) in retained earnings $'000
United States Dollars	5%	(831)	10%	2,760	(2,760)
	(5)%	831	(10)%	(2,760)	2,760
Japanese Yen	1%	16	5%	(54)	54
	(1)%	(16)	(5)%	54	(54)
Malaysian Ringgit	5%	230	1%	(62)	62
	(5)%	(230)	(1)%	62	(62)
Hong Kong Dollars	5%	126	1%	(835)	835
	(5)%	(126)	(1)%	835	(835)
New Zealand Dollars	3%	234	10%	(2,322)	2,322
	(3)%	(234)	(10)%	2,322	(2,322)
Australian Dollars	10%	2,493	10%	(2,542)	2,542
	(10)%	(2,493)	(10)%	2,542	(2,542)
Renminbi	1%	68	1%	(23)	23
	(1)%	(68)	(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 currency 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 excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2009.

(d) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are appropriately fixed when necessary.

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

The Group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedging

Interest rate and cross currency swap agreements have been entered into for loans with a notional contract amount of US$97.0 million (2009: US$96.8 million), NZ$26.0 million (2009: NZ$24.4 million) and RM59.3 million (2009: RM59.3 million) as at 30 June 2010 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% (2009: 4.65% to 7.31%) per annum throughout the loan period.

The swaps mature over the next 4 years matching the maturity of the related loans. The net fair value of swaps entered into by the Group and the Company at 30 June 2010 was a payable of $12,998,000 (2009: $8,635,000) and a payable of $5,515,000 (2009: $2,339,000) respectively. These amounts are recognised as derivative financial instruments and are included within "trade and other payables" (note 26) at 30 June 2010 and 2009 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			
	2010		2009	
	Effective interest rate %	$'000	Effective interest rate %	$'000
Net fixed rate borrowings:				
Obligations under finance leases	4.73%–8.29%	45,664	4.73%–8.29%	62,339
Bank loans	4.35%–12.00%	70,031	4.35%–12.00%	74,880
		115,695		137,219
Variable rate borrowings:				
Bank overdrafts	6.80%–7.55%	16,500	6.30%–7.05%	19,990
Bank loans	1.93%–7.30%	201,970	2.20%–6.80%	212,612
		218,470		232,602
Total net borrowings		334,165		369,821
Fixed rate borrowings as a percentage of total net borrowings		35%		37%

	The Company			
	2010		2009	
	Effective interest rate %	$'000	Effective interest rate %	$'000
Variable rate borrowings:				
Bank loans	2.12%	45,000	2.35%	50,000

32 FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (Continued)

(iii) Sensitivity analysis

At 30 June 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained earnings by approximately $3,342,000. Other components of consolidated equity would not be affected by the changes in interest rates.

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 decrease/increase the retained earnings by approximately $3,698,000. Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit or loss for the year (and retained earnings) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit or 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 2009.

(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

	2010					
	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	288,501	317,522	121,030	36,896	159,596	—
Obligations under finance leases	45,664	49,134	23,958	15,732	9,444	—
Trade and other payables	139,971	139,971	139,971	—	—	—
Derivative financial instruments (net settled)	12,998	17,296	5,132	4,702	7,462	—
	487,134	523,923	290,091	57,330	176,502	—

	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

	2010					
	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	45,000	49,256	11,642	11,259	26,355	—
Other payables and accrued expenses	1,112	1,112	1,112	—	—	—
Derivative financial instruments (net settled)	5,515	7,986	2,413	2,062	3,511	—
	51,627	58,354	15,167	13,321	29,866	—

	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 accrued expenses	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

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

2010

	The Group			
	Level 1 $'000	**Level 2** $'000	**Level 3** $'000	**Total** $'000
Liabilities				
Derivatives financial instruments:				
– Interest rate and cross currency swaps	—	12,998	—	12,998

	The Company			
	Level 1 $'000	**Level 2** $'000	**Level 3** $'000	**Total** $'000
Liabilities				
Derivatives financial instruments:				
– Interest rate and cross currency swaps	—	5,515	—	5,515

There was no significant transfer between instruments in Level 1, 2 and 3 during the year.

