THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the SGL Proposal, this document or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Samling Global Limited, you should at once hand this document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Samling Strategic Corporation Sdn. Bhd.

(a company incorporated in Malaysia with limited liability)

SAMLING GLOBAL LIMITED

三 林 環 球 有 限 公 司*

(a company incorporated in Bermuda with limited liability)

(Stock code: 3938)

(I) PROPOSAL TO PRIVATISE SAMLING GLOBAL LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA AND PROPOSED WITHDRAWAL OF THE LISTING OF SAMLING GLOBAL LIMITED AND (II) PROPOSED VERY SUBSTANTIAL ACQUISITION OF SAMLING GLOBAL LIMITED

Financial Adviser to Samling Strategic Corporation Sdn. Bhd.

Deloitte.
德勤

Deloitte & Touche Corporate Finance Limited

Independent Financial Adviser to the Independent Board Committee of Samling Global Limited

Quam CAPITAL 華富嘉洛企業融資

Quam Capital Limited

All capitalised terms used in this document shall have the meanings defined in the section headed "Definitions" on pages 1 to 8 of this document.

A letter from the SGL Board is set out on pages 17 to 27 of this document. An Explanatory Statement regarding the SGL Scheme is set out on pages 65 to 82 of this document. A letter from the IBC containing its advice to the Independent SGL Shareholders in respect of the SGL Scheme is set out on pages 28 and 29 of this document. A letter from Quam Capital Limited, the independent financial adviser to the IBC, containing its advice to the IBC in respect of the SGL Scheme is set out on pages 30 to 64 of this document. **The actions to be taken by SGL Shareholders are set out on pages 81 to 82 of this document**.

Notices convening (i) the SGL Court Meeting; and (ii) the SGL SGM to be held at Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 28 May 2012 at respectively 8:30 a.m. and 9:00 a.m. (or in the case of the SGL SGM immediately after the conclusion or adjournment of the SGL Court Meeting) are set out on pages 12 to 16 of this document. Whether or not you are able to attend the SGL Court Meeting and/or the SGL SGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the SGL Court Meeting and the enclosed white form of proxy in respect of the SGL SGM, in accordance with the instructions respectively printed on them, and to deposit them at the office of SGL's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under paragraph 18 headed "Action to be taken by SGL Shareholders" in the Explanatory Statement on pages 81 to 82 of this document. The pink form of proxy in respect of the SGL Court Meeting may be returned by facsimile at number (852) 2865-0990 (marked for the attention of the "Company Secretary") not later than the time and date stated in paragraph 18 headed "Action to be taken by SGL Shareholders" in the Explanatory Statement on pages 81 to 82 of this document or may alternatively be handed to the chairman of the SGL Court Meeting at the SGL Court Meeting if it is not so deposited.

* *for identification purposes only*

30 April 2012

SGL Shareholders may obtain free copies of this document at the website maintained by the Stock Exchange at www.hkexnews.hk.

Overseas SGL Shareholders are requested to read specifically paragraph 14 headed "Overseas SGL Shareholders" in the Explanatory Statement on page 78 of this document.

CONTENTS

In this document, the following expressions have the meanings respectively set opposite them unless the context requires otherwise:

"acting in concert"	has the meaning ascribed to this term under the Hong Kong Takeovers Code
"Alpenview"	Alpenview Sdn. Bhd., a company incorporated in Malaysia and a wholly-owned subsidiary of Lingui, which directly holds 41,548,522 Glenealy Shares, representing approximately 36.42% of the total issued share capital of Glenealy, as at the Latest Practicable Date
"Announcement"	the announcement dated 23 March 2012 issued jointly by SGL and SSC pursuant to Rule 3.5 of the Hong Kong Takeovers Code in relation to, among other things, the SGL Proposal
"associates"	has the meaning ascribed to this term under the Listing Rules
"Beneficial Owner"	any beneficial owner of SGL Shares registered in the name of any nominee, trustee, depository or any other authorised custodian or third party
"Bermuda Court"	the Supreme Court of Bermuda
"Bursa"	Bursa Malaysia Securities Berhad
"Business Day"	a day other than a Saturday, Sunday or public holiday in Hong Kong or Bermuda
"Bye-Laws"	the bye-laws of SGL
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Companies Act of Bermuda"	the Companies Act 1981 of Bermuda
"Companies Act of Malaysia"	the Companies Act, 1965 of Malaysia
"DTCFL"	Deloitte & Touche Corporate Finance Limited, a licensed corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the financial adviser to SSC in relation to the SGL Proposal, SGL Scheme and the transactions contemplated thereunder
"Enlarged SGL Group"	the SGL Group, together with the Glenealy Group
"Eurozone"	the euro area, the economic and monetary union of 17 European Union member state that have adopted the euro as common currency and sole legal tender

"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Explanatory Statement"	the explanatory statement to the SGL Scheme Shareholders in relation to the SGL Scheme as required by the Companies Act of Bermuda and set out on pages 65 to 82 of this document
"Glenealy"	Glenealy Plantations (Malaya) Berhad, a company incorporated in Malaysia with limited liability and the shares of which are listed on the Main Market of Bursa with stock code 2372 and stock symbol "GNEALY"
"Glenealy Books Closing Date"	the appropriate books closing date to be announced by Glenealy for determining entitlements of the Glenealy Scheme Shareholders under the Glenealy Scheme
"Glenealy Group"	Glenealy and its subsidiaries
"Glenealy Proposal"	the proposal for the privatisation of Glenealy by SGL and/or SGL's nominee(s) to the Glenealy Scheme Shareholders by way of the Glenealy Scheme
"Glenealy Scheme"	a scheme of arrangement under section 176 of the Companies Act of Malaysia between Glenealy and all the Glenealy Scheme Shareholders involving the acquisition of the Glenealy Scheme Shares
"Glenealy Scheme Offer Price"	being MYR7.50 in cash for acquisition of each Glenealy Scheme Share under the Glenealy Scheme
"Glenealy Scheme Shareholder(s)"	the Glenealy Shareholder(s) whose name(s) appear(s) on the Record of Depositors and the register of members of Glenealy on the Glenealy Books Closing Date other than SSC, SGL, Lingui and Alpenview
"Glenealy Scheme Share(s)"	Glenealy Share(s) held by any Glenealy Scheme Shareholder(s)
"Glenealy Shareholder(s)"	person(s) appearing in the Record of Depositors and register of members of Glenealy as the holder(s) from time to time of any Glenealy Share(s)
"Glenealy Share(s)"	ordinary share(s) with a par value of MYR1.00 each in the share capital of Glenealy
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Hong Kong Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC
"IBC"	the independent committee of the SGL Board established by the SGL Board to advise the Independent SGL Shareholders, among other things, as to whether the terms of the SGL Scheme are, or are not, fair and reasonable and as to voting for, or against, the relevant resolutions which will be proposed at the SGL Court Meeting and the SGL SGM respectively to approve and implement the SGL Scheme and the SGL Proposal as well as the transactions contemplated thereunder, which comprises Mr. Chan Hua Eng, Mr. Fung Ka Pun, Mr. Tan Li Pin Richard, Mr. David William Oskin and Mr. Amirsham A Aziz
"Independent SGL Shareholders"	SGL Shareholders other than SSC and parties acting in concert with it in respect of SGL
"KPMG Hong Kong"	KPMG, Certified Public Accountants, Hong Kong
"KPMG Malaysia"	KPMG, Chartered Accountants, Malaysia
"Last Trading Day"	17 February 2012, being the last full trading day prior to the suspension of trading in the SGL Shares on the Stock Exchange pending the publication of the Announcement
"Latest Practicable Date"	27 April 2012, being the latest practicable date prior to the date of this document for the purpose of ascertaining certain information contained herein
"Lingui"	Lingui Developments Berhad, a company incorporated in Malaysia with limited liability and the shares of which are listed on the Main Market of Bursa with stock code 2011 and stock symbol "LINGUI"
"Lingui Books Closing Date"	the appropriate books closing date to be announced by Lingui for determining entitlements of the Lingui Scheme Shareholders under the Lingui Scheme
"Lingui Group"	Lingui and its subsidiaries
"Lingui Proposal"	the proposal for the privatisation of Lingui by SGL and/or SGL's nominee(s) to the Lingui Scheme Shareholders by way of the Lingui Scheme
"Lingui Scheme"	a scheme of arrangement under section 176 of the Companies Act of Malaysia between Lingui and all the Lingui Scheme Shareholders involving the acquisition of the Lingui Scheme Shares
"Lingui Scheme Offer Price"	being MYR1.63 in cash for acquisition of each Lingui Scheme Share under the Lingui Scheme