32 FINANCIAL INSTRUMENTS (Continued)

(g) Fair values (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amount of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2010 and 2009 except as follows:

	2010		2009	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
The Group				
Financial liabilities				
– Unsecured borrowings	75,944	63,117	81,001	64,912
– Secured borrowings	100,549	90,647	125,397	108,965
– Obligations under finance leases	23,685	20,642	34,292	30,000

	2010		2009	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
The Company				
Financial liabilities				
– Secured borrowings	35,000	32,772	45,000	41,341

(h) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Derivatives

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

(ii) Interest-bearing bank loans and obligations under finance leases

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(Expressed in United States dollars unless otherwise indicated)

32 FINANCIAL INSTRUMENTS (Continued)

(h) Estimation of fair values (Continued)

(iii) Interest rates used for determining fair value

The entity uses the government yield curve as of 30 June 2010 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2010	2009
Derivatives	0.53%–3.18%	0.60%–2.89%
Bank loans	1.85%–7.30%	2.35%–6.80%
Obligations under finance leases	5.64%	5.37%

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.

(d) Impairment of trade receivables

The Group estimates impairment losses on trade receivables resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade receivables, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

33 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycle. Management reassess these estimates at each balance sheet date.

(f) Impairment of non-current assets

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

(g) Business 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 cash flows that an asset is expected to generate in the future.

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

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

(Expressed in United States dollars unless otherwise indicated)

34 PARTICULARS OF SUBSIDIARIES

As at 30 June 2010, 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 Anlin Wood Plantation Co., Ltd., all subsidiaries are held indirectly by the Company through intermediate investment holding companies.

Details of the subsidiaries at 30 June 2010 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	100.00	Contractor for timber extraction, forest plantation and investment holding
Kayuneka Sdn. Bhd.	Malaysia, 2 September 1993	80,000 ordinary shares of RM1 each and 20,000 preference shares of RM1 each	100.00	Agent for sale of logs
KTN Timor Sdn. Bhd.	Malaysia, 24 January 1983	6,000,000 ordinary shares of RM1 each	100.00	Extraction and sale of logs
Ravenscourt Sdn. Bhd.	Malaysia, 30 May 1984	500,000 ordinary shares of RM1 each	100.00	Extraction and sale of logs
S.I.F. Management Sdn. Bhd.	Malaysia, 28 December 1993	300,000 ordinary shares of RM1 each	100.00	Extraction and sale of logs, manufacture and sale of veneer
Samling Flooring Products Sdn. Bhd.	Malaysia, 17 January 1984	10,000,000 ordinary shares of RM1 each	100.00	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	56.10	Manufacture and sale of housing products
Samling Chipboard Sdn. Bhd.	Malaysia, 5 April 1994	100,000 ordinary shares of RM1 each	56.10	Manufacture and sale of particle board

(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 Resources Sdn. Bhd.	Malaysia, 8 May 1985	1,000,000 ordinary shares of RM1 each and 50,000 preference shares of RM1 each	100.00	Rental of equipment
Samling Reforestation (Bintulu) Sdn. Bhd.	Malaysia, 5 April 1994	500,000 ordinary shares of RM1 each	100.00	Extraction and sale of logs
Samling Wood Industries Sdn. Bhd.	Malaysia, 15 June 1970	10,907,002 ordinary shares of RM1 each	100.00	Extraction and sale of logs
Sorvino Holdings Sdn. Bhd.	Malaysia, 22 January 1992	2,000,000 ordinary shares of RM1 each	100.00	Provision of machinery repairs and re-conditioning services
Syarikat Reloh Sdn. Bhd.	Malaysia, 7 May 1983	100,000 ordinary shares of RM1 each	100.00	Extraction and sale of logs
Majulaba Sdn. Bhd.	Malaysia, 29 April 1985	25,000 ordinary shares of RM1 each	70.00	Extraction and sale of logs
Sertama Sdn. Bhd.	Malaysia, 10 November 1986	1,000,000 ordinary shares of RM1 each	100.00	Extraction and sale of logs
Samling DorFoHom Sdn. Bhd.	Malaysia, 5 April 1994	40,000,000 ordinary shares of RM1 each, 347,143 CRPS (Class A) of RM1 each, 379,885 CRPS (Class B1) of RM1 each and 5,700,000 CRPS (Class B2) of RM1 each	88.53	Investment holding and wood residual trading