"Lingui Scheme Shareholder(s)"	the Lingui Shareholder(s) whose name(s) appear(s) on the Record of Depositors and register of members of Lingui on the Lingui Books Closing Date other than SGL and Samling Malaysia
"Lingui Scheme Share(s)"	Lingui Share(s) held by any Lingui Scheme Shareholder(s)
"Lingui Shareholder(s)"	person(s) appearing on the Record of Depositors and register of members of Lingui as the holder(s) from time to time of any Lingui Share(s)
"Lingui Share(s)"	ordinary share(s) with a par value of MYR0.50 each in the share capital of Lingui
"Listing Requirements"	the Main Market Listing Requirements of Bursa
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Malaysian Proposals"	the Lingui Proposal and the Glenealy Proposal
"Malaysian Takeovers Code"	the Malaysian Code on Take-Overs and Mergers 2010
"Mr. Yaw"	Mr. Yaw Chee Ming, the sole executive director of SGL and who holds an approximate 39.6% shareholding interest in the issued ordinary and voting share capital of Yaw Holding, which in turn owns the entire issued ordinary and voting share capital of SSC
"MYR" or "RM"	Malaysian Ringgit, the lawful currency of Malaysia
"New SGL Shares"	the new SGL Shares to be issued to SSC pursuant to the SGL Proposal, and be in the same number as the number of the SGL Scheme Shares to be cancelled pursuant to the SGL Scheme
"Offer Period"	the period from 30 January 2012 until the earlier of (i) the SGL Scheme Effective Date; (ii) the date on which the SGL Scheme lapses; and (iii) the date on which an announcement is made of the withdrawal of the SGL Scheme
"Official List"	a list specifying all securities which have been admitted for listing on Bursa and not removed
"percentage ratios"	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
"PRC"	the People's Republic of China

"Pre-Announcement Day"	19 January 2012, being (i) the trading day immediately prior to the suspension of trading in the SGL Shares pending the issuance of the announcement on 30 January 2012; and (ii) the trading day immediately prior to the suspension of trading in the Lingui Shares and the Glenealy Shares pending the issuance of the announcement on 27 January 2012 by Lingui and Glenealy in relation to a possible privatisation proposal in relation to them respectively
"PwC Malaysia"	PricewaterhouseCoopers, Chartered Accountants, Malaysia
"Quam Capital"	Quam Capital Limited, a licensed corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the independent financial adviser to the IBC to advise whether or not the terms of the SGL Scheme are, or are not, fair and reasonable and as to voting for, or against, the relevant resolutions which will be proposed at the SGL Court Meeting and the SGL SGM respectively to approve and implement the SGL Scheme and the SGL Proposal as well as the transactions contemplated thereunder
"Record of Depositors"	the record provided by Bursa Malaysia Depository Sdn. Bhd. to a listed issuer under Chapter 24.0 of the Rules of Bursa Malaysia Depository Sdn. Bhd., as the same may be amended or varied from time to time
"Record Time"	4:00 p.m. (Hong Kong time) on Friday, 15 June 2012, being the record time for determining the entitlements of the SGL Scheme Shareholders under the SGL Scheme
"Register"	the register of members of SGL
"Registered Owner"	any nominee, trustee, depository or any other authorised custodian or person who is entered in the Register as the holder of the SGL Shares
"Relevant Authorities"	appropriate governments and/or governmental bodies, quasi-governmental, statutory or regulatory bodies or institutions
"Relevant Period"	the period commencing on the date falling six months prior to the commencement date of the Offer Period and ending on the Latest Practicable Date
"Samling Malaysia"	Samling Malaysia Inc., a company incorporated in British Virgin Islands and a wholly-owned subsidiary of SGL, which holds 443,473,768 Lingui Shares, representing approximately 67.23% of the total issued share capital of Lingui, as at the Latest Practicable Date

"SC"	the Securities Commission Malaysia
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGL"	Samling Global Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange with stock code 3938
"SGL Board"	the board of directors of SGL
"SGL Court Meeting"	a meeting of the SGL Scheme Shareholders convened by order of the Bermuda Court at which the SGL Scheme will be voted upon
"SGL Director(s)"	the director(s) of SGL
"SGL Document" or "this document"	this composite document issued jointly by SGL and SSC to the SGL Shareholders in relation to the SGL Proposal and the Malaysian Proposals, containing, among other things, (i) further details of the SGL Proposal and the SGL Scheme, the expected timetable, information regarding SGL, and an explanatory statement to the SGL Scheme Shareholders as required under the Companies Act of Bermuda and the Hong Kong Takeovers Code; (ii) further details of the Lingui Scheme and the Glenealy Scheme and the transactions contemplated thereunder as required under the Listing Rules as far as SGL is concerned; (iii) the proposed capital reduction of SGL; (iv) the respective letters of advice from the IBC and Quam Capital in respect of the SGL Proposal, SGL Scheme and the transactions contemplated thereunder; and (v) notices of the SGL Court Meeting and the SGL SGM
"SGL Group"	SGL and its subsidiaries
"SGL Proposal"	the proposal for the privatisation of SGL by SSC to be effected by way of the SGL Scheme
"SGL Scheme"	a scheme of arrangement under section 99 of the Companies Act of Bermuda between SGL and all the SGL Scheme Shareholders involving the cancellation of the SGL Scheme Shares
"SGL Scheme Conditions"	the conditions as set out in paragraph 3 headed "Conditions of the SGL Proposal and the SGL Scheme" in the Explanatory Statement appearing on pages 67 to 69 of this document
"SGL Scheme Conditions Long Stop Date"	30 June 2012 or such later date as SSC and SGL may agree

"SGL Scheme Effective Date"	the date on which the SGL Scheme, if approved by the SGL Scheme Shareholders and sanctioned by the Bermuda Court, becomes effective in accordance with its terms, being the date on which a copy of the order of the Bermuda Court is delivered to the Registrar of Companies in Bermuda for registration and which, in accordance with the current expected timetable, will be Monday, 18 June 2012 (Bermuda time)
"SGL Scheme Offer Price"	being HK$0.76 in cash for cancellation of each SGL Scheme Share under the SGL Scheme
"SGL Scheme Shareholder(s)"	the SGL Shareholder(s) whose name(s) appear(s) on the Register as at the Record Time other than SSC and the SSC Concert Parties
"SGL Scheme Share(s)"	the SGL Share(s) held by any SGL Scheme Shareholder(s)
"SGL SGM"	the special general meeting of SGL to be held on the same date as the SGL Court Meeting to consider, amongst other things, the transactions contemplated under the SGL Proposal and SGL Scheme
"SGL Share(s)"	ordinary share(s) with a par value of US$0.10 each in the share capital of SGL
"SGL Shareholder(s)"	person(s) appearing on the Register as holder(s) of SGL Share(s)
"SSC"	Samling Strategic Corporation Sdn. Bhd., a company incorporated in Malaysia with limited liability and the controlling shareholder of SGL
"SSC Concert Parties"	Mr. Yaw and Tan Sri Yaw Teck Seng, both being parties acting in concert with SSC in relation to SGL
"SSC Share(s)"	ordinary share(s) of MYR 1.00 each in the share capital of SSC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tan Sri Yaw Teck Seng"	a holder of approximately 39.6% shareholding interest in the issued ordinary and voting share capital of Yaw Holding, which in turn owns the entire issued ordinary and voting share capital of SSC, the controlling shareholder of SGL
"United States" or "US"	the United States of America
"US$"	US dollars, the lawful currency of the United States
"Yaw Holding"	Yaw Holding Sdn. Bhd., a company incorporated in Malaysia with limited liability which owns the entire issued share capital of SSC
"%"	per cent.

For the purpose of this document, unless the context otherwise requires, conversion of Malaysian Ringgit into US dollars and Hong Kong dollars into US dollars are based on the approximate exchange rate of MYR3.1 to US$1 and HK$7.8 to US$1 respectively. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Malaysian Ringgit, Hong Kong dollars or US dollars have been, could have been or may be converted at such or any other rate or at all.

EXPECTED TIMETABLE

The following expected timetable takes into account the Bermuda Court procedures for the SGL Scheme. The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable.

	Hong Kong time
	2012
Despatch of this document	Monday, 30 April
Latest time for lodging forms of transfer of SGL Shares to qualify for attending and voting at the SGL Court Meeting and the SGL SGM	4:30 p.m. on Monday, 21 May
Register of members of SGL closes *(Note 1)*	Tuesday, 22 May to Monday, 28 May (both days inclusive)
Latest time for lodging the pink form of proxy in respect of the SGL Court Meeting *(Note 2)*	8:30 a.m. on Saturday, 26 May
Latest time for lodging the white form of proxy in respect of the SGL SGM *(Note 2)*	9:00 a.m. on Saturday, 26 May
Suspension of trading in SGL Shares	9:00 a.m. on Monday, 28 May
SGL Court Meeting *(Note 3)*	8:30 a.m. on Monday, 28 May
SGL SGM *(Note 3)*	9:00 a.m. on Monday, 28 May (or at such time immediately after the SGL Court Meeting has been concluded or adjourned, whichever is the later)
Announcement of the results of the SGL Court Meeting and the SGL SGM, expected last day for dealings in SGL Shares on the Stock Exchange and expected date of withdrawal of listing of SGL Shares on the Stock Exchange	not later than 7.00 p.m. on Monday, 28 May
Resumption of trading in SGL Shares	9:00 a.m. on Tuesday, 29 May
Expected last day for dealings in SGL Shares on the Stock Exchange	Friday, 8 June
Latest time for lodging forms of transfer of SGL Scheme Shares to qualify for entitlements under the SGL Scheme	4:30 p.m. on Wednesday, 13 June
Register of members of SGL closes *(Note 5)*	Thursday, 14 June to Friday, 15 June (both days inclusive)

	Hong Kong time
	2012
Bermuda Court hearing of the petition to sanction the SGL Scheme and to confirm the capital reduction *(Note 4)*	Friday, 15 June *(Bermuda time)*
Record Time and date	4:00 p.m. on Friday, 15 June
Announcement of the result of the Bermuda Court hearing	no later than 7:00 p.m. on Monday, 18 June
SGL Scheme Effective Date *(Note 4 and Note 6)*	Monday, 18 June *(Bermuda time)*
Announcement of the SGL Scheme Effective Date and the date of withdrawal of the listing of the SGL Shares on the Stock Exchange	after close of business on Monday, 18 June
Withdrawal of the listing of the SGL Shares on the Stock Exchange becomes effective	9:00 a.m. on Wednesday, 20 June
Cheques for cash entitlements under the SGL Scheme to be despatched *(Note 7)*	on or before Tuesday, 26 June

Notes:

1. The Register will be closed during such period for the purposes of determining the entitlements of the SGL Scheme Shareholders to attend and vote at the SGL Court Meeting and the entitlements of the SGL Shareholders to attend and vote at the SGL SGM. This book close period is not for determining entitlements under the SGL Scheme.

2. Forms of proxy should be lodged with the office of SGL's Hong Kong branch share registrar, Computershare Hong Kong Investors Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible but in any event not later than the respective times and dates stated above or, in the case of the pink forms of proxy for use at the SGL Court Meeting, they may be handed to the chairman of the SGL Court Meeting. Completion and return of the relevant form of proxy for the SGL Court Meeting or the SGL SGM will not preclude any SGL Scheme Shareholders or any SGL Shareholders, respectively, from attending the relevant meeting and voting in person. In such event, the relevant form of proxy returned will be deemed to have been revoked.

   A Beneficial Owner whose SGL Shares are registered in the name of a Registered Owner should contact such Registered Owner to give instructions to or to make arrangements with such Registered Owner as to the manner in which the SGL Shares beneficially owned by the Beneficial Owner should be voted at the SGL Court Meeting and/or the SGL SGM. Such instructions or arrangements should be given or made in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the SGL Court Meeting and/or the SGL SGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the SGL Court Meeting and/or SGL SGM, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

   Any Beneficial Owner whose SGL Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an investor participant, contact his, her or its broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such SGL Shares with the other CCASS participant regarding voting instructions to be given to such persons if he, she or it wishes to vote in respect of the SGL Scheme and/or the SGL Proposal (as the case may be). The same time frames for contacting his, her or its broker, custodian, nominee, or other relevant person as set out in the previous paragraph apply to such Beneficial Owner. The procedure for voting in respect of the SGL Scheme and/or the SGL Proposal by the investor participants and the other CCASS participants with respect to the SGL Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "General Rules of CCASS" and the "CCASS Operational Procedures".

3. The SGL Court Meeting and the SGL SGM will be held at Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong at the times and dates specified above. Please see the notice of the SGL Court Meeting set out on pages 12 to 13 and the notice of the SGL SGM set out on pages 14 to 16 of this document for details.

4. All references in this document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of the Bermuda Court hearings and the registration of the order of the Bermuda Court with the Registrar of Companies in Bermuda, which are the relevant times and dates in Bermuda. Bermuda time is 11 hours behind Hong Kong time.

5. The Register will be closed during such period for the purposes of determining the SGL Scheme Shareholders who are qualified for entitlements under the SGL Scheme. Entitlements under the SGL Scheme will be based on the actual number of SGL Scheme Shares held by the SGL Scheme Shareholders as at the Record Time.