(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 Manufacturing Plantation Sdn. Bhd.	Malaysia, 2 April 1998	200,000 ordinary shares of RM1 each	61.97	Dormant
Lingui Developments Berhad	Malaysia, 27 December 1967	659,630,441 ordinary shares of RM0.5 each	67.23	Investment holding
Samling Plywood (Baramas) Sdn. Bhd.	Malaysia, 22 August 1987	20,250,000 ordinary shares of RM1 each	67.23	Manufacture and sale of plywood and veneer, extraction and sale of logs
Samling Plywood (Lawas) Sdn. Bhd.	Malaysia, 9 May 1986	3 ordinary shares of RM1 each	67.23	Extraction and sale of logs
TreeOne (Malaysia) Sdn. Bhd.	Malaysia, 20 January 1997	1,000,000 ordinary shares of RM1 each, 6,182,947 redeemable preference shares "A" of RM1 each, 1,400 redeemable preference shares "C" of RM1 each and 50,000 deferred shares of RM1 each	67.23	Investment holding
Samling Plywood (Bintulu) Sdn. Bhd.	Malaysia, 19 March 1986	25,000,000 ordinary shares of RM1 each	67.23	Manufacture and sale of plywood and veneer, extraction and sale of logs

(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	67.23	Contractor for timber extraction
Samling Power Sdn. Bhd.	Malaysia, 28 May 1996	2,000,000 ordinary shares of RM1 each	67.23	Operation of power generating facilities
Ang Cheng Ho Quarry Sdn. Bhd.	Malaysia, 28 February 1970	66,000 ordinary shares of RM100 each	67.23	Quarry licensee and operator
Stigang Resources Sdn. Bhd.	Malaysia, 15 July 1976	6,121,530 ordinary shares of RM1 each	67.23	Quarry licensee and operator
Alpenview Sdn. Bhd.	Malaysia, 11 October 1991	1,000,000 ordinary shares of RM1 each and 3,070,038 redeemable preference shares of RM1 each	67.23	Investment holding
Lingui Corporation Sdn. Bhd.	Malaysia, 29 March 1985	2 ordinary shares of RM1 each	67.23	Provision of management services
Hock Lee Plantations Sdn. Bhd.	Malaysia, 8 April 1970	72,624 ordinary shares of RM100 each and 100 redeemable preference shares of RM100 each	67.23	Investment holding

(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
TreeOne Logistic Services Sdn. Bhd.	Malaysia, 1 April 1997	300,000 ordinary shares of RM1 each	65.21	Provision of logistic services
Grand Paragon Sdn. Bhd.	Malaysia, 11 October 1996	2,000,000 ordinary shares of RM1 each	67.23	Investment holding
Samling Plywood (Miri) Sdn. Bhd.	Malaysia, 18 January 1984	40,000,000 ordinary shares of RM1 each	67.23	Manufacture and sale of plywood, extraction and sale of logs
Tinjar Transport Sdn. Bhd.	Malaysia, 15 September 1976	2,476,000 ordinary shares of RM1 each	67.23	Riverine transportation services
Miri Parts Trading Sdn. Bhd.	Malaysia, 29 November 1980	200,000 ordinary shares of RM1 each	67.23	Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services
Ainokitchen (Malaysia) Sdn. Bhd.	Malaysia, 7 April 2005	10,000,000 ordinary shares of RM1 each	67.23	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	67.23	Dormant
TreeOne (NZ) Limited	New Zealand, 13 January 1997	1 ordinary share of NZ$10,000 each	67.23	Investment holding
Hikurangi Forest Farms Limited	New Zealand, 19 June 1980	1,200,000 ordinary shares of NZ$1 each	67.23	Forest plantation
East Coast Forests Limited	New Zealand, 23 April 1951	1,000 ordinary shares of NZ$2 each	67.23	Dormant