6. The SGL Scheme shall become effective upon all the conditions set out in paragraph 3 headed "Conditions of the SGL Proposal and the SGL Scheme" in the Explanatory Statement on pages 67 to 69 of this document having been fulfilled or validly waived (as applicable).

7. Cheques for cash entitlements under the SGL Scheme will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the Register as soon as possible but in any event on or before Tuesday, 26 June 2012.

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

COMMERCIAL COURT

2012 No. 136

IN THE MATTER OF

SAMLING GLOBAL LIMITED

and

IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the "Order") dated 24 April 2012 made in the above matters, the Court has directed a meeting (the "Court Meeting") of the Scheme Shareholders (as defined in the Scheme mentioned below) to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the "Scheme") proposed to be made between Samling Global Limited (the "Company") and the Scheme Shareholders (as defined in the Scheme mentioned above) and that the Court Meeting will be held at Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 28 May, 2012 at 8:30 a.m. (Hong Kong time) at which all the Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the explanatory statement explaining the Scheme pursuant to section 100 of the Companies Act 1981 are incorporated in the composite scheme document of which this notice forms part. A copy of the Scheme Document (as defined in the Scheme mentioned above) can also be obtained by the Scheme Shareholders from the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A **pink** form of proxy for use at the Court Meeting is enclosed with the composite scheme document.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding. In case of a Scheme Shareholder who is a corporation, it may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Court Meeting and exercise the same powers on its behalf as if it were an individual Scheme Shareholder of the Company.

It is requested that **pink** forms appointing proxies be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or to be returned by fascimile at number (852) 2865-0990, marked for the attention of the "Company Secretary", by 8:30 a.m. on Saturday, 26 May 2012, but if the forms are not so lodged they may be handed to the Chairman of the Court Meeting at the Court Meeting.

By the Order, the Court has appointed Mr. Chan Hua Eng or, failing him, Mr. Fung Ka Pun, to act as Chairman of the Court Meeting and has directed the Chairman to report the results of the Court Meeting to the Court.

The Scheme will be subject to the subsequent approval of the Court.

Dated: 30 April 2012

By order of the Court

Conyers Dill & Pearman Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Attorneys for the Company

SAMLING GLOBAL LIMITED
三林環球有限公司*

(a company incorporated in Bermuda with limited liability)

(Stock code: 3938)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Samling Global Limited (the "Company") will be held at Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 28 May 2012 at 9:00 a.m. (Hong Kong time) (or immediately after the meeting of the Scheme Shareholders as defined in the Scheme (set out in the composite scheme document of which this notice forms part) convened by the direction of the Supreme Court of Bermuda at the same place and on the same day shall have been concluded or adjourned, whichever is the later), for the purposes of considering and, if thought fit, passing the following resolutions of which Resolutions 1.(a) and 1.(b) will be proposed as special resolutions and Resolutions 2.(a), 2.(b) and 2.(c) will be proposed as ordinary resolutions):

SPECIAL RESOLUTIONS

1. "**THAT**:

   (a) for the purposes of giving effect to the scheme of arrangement dated 30 April 2012 (the "Scheme"), in the form of the print contained in the composite scheme document of which this notice forms part dated 30 April 2012, between the Company and the Scheme Shareholders (as defined in the Scheme), with any modifications thereof or additions thereto or subject to any conditions approved or imposed by the Court (as defined in the Scheme), on the Effective Date (as defined in the Scheme) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme); and

   (b) any one of the directors of the Company ("Director") be and is hereby authorised to do all acts and things as considered by him to be necessary or desirable in connection with the completion of the Scheme, including (without limitation) the giving or implementation of consent to any modifications of, or additions to, the Scheme, which the Court (as defined in the Scheme) may see fit to impose and to do all other acts and things as considered by him to be necessary or desirable in connection with the Proposal (as defined in the Scheme)."

* *for identification purposes only*

ORDINARY RESOLUTIONS

2. "**THAT SUBJECT TO RESOLUTIONS 1.(a) AND 1.(b) ABOVE BEING APPROVED:**

(a) the Company shall allot and issue at par such number of New Shares (as defined in the Scheme) to Samling Strategic Corporation Sdn. Bhd. ("SSC") as is equal to the number of Scheme Shares cancelled and extinguished, as referred to in 1.(a) above, immediately upon and contemporaneously with such cancellation and extinguishment of the Scheme Shares on the Effective Date (as defined in the Scheme).

(b) the Company shall apply the credit arising in its books of account as a result of the reduction of share capital referred to in 1.(a) above in paying-up in full at par the New Shares to SSC referred to in 2.(a) above; and

(c) any one of the Directors be and is hereby authorised to do all acts and things as considered by him to be necessary or desirable in order to give effect to the transactions referred to in 2.(a) and 2.(b) above."

By Order of the Board
SAMLING GLOBAL LIMITED
Chan Hua Eng
Chairman of the Board

Hong Kong, 30 April 2012

Notes:

1. A shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her/its stead. A proxy need not be a shareholder of the Company, but must attend the meeting in person to represent him/her.

2. A **white** form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.

3. To be valid, the **white** form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the white form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting concerned and, in such event, his/her/its form of proxy shall be deemed to have been revoked.

4. In case of a shareholder of the Company which is a corporation, it may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the meeting and exercise the same powers on its behalf as if it were an individual shareholder of the Company.

5. In the case of joint holders of a share of the Company, any one of such joint holders may vote at the meeting either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share of the Company stands shall for this purpose be deemed joint holders thereof.

6. At the meeting, the chairman thereof will exercise his power under the Bye-Laws of the Company to put the above resolution to the vote by way of a poll.

7. The register of members of the Company will be closed from Tuesday, 22 May to Monday, 28 May 2012 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 21 May 2012.

As at the date of this notice, the board of directors of the Company comprises the following directors:

Executive Director:
Yaw Chee Ming

Non-executive Director:
Chan Hua Eng

Independent Non-executive Directors:
Fung Ka Pun
Tan Li Pin Richard
David William Oskin
Amirsham A Aziz

SAMLING GLOBAL LIMITED

三林環球有限公司*

(a company incorporated in Bermuda with limited liability))

(Stock Code: 3938)

Executive director:
Yaw Chee Ming

Non-executive director:
Chan Hua Eng

Independent non-executive directors:
Fung Ka Pun
Tan Li Pin Richard
David William Oskin
Amirsham A Aziz

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Room 2205
22nd Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

30 April 2012

To SGL Shareholders

Dear Sir and Madam,

(I) PROPOSAL TO PRIVATISE SAMLING GLOBAL LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA AND PROPOSED WITHDRAWAL OF THE LISTING OF SAMLING GLOBAL LIMITED

AND

(II) PROPOSED VERY SUBSTANTIAL ACQUISITION OF SAMLING GLOBAL LIMITED

1. INTRODUCTION

As stated in the Announcement, SSC, the controlling shareholder of SGL, requested SGL, and SGL agreed, to put forward a proposal to the SGL Scheme Shareholders for the privatisation of SGL by way of a scheme of arrangement under section 99 of the Companies Act of Bermuda. Upon the SGL

** for identification purposes only*

Scheme becoming effective, the SGL Scheme Shares will be cancelled and, in consideration thereof, each SGL Scheme Shareholder will be entitled to receive the SGL Scheme Offer Price of HK$0.76 in cash for each SGL Scheme Share held, and SGL will make an application for the withdrawal of the listing of the SGL Shares from the Stock Exchange.

As at the Latest Practicable Date, SSC and the SSC Concert Parties held 2,612,931,280 SGL Shares representing approximately 60.84% of the issued share capital of SGL. Such SGL Shares will not form part of the SGL Scheme Shares and will not be cancelled upon the SGL Scheme becoming effective. SSC has undertaken to the Bermuda Court that it will be bound by the SGL Scheme so as to ensure that it will be subject to the terms and conditions of the SGL Scheme. SSC and the parties acting in concert with it will also not vote on the SGL Scheme at the SGL Court Meeting. However, SSC and the SSC Concert Parties are entitled to vote at the SGL SGM. In the Announcement it was stated that SSC and the SSC Concert Parties intended to abstain from voting at the SGL SGM. SSC and the SSC Concert Parties have since clarified and confirmed that they intend to vote at the SGL SGM in favour of the resolutions to be proposed thereat. The SGL Scheme Shares comprise all the SGL Shares held by SGL Shareholders other than SSC and the SSC Concert Parties as at the Record Time. As at the Latest Practicable Date, there were 1,681,549,550 SGL Scheme Shares held by the SGL Scheme Shareholders. Save as disclosed above and in section 5(a)c. of Appendix VII "General Information" to this document, neither SSC nor any of the parties acting in concert with it owns or controls any SGL Shares or any convertible securities, warrants, options or derivatives in respect of the SGL Shares.

The IBC, which comprises Mr. Chan Hua Eng, Mr. Fung Ka Pun, Mr. Tan Li Pin Richard, Mr. David William Oskin and Mr. Amirsham A Aziz, all being non-executive SGL Directors, has been established by the SGL Board to advise the Independent SGL Shareholders as to whether the terms of the SGL Scheme are, or are not, fair and reasonable and as to voting for, or against, the relevant resolutions which will be proposed at the SGL Court Meeting and the SGL SGM respectively to approve and implement the SGL Scheme and the SGL Proposal as well as the transactions contemplated thereunder. Quam Capital has been appointed by the SGL Board and approved by the IBC to be the independent financial adviser to the IBC to advise the IBC in these respects.

Each SGL Scheme Shareholder will be entitled to the SGL Scheme Offer Price of HK$0.76 per SGL Scheme Share if the SGL Scheme becomes effective. All Independent SGL Shareholders are strongly urged to cast their votes at the SGL Court Meeting and all SGL Shareholders are strongly urged to do so at the SGL SGM. Details of the SGL Proposal and the SGL Scheme, as well as the instructions for voting are set out in the Explanatory Statement on pages 65 to 82 of this document.

In conjunction with the SGL Scheme, SSC also requested the SGL Board to consider and put forward and, on 22 March 2012, the SGL Board put forward, a proposal to the board of directors of each of Lingui and Glenealy for the privatisation of Lingui and Glenealy (as the case may be) by SGL by way of a scheme of arrangement under section 176 of the Companies Act of Malaysia, details of which are set out in the section headed "Malaysian Proposals" on pages 83 to 94 of this document. Pursuant to the offer letters dated 22 March 2012 from the SGL Board to the board of directors of each of Lingui and Glenealy, the SGL Board requested the board of directors of each of Lingui and Glenealy to propose to the Lingui Scheme Shareholders and the Glenealy Scheme Shareholders respectively that each of Lingui and Glenealy be privatised by way of a scheme of arrangement between Lingui and Glenealy and all the Lingui Scheme Shareholders and Glenealy Scheme Shareholders, in both cases, pursuant to section 176 of the Companies Act of Malaysia. The implementation of the SGL Scheme is not conditional upon the Lingui Scheme or the Glenealy Scheme taking effect. The proposal for the privatisation of each of Lingui and Glenealy is conditional upon, among other things, the SGL Scheme becoming effective.

As the applicable percentage ratios of the transactions contemplated under the Lingui Scheme and the Glenealy Scheme in aggregate as set out in Rule 14.07 of the Listing Rules are above 100%, the Lingui Scheme and the Glenealy Scheme taken together constitute a very substantial acquisition of SGL under Chapter 14 of the Listing Rules and the Lingui Scheme and Glenealy Scheme are both subject to the reporting, announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules. Applications for waivers have been made by, and have been granted by the Stock Exchange to, SGL from strict compliance with certain disclosure and shareholders' approval requirements under Rule 4.01(3), Rule 14.49 and Rule 14.69(4)(a)(i) of the Listing Rules respectively.

The purpose of this document is to provide you with further information regarding (i) the SGL Proposal and the SGL Scheme; and (ii) the Lingui Scheme and the Glenealy Scheme, and to give you notices of the SGL Court Meeting and the SGL SGM. Your attention is also drawn to (1) the letter from the IBC set out on pages 28 to 29 of this document, (2) the letter from Quam Capital, the independent financial adviser to the IBC set out on pages 30 to 64 of this document, (3) the Explanatory Statement set out on pages 65 to 82 of this document, (4) the details of the Malaysian Proposals set out on pages 83 to 94 of this document, (5) the terms of the SGL Scheme set out on pages S-1 to S-6 of this document, (6) the notice of the SGL Court Meeting set out on pages 12 to 13 of this document, and (7) the notice of the SGL SGM set out on pages 14 to 16 of this document.

2. THE SGL PROPOSAL AND THE SGL SCHEME

Implementation of the SGL Proposal

The SGL Scheme will be implemented by way of a scheme of arrangement under section 99 of the Companies Act of Bermuda pursuant to which, upon the fulfilment or waiver (where applicable) of the SGL Scheme Conditions and the SGL Scheme becoming effective, the SGL Scheme Shares will be cancelled and, in consideration thereof, each SGL Scheme Shareholder whose name appears on the Register as at the Record Time will be entitled to receive the SGL Scheme Offer Price of HK$0.76 in cash for each SGL Scheme Share held. The SGL Scheme Offer Price will not include any dividends which may be declared by SGL prior to the SGL Scheme Effective Date. No dividends or other distributions have been or will be declared by SGL during the Offer Period. SSC intends to finance the cash required for the SGL Scheme by its internal resources and external financing amounting up to US$170 million obtained from Malayan Banking Berhad.

SGL will make an application for the withdrawal of the listing of the SGL Shares from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules with effect from Wednesday, 20 June 2012. If the SGL Scheme becomes effective and upon completion of the withdrawal of listing of the SGL Shares, SGL will be wholly-owned by SSC and the SSC Concert Parties.

The SGL Proposal and the SGL Scheme will only become effective upon fulfilment or waiver (where applicable) of the SGL Scheme Conditions. Further details on the SGL Scheme Conditions are set out in the paragraph headed "Conditions of the SGL Proposal and the SGL Scheme" below.