(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
Tasman Forestry (Gisborne) Limited	New Zealand, 16 April 1980	42,500,000 ordinary shares of NZ$1 each	67.23	Dormant
Hock Lee Rubber Products Sdn. Bhd.	Malaysia, 15 January 1980	13,000,000 ordinary shares of RM1 each	67.23	Manufacture and sale of rubber retread compounds
Hock Lee Enterprises (M) Sdn. Bhd.	Malaysia, 28 November 1967	137,000 ordinary shares of RM100 each	67.23	Property investment and letting of industrial properties
Samling Malaysia Inc.	British Virgin Islands, 24 June 2005	35,835,000 ordinary shares of US$1 each	100.00	Investment holding
Barama Company Limited	Guyana, 20 August 2001	18,000,000 ordinary shares of US$1 each	100.00	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	100.00	Manufacture and sale of sawn timber
Barama Housing Inc.	Guyana, 27 October 2003	2 ordinary shares of G$1 each	100.00	Dormant
Caribbean Esskay Limited	British Virgin Islands, 8 May 1992	4 ordinary shares of US$1 each	100.00	Investment holding
SGL Trading Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100.00	Trading
Brewster Pty. Ltd.	Australia, 13 June 1954	1,147,000 ordinary shares of A$1 each	100.00	Sale and distribution of building materials
Samling Japan Corporation	Japan, 1 July 2005	60 ordinary shares of Yen 50,000 each	100.00	Market research 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 China Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100.00	Investment holding
Samling Trademark Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100.00	Ownership of trademark
Samling Tongling Co., Ltd.	Hong Kong, 30 December 2004	1 ordinary share of HK$1 each	100.00	Trading
Samling Riverside Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1 each	100.00	Sale of plywood and flooring products
Samling Foothill Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1 each	100.00	Dormant
Samling Elegant Living Group Co., Ltd. (formerly known as Samling Elegant Living Inc.)	British Virgin Islands, 26 February 2008	US$61,670,000	70.00	Investment holding
Samling Baroque Holding (Hong Kong) Limited	Hong Kong, 29 February 2008	23,400,001 ordinary shares of HK$1 each	70.00	Investment holding
Samling Baroque Trading (Hong Kong) Limited	Hong Kong, 29 February 2008	1 ordinary share of HK$1	70.00	Investment holding
Samling Elegant Living Holding (Hong Kong) Limited	Hong Kong, 29 February 2008	176,367,992 ordinary shares of HK$1 each	70.00	Investment holding
Samling Labuan Limited	Malaysia, 31 January 2008	35,835,000 ordinary shares of US$1 each	100.00	Investment holding
Dayalaba Sdn. Bhd.	Malaysia, 29 April 1985	25,000 ordinary shares of RM1 each	70.00	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
Bedianeka Sdn. Bhd.	Malaysia, 10 September 1993	2 ordinary shares of RM1 each	100.00	Trading of logs
Merawa Sdn. Bhd.	Malaysia, 24 August 1987	25,000 ordinary shares of RM1 each	100.00	Extraction and sale of logs
Riverside Plywood Corporation	The PRC, 13 August 2002	US$7,500,000	100.00	Manufacture and sale of plywood and flooring products
Foothill LVL & Plywood (Cangshan) Co., Ltd.	The PRC, 26 November 2002	US$1,840,000	100.00	Manufacture and sale of laminated veneer lumber
Samling Global USA, Inc.	United States of America, 20 September 2006	US$1,500	100.00	Sale of veneer and plywood
Anhui Tongling Anlin Wood Plantation Co., Ltd.	The PRC, 23 October 1995	RMB9,000,000	100.00	Forest plantation
Baroque Timber (Zhongshan) Co., Ltd.	The PRC, 12 May 2006	RMB130,000,000	70.00	Manufacture and sale of flooring products
Baroque Timber Industry (Tianjin) Co., Ltd.	The PRC, 25 January 2007	RMB15,309,944	70.00	Manufacture and sale of flooring products
Shanghai Elegant Living Timber Products Co., Ltd.	The PRC, 25 May 2005	RMB1,000,000	70.00	Sale of flooring products
Samling Credits (Labuan) Limited	Malaysia, 15 June 2009	1 ordinary share of US$1 each	100.00	Dormant
Samling NZ Inc.	British Virgin Islands, 9 December 2008	1 ordinary share of US$1 each	100.00	Dormant
Xylos Arteriors India Private Limited	India, 31 March 2009	10,000 ordinary shares of Rs10 each	100.00	Manufacture and sale of wood products

(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
Riverside Flooring Corporation	The PRC, 30 March 2009	US$2,000,000	100.00	Manufacture and sale of flooring products
Ambang Setia Labuan Limited	Malaysia, 12 May 2008	2 ordinary shares of US$1 each	100.00	Trading
Samling Elegant Living Trading (Labuan) Limited	Malaysia, 16 July 2009	1 ordinary share of US$1 each	70.00	Trading of flooring products
SGL Resources Holding Limited	United Arab Emirates, 12 November 2009	1,000 ordinary shares of AED1 each	100.00	Dormant
SGL Plantations Holding Limited	United Arab Emirates, 16 November 2009	1,000 ordinary shares of AED1 each	100.00	Dormant
Suzhou Times Flooring Co., Ltd.	The PRC, 8 December 2005	US$1,920,000	100.00	Manufacture and sale of flooring products
Baroque Timber Industry (Sichuan) Co., Ltd.	The PRC, 4 September 2009	US$6,000,000	70.00	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 2010

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2010 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Improvements to IFRSs 2009	1 January 2010
Amendments to IAS 32, *Financial instruments: Presentation*	1 February 2010
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
IAS 24 (revised), *Related party disclosures*	1 January 2011

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.

36 NON-ADJUSTING POST BALANCE SHEET EVENT

On 19 August 2010, the Group announced the subscription of $20,000,000 in Stone Tan China Holding Corporation which represent approximately 36.8% of its issued and paid up capital.

37 COMPARATIVE FIGURES

As a result of the application of IAS 1 (revised 2007), *Presentation of financial statements*, and IFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 1(z).

38 PARENT AND ULTIMATE CONTROLLING PARTY

At 30 June 2010, 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)

	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Revenue	598,248	478,960	545,293	561,223	388,686
Cost of sales	(540,897)	(445,778)	(493,538)	(410,834)	(341,781)
Gross profit	57,351	33,182	51,755	150,389	46,905
Other operating income	11,615	6,334	7,817	5,927	2,780
Distribution costs	(21,745)	(17,118)	(10,417)	(6,527)	(4,536)
Administrative expenses	(33,292)	(35,480)	(29,733)	(27,508)	(17,114)
Other operating expenses	(69)	(4,930)	(170)	(140)	(1,538)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	4,232	(1,952)	(3,034)	3,600	(15,194)
Profit/(loss) from operations	18,092	(19,964)	16,218	125,741	11,303
Financial income	17,409	8,695	11,283	30,929	6,876
Financial expenses	(17,297)	(28,021)	(21,166)	(18,950)	(22,377)
Net financing income/(costs)	112	(19,326)	(9,883)	11,979	(15,501)
Share of profits less losses of associates	9,225	96	19,539	7,760	1,317
Share of profits less losses of jointly controlled entities	1,631	800	1,762	1,905	2,816
Profit/(loss) before taxation	29,060	(38,394)	27,636	147,385	(65)
Income tax	(592)	(4,593)	(1,523)	(16,443)	1,694
Profit/(loss) for the year	28,468	(42,987)	26,113	130,942	1,629
Attributable to:					
Equity shareholders of the Company	12,645	(37,447)	14,035	98,491	5,211
Non-controlling interests	15,823	(5,540)	12,078	32,451	(3,582)
Profit/(loss) for the year	28,468	(42,987)	26,113	130,942	1,629
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	3,441	27,574	—
	3,441	3,441	3,441	27,574	2,449
Earnings/(loss) per share (US cent)					
Basic and diluted	0.29	(0.87)	0.33	6.03	0.17