Comparison of value of the SGL Scheme Offer Price

The SGL Scheme Offer Price of HK$0.76 per SGL Scheme Share, payable by SSC to the SGL Scheme Shareholders, represents:

(a) a premium of approximately 102.7% over the closing price of HK$0.375 per SGL Share as quoted on the Stock Exchange on the Pre-Announcement Day;

(b) a premium of approximately 101.6% over the average closing price of HK$0.377 per SGL Share as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Pre-Announcement Day;

(c) a premium of approximately 102.7% over the average closing price of HK$0.375 per SGL Share as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Pre-Announcement Day;

(d) a premium of approximately 93.4% over the average closing price of HK$0.393 per SGL Share as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Pre-Announcement Day;

(e) a premium of approximately 80.5% over the average closing price of approximately HK$0.421 per SGL Share as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Pre-Announcement Day;

(f) a premium of approximately 5.6% over the closing price of HK$0.72 per SGL Share as quoted on the Stock Exchange on the Last Trading Day;

(g) a premium of approximately 7.0% over the average closing price of HK$0.71 per SGL Share as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day;

(h) a premium of approximately 10.5% over the average closing price of HK$0.688 per SGL Share as quoted on the Stock Exchange during the period from 30 January 2012, being the first trading day immediately after the suspension of trading in SGL Shares after the Pre-Announcement Day, to the Last Trading Day;

(i) a premium of approximately 2.7% over the closing price of HK$0.74 per SGL Share as quoted on the Stock Exchange on the Latest Practicable Date;

(j) a premium of approximately 2.4% over the average closing price of HK$0.742 per SGL Share as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Latest Practicable Date; and

(k) a premium of approximately 2.3% over the average closing price of approximately HK$0.743 per SGL Share as quoted on the Stock Exchange during the period from 23 March 2012, being the first trading day immediately after the suspension of trading in SGL Shares after the Last Trading Day, to the Latest Practicable Date.

The share price of the SGL Shares increased from the closing price of HK$0.375 on the Pre-Announcement Day to the closing price of HK$0.72 on the Last Trading Day. This reflected the effect of the announcement of the SGL Proposal which was first announced on 20 January 2012 and the announcement of the proposed SGL Scheme Offer Price of HK$0.76 per SGL Scheme Share on 30 January 2012.

Highest and lowest closing prices of the SGL Shares

The highest and lowest closing prices of the SGL Shares as quoted on the Stock Exchange during the six-month period preceding 30 January 2012, being the commencement day of the Offer Period, were HK$0.83 per SGL Share on 1 August 2011, and HK$0.36 per SGL Share on 4 October 2011 and 24 November 2011, respectively.

During the period from the publication of the announcement on 30 January 2012 in relation to the possible SGL Proposal up to the Latest Practicable Date, the highest and lowest closing prices of the SGL Shares as quoted on the Stock Exchange were HK$0.75 per SGL Share on 26 March, 27 March, 30 March, 12 April, 18 April, 19 April and 25 April 2012, and HK$0.65 per SGL Share on 31 January 2012, respectively.

Total consideration and confirmation of financial resources

On the basis of the SGL Scheme Offer Price of HK$0.76 per SGL Scheme Share and 1,681,549,550 SGL Scheme Shares (being the SGL Shares not held by SSC and the SSC Concert Parties) in issue as at the Latest Practicable Date, the SGL Scheme Shares are in aggregate valued at approximately HK$1,278.0 million (equivalent to approximately US$163.8 million). As at the Latest Practicable Date, there are no outstanding options, warrants, derivatives or other securities issued by SGL that carry a right to subscribe for or which are convertible into SGL Shares.

SSC intends to finance the cash required for the SGL Scheme by its internal resources and external financing amounting up to US$170 million obtained from Malayan Banking Berhad. DTCFL, the financial adviser to SSC, is satisfied that sufficient financial resources are available to SSC for the full implementation of the SGL Scheme in accordance with its terms.

SSC does not intend that the payment of interest on, repayment of a security for any liability (contingent or otherwise) will depend on any significant extent on the business of the SGL Group.

3. CAPITAL REDUCTION

Pursuant to the SGL Scheme, the issued share capital of SGL will, on the SGL Scheme Effective Date, be reduced by cancelling and extinguishing the SGL Scheme Shares. Forthwith upon such reduction, the share capital of SGL will be restored to the amount immediately prior to the cancellation of the SGL Scheme Shares by issuing and paying up in full at par the New SGL Shares to SSC. The reserve created in SGL's books of account as a result of the capital reduction will be applied in paying up at par the New SGL Shares so issued, credited as fully-paid, to SSC.

4. CONDITIONS OF THE SGL PROPOSAL AND THE SGL SCHEME

The SGL Proposal is subject to the satisfaction or waiver, as applicable, of the SGL Scheme Conditions as set out in paragraph 3 headed "Conditions of the SGL Proposal and the SGL Scheme" in the Explanatory Statement on pages 67 to 69 of this document.

The SGL Scheme is not conditional on the success of the Malaysian Proposals as set out in the section headed "Malaysian Proposals" appearing on pages 83 to 94 of this document.

All of the SGL Scheme Conditions will have to be fulfilled or waived, as applicable, on or before the SGL Scheme Conditions Long Stop Date (or such later date (to the extent applicable) as the Bermuda Court may direct and as may be permitted under the Hong Kong Takeovers Code), otherwise, and subject to the requirements of the Hong Kong Takeovers Code, the SGL Scheme will lapse. If the SGL Scheme is withdrawn, not approved or lapses, the listing of the SGL Shares on the Stock Exchange will not be withdrawn. If approved, the SGL Scheme will be binding on all SGL Scheme Shareholders, irrespective of whether or not they attended or voted at the SGL Court Meeting.

SGL Shareholders and potential investors should be aware that the implementation of the SGL Proposal is subject to the SGL Scheme Conditions being fulfilled or waived, as applicable, and therefore the SGL Proposal may or may not be implemented and the SGL Proposal may or may not become effective. SGL Shareholders and potential investors are advised to exercise caution when dealing in SGL Shares. Persons who are in any doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

5. SHARE CERTIFICATES, DEALINGS, WITHDRAWAL OF LISTING OF SGL SHARES

Your attention is drawn to paragraph 12 headed "Share certificates, dealings and withdrawal of listing" in the Explanatory Statement on pages 76 to 77 of this document.

6. SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, there were 4,294,840,830 SGL Shares in issue, and all SGL Scheme Shareholders and all SGL Shareholders are entitled to vote at the SGL Court Meeting and at the SGL SGM respectively. SSC and the parties acting in concert with it will, in compliance with the Hong Kong Takeovers Code, abstain from voting at the SGL Court Meeting in the manner referred to in paragraph 3 headed "Conditions of the SGL Proposal and the SGL Scheme" in the Explanatory Statement on pages 67 to 69 of this document.

Your attention is drawn to paragraph 5 headed "Binding effect of the SGL Scheme" in the Explanatory Statement on pages 71 of this document.

7. REASONS FOR AND BENEFITS OF THE SGL PROPOSAL

SSC believes that the privatisation of SGL will enable SGL to implement a more efficient and economical business structure. In addition, since SGL was listed in early 2007, the increasing trend of its share price could not be sustained and, coupled with the global economic crisis, started to decline since August 2007. During the 3-year period prior to the Pre-Announcement Day, although the price of SGL Shares surged from its lowest of HK$0.231 per SGL Share as at the closing on 9 March 2009 to the average closing price of approximately HK$0.632 per SGL Share during the 3-year period prior to the Pre-Announcement Day, the share price performance of SGL Shares was weak and was notably on a decreasing trend since August 2007 in general. The closing price of SGL Shares even fell below the 3-year average closing price of approximately HK$0.632 per SGL Share since 12 September 2011 and has not shown any improvement thereafter until SGL announced on 30 January 2012 that SSC was interested in pursuing a proposal for the privatisation of SGL by SSC. The price of SGL Shares increased from HK$0.375 on the Pre-Announcement Day to HK$0.74 on the day SGL announced that SSC was interested in pursuing a proposal for the privatisation of SGL by SSC, being 30 January 2012, which seems to be supported by the announcement of the SGL Proposal. If the SGL Proposal does not become effective, the share price of SGL may be adjusted back to the level before the Pre-Announcement Day given that the trend of the trading of the SGL Shares has been at a level below the SGL Offer Price for most of the period since September 2008 where the price of SGL Shares dropped below the SGL Offer Price of HK$0.76 for the first time, as shown in graph below.