	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Non-current assets					
Fixed assets					
– Investment properties	15,925	7,525	10,322	9,940	9,581
– Other property, plant and equipment	379,804	370,430	428,051	415,253	381,522
Construction in progress	13,696	15,401	9,153	5,480	1,963
Interests in leasehold land held under operating leases	35,035	34,216	27,939	27,172	26,504
Intangible assets	44,560	50,107	32,725	29,616	32,474
Plantation assets	239,263	213,396	241,209	228,716	167,696
Interests in associates	82,360	68,497	75,372	54,675	44,883
Interests in jointly controlled entities	13,494	10,828	14,887	14,592	15,345
Other investment	34	31	34	32	30
Deferred tax assets	6,103	2,789	5,853	3,578	3,642
Total non-current assets	830,274	773,220	845,545	789,054	683,640
Current assets					
Inventories	144,655	135,457	139,049	110,554	83,475
Trade and other receivables	122,235	74,105	80,039	78,693	97,277
Current tax recoverable	18,121	20,378	19,395	12,013	9,390
Cash and cash equivalents	163,854	240,876	273,316	326,651	21,154
Total current assets	448,865	470,816	511,799	527,911	211,296
Total assets	1,279,139	1,244,036	1,357,344	1,316,965	894,936
Current liabilities					
Bank loans and overdrafts	112,008	101,084	120,829	103,782	121,792
Obligations under finance leases	21,979	28,047	32,510	29,222	22,790
Bonds	—	—	—	43,422	—
Trade and other payables	152,969	124,176	132,349	115,602	186,889
Current tax payable	2,461	1,787	263	2,633	1,843
Total current liabilities	289,417	255,094	285,951	294,661	333,314
Net current assets/(liabilities)	159,448	215,722	225,848	233,250	(122,018)

FIVE YEAR SUMMARY

(Expressed in United States dollars)

	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Total assets less current liabilities	989,722	988,942	1,071,393	1,022,304	561,622
Non-current liabilities					
Bank loans	176,493	206,398	179,327	132,904	129,241
Obligations under finance leases	23,685	34,292	57,120	63,590	55,509
Bonds	—	—	—	—	40,816
Deferred tax liabilities	54,423	53,008	55,320	59,681	48,498
Total non-current liabilities	254,601	293,698	291,767	256,175	274,064
Total liabilities	544,018	548,792	577,718	550,836	607,378
Capital and reserves					
Share capital	430,174	430,174	430,174	430,174	979
Reserves	133,751	88,352	167,716	169,941	167,687
Total equity attributable to equity shareholders of the Company	563,925	518,526	597,890	600,115	168,666
Non-controlling interests	171,196	176,718	181,736	166,014	118,892
Total equity	735,121	695,244	779,626	766,129	287,558
Total liabilities and equity	1,279,139	1,244,036	1,357,344	1,316,965	894,936

Note: The calculation of basic earnings per share for the year ended 30 June 2006 is based on the profit attributable to equity shareholders 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.