Source: Bloomberg

The share price of SGL has been trading at a very low level since its listing in 2007 thereby depriving SGL an opportunity to utilise the capital markets in order to raise additional funds at a reasonable level to finance its operations. The completion of the SGL Proposal and Malaysian Proposals will enable SSC to consolidate its position resulting in a more efficient and effective utilisation of resources.

SSC believes that the SGL Proposal will assist the SGL Scheme Shareholders in obtaining a reasonable exit value and realising their investments in SGL. Furthermore, the trading liquidity of the SGL Shares in past years has been generally thin. The average daily trading volume of the SGL Shares during the 3-year period prior to the Pre-Announcement Day was approximately 8.2 million SGL Shares. The average daily trading volume of the SGL Shares declined to approximately 7.7 million SGL Shares over the 12-month period prior to the Pre-Announcement Day, representing approximately 0.18% of the total issued share capital of the SGL as at the Latest Practicable Date, or approximately 0.46% of the SGL Scheme Shares. In the 6-month period prior to the Pre-Announcement Day, the average daily trading volume of the SGL Shares further declined to approximately 3.5 million SGL Shares, indicating that it had become more difficult for the SGL Shareholders to find an exit for their investments in SGL Shares in the open market. SSC believes that the SGL Proposal will give the SGL Scheme Shareholders an opportunity to realise their SGL Shares without exerting a downward pressure on the share price of the SGL Shares.

8. INFORMATION ON SGL AND SSC

Your attention is drawn to paragraph 8 headed "Information on SGL" in the Explanatory Statement on page 75 of this document and paragraph 9 headed "Information on SSC" in the Explanatory Statement on page 75 of this document. Your attention is also drawn to the "Financial information on the SGL Group" set out in Appendix I to this document.

9. SSC'S INTENTION FOR THE SGL GROUP

Your attention is drawn to paragraph 10 headed "SSC's intentions regarding SGL" in the Explanatory Statement on page 76 of this document. The SGL Directors (except Mr. Yaw who is interested in the SGL Proposal) consider SSC's plans for the SGL Group and its employees to be in the interest of the SGL Group.

10. OVERSEAS SGL SHAREHOLDERS

Your attention is drawn to paragraph 14 headed "Overseas SGL Shareholders" in the Explanatory Statement on page 78 of this document.

11. SGL COURT MEETING AND SGL SGM AND DEMAND FOR POLL AT THE SGL SGM

Your attention is drawn to paragraph 16 headed "SGL Court Meeting and SGL SGM" in the Explanatory Statement on pages 79 to 80 of this document and paragraph 17 headed "Demand for poll at the SGL SGM" in the Explanatory Statement on page 80 of this document.

12. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the SGL Proposal are set out in paragraph 18 headed "Action to be taken by SGL Shareholders" in the Explanatory Statement on pages 81 to 82 of this document.

13. RECOMMENDATION

Your attention is drawn to the recommendations of the IBC in connection with the SGL Scheme as set out in the letter from the IBC on pages 28 to 29 of this document, and the recommendations of Quam Capital to IBC in connection with the SGL Scheme as set out in the letter from Quam Capital on pages 30 to 64 of this document.

In the letter from Quam Capital, Quam Capital states that it considers the terms of the SGL Scheme to be fair and reasonable and advises the IBC to recommend:

(a) at the SGL Court Meeting:

- the Independent SGL Shareholders vote in favour of the SGL Scheme;

(b) at the SGL SGM:

- the SGL Shareholders vote in favour of, among others:

  (1) the special resolutions to approve and give effect to the reduction of the share capital of SGL by cancelling and extinguishing the SGL Scheme Shares; and

  (2) the ordinary resolutions to apply the reserve created as a result of the cancellation of the SGL Scheme Shares to restore the issued share capital of SGL to the amount immediately prior to the cancellation of the SGL Scheme Shares by issuing and paying up in full at par the New SGL Shares to SSC.

The IBC, having considered the terms of the SGL Scheme and having taken into account the opinion of Quam Capital, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the SGL Scheme are fair and reasonable.

Accordingly, the IBC recommends:

(a) at the SGL Court Meeting:

- the Independent SGL Shareholders vote in favour of the SGL Scheme;

(b) at the SGL SGM:

- the SGL Shareholders vote in favour of, among others:

  (1) the special resolutions to approve and give effect to the reduction of the share capital of SGL by cancelling and extinguishing the SGL Scheme Shares; and

(2) the ordinary resolutions to apply the reserve created as a result of the cancellation of the SGL Scheme Shares to restore the issued share capital of SGL to the amount immediately prior to the cancellation of the SGL Scheme Shares by issuing and paying up in full at par the New SGL Shares to SSC.

14. SHARE CERTIFICATES, DEALINGS, WITHDRAWAL OF LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to paragraph 12 headed "Share certificates, dealings and withdrawal of listing" in the Explanatory Statement on pages 76 to 77 of this document. Your attention is also drawn to paragraph 13 headed "Entitlements and payment of the SGL Scheme Offer Price" in the Explanatory Statement on pages 77 to 78 of this document.

15. TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of SGL, SSC, DTCFL, Quam Capital and any of their respective directors, officers or associates or any other person involved in the SGL Scheme and the SGL Proposal accept responsibility for any taxation or other effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the SGL Proposal and/or the SGL Scheme. Accordingly, you are asked to carefully read paragraph 15 headed "Taxation" in the Explanatory Statement on page 78 of this document and if you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

16. THE MALAYSIAN PROPOSALS

Your attention is drawn to the details of Malaysian Proposals set out in the section headed "Malaysian Proposals" on pages 83 to 94 of this document.

17. FINANCIAL AND TRADING PROSPECTS OF THE SGL GROUP

According to the International Monetary Fund ("IMF") January 2012 World Economic Outlook Update report, global recovery is threatened by intensifying strains in the Eurozone and economic fragility in various parts of the world. Financial conditions have deteriorated, growth prospects have dimmed, and downside risks have escalated. This is largely because the Eurozone's economy is now expected to go into a mild recession in 2012 as a result of the rise in sovereign yields, the effects of bank deleveraging on the real economy, and the impact of additional fiscal consolidation. Growth in emerging and developing economies is also expected to slow down because of the worsening external environment and a weakening of internal demand.

The performance of the SGL Group in the second half of the financial year is expected to be under much pressure unless demand of logs from the PRC and India improves and post-earthquake reconstruction activities in Japan accelerate.

The timing of Japan's major reconstruction activities in areas affected by the earthquake and tsunami will be a key impetus for an increase in plywood demand and selling prices. The PRC's large population with its rapid urbanisation and rising level of affluence is expected to provide the foundation for the PRC economy to remain relatively robust. In spite of a slowdown in economic activities, the PRC will remain as a large importer of wood products globally. However, there is likely to be more competition amongst producer countries to supply to this important market. India, even with its economy possibly growing at a slower pace, will continue to be a key market for the harder log species, the natural specifications of which meet Indian consumers' requirements.

Operating under a challenging environment with an uncertain outlook and the potential of a greater level of competition, as various producers strive to increase or at least maintain their market share against the likely backdrop of a lower demand base, the SGL Group recognises the continuing need to be lean and efficient.

18. FURTHER INFORMATION

You are urged to read carefully (i) the letter from the IBC, as set out on pages 28 to 29 of this document, (ii) the letter from Quam Capital, the independent financial adviser to the IBC, as set out on pages 30 to 64 of this document; (iii) the Explanatory Statement, as set out on pages 65 to 82 of this document; (iv) the details of the Malaysian Proposals as set out on pages 83 to 94 of this document; (v) the Appendices to this document, including the SGL Scheme, as set out on pages S-1 to S-6 of this document; (vi) the notice of the SGL Court Meeting, as set out on pages 12 to 13 of this document, (vii) the notice of the SGL SGM, as set out on pages 14 to 16 of this document, and (viii) the pink proxy form in respect of the SGL Court Meeting and the white proxy form in respect of the SGL SGM as enclosed with this document.

Yours faithfully
For and on behalf of the Board of
Samling Global Limited
Chan Hua Eng
Chairman

The following is the text of the letter of recommendation from the IBC to the Independent SGL Shareholders prepared for the purpose of inclusion in this document.

SAMLING GLOBAL LIMITED
三林環球有限公司*
(a company incorporated in Bermuda with limited liability)
(Stock code: 3938)

Executive director:
Yaw Chee Ming

Non-executive director:
Chan Hua Eng

Independent non-executive directors:
Fung Ka Pun
Tan Li Pin Richard
David William Oskin
Amirsham A Aziz

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Room 2205
22nd Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

30 April 2012

To the Independent SGL Shareholders

Dear Sir and Madam,

PROPOSAL TO PRIVATISE SAMLING GLOBAL LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA AND PROPOSED WITHDRAWAL OF THE LISTING OF SAMLING GLOBAL LIMITED

We refer to the SGL Document of even date herewith issued jointly by SGL and SSC in relation to the SGL Proposal, of which this letter forms part. Terms defined in the SGL Document shall have the same meaning in this letter unless the context requires otherwise.

* *for identification purposes only*

On 23 March 2012, the boards of directors of both SGL and SSC jointly announced that on 20 February 2012, SSC, the controlling shareholder of SGL which, together with the SSC Concert Parties, holds approximately 60.84% of the total issued share capital of SGL as at the Latest Practicable Date, requested SGL, and SGL agreed, to put forward a proposal to the SGL Scheme Shareholders for the privatisation of SGL by way of a scheme of arrangement under section 99 of the Companies Act of Bermuda. The SGL Scheme will, if it becomes effective, result in the withdrawal of listing of the SGL Shares on the Stock Exchange. Details of the SGL Proposal are set out in the "Letter from the SGL Board" on pages 17 to 27 of the SGL Document and in the Explanatory Statement on pages 65 to 82 of the SGL Document.

For the purpose of the SGL Proposal, we have been appointed as members of the IBC to give a recommendation to the Independent SGL Shareholders in connection with the SGL Scheme. Quam Capital has been appointed as the independent financial adviser to advise us in connection with the SGL Scheme. Details of the advice from Quam Capital and the principal factors Quam Capital has taken into consideration in arriving at its recommendation are set out in the "Letter from Quam Capital" on pages 30 to 64 of the SGL Document.

We also wish to draw the attention of the Independent SGL Shareholders to the additional information set out in the Appendices to the SGL Document.

RECOMMENDATIONS

Having considered the terms of the SGL Proposal and taken into account the advice from Quam Capital, in particular the factors, reasons, analysis and recommendations as set out in the letter from Quam Capital, we consider that the terms of the SGL Scheme are fair and reasonable so far as the Independent SGL Shareholders are concerned. Accordingly, we recommend that (i) the Independent SGL Shareholders vote in favour of the SGL Scheme at the SGL Court Meeting; (ii) the SGL Shareholders vote in favour of the special resolutions to be proposed at the SGL SGM to approve and give effect to, among other things, the reduction of the share capital of SGL by cancelling and extinguishing the SGL Scheme Shares; and (iii) the SGL Shareholders vote in favour of the ordinary resolutions to be proposed at the SGL SGM to approve and give effect to, among other things, SGL applying the reserve created as a result of the cancellation of the SGL Scheme Shares to restore the issued share capital of SGL to the amount immediately prior to the cancellation of the SGL Scheme Shares by issuing and paying up in full at par the New SGL Shares to SSC.

Yours faithfully,
Independent Board Committee

Chan Hua Eng
Non-executive Director

Fung Ka Pun
Independent Non-executive Director

Tan Li Pin Richard
Independent Non-executive Director

David William Oskin
Independent Non-executive Director

Amirsham A Aziz
Independent Non-executive Director

The following is the full text of a letter of advice from Quam Capital Limited, the independent financial adviser to the IBC, which has been prepared for the purpose of incorporation into this document, setting out its advice to the IBC in respect of the SGL Proposal.

Quam CAPITAL 華富嘉洛企業融資
Quam Capital Limited
A Member of The Quam Group

30 April 2012

To the IBC
Samling Global Limited
Room 2205, 22nd Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

PROPOSAL TO PRIVATISE SAMLING GLOBAL LIMITED BY SSC BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA

INTRODUCTION

We refer to our appointment as the independent financial adviser to the IBC in respect of the SGL Proposal by way of a scheme of arrangement under section 99 of the Companies Act of Bermuda and the subsequent withdrawal of listing of the SGL Shares on the Stock Exchange. Details of the SGL Proposal are contained in the section headed "SGL Proposal — Letter from the SGL Board" and the Explanatory Statement contained in the SGL Document issued jointly by SGL and SSC to the SGL Shareholders dated 30 April 2012, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the SGL Document unless the context otherwise requires.

On 23 March 2012, SGL and SSC jointly announced that on 20 February 2012, SSC requested SGL, and SGL agreed, to put forward a proposal to the SGL Scheme Shareholders for the privatisation of SGL by way of a scheme of arrangement under section 99 of the Companies Act of Bermuda, subject to the fulfilment or waiver (where applicable) of the SGL Scheme Conditions as detailed in the Explanatory Statement contained in the SGL Document. Upon the SGL Scheme becoming effective, the SGL Scheme Shares will be cancelled and, in consideration thereof, each SGL Scheme Shareholder will be entitled to receive the SGL Scheme Offer Price of HK$0.76 in cash for each SGL Scheme Share held, and SGL will make an application for the withdrawal of the listing of the SGL Shares on the Stock Exchange. In such event, SGL will be wholly-owned by SSC and the SSC Concert Parties.

As at the Latest Practicable Date, the authorised share capital of SGL was US$500,000,000 divided into 5,000,000,000 SGL Shares, and the issued share capital of SGL was US$429,448,083 divided into 4,294,480,830 SGL Shares. SSC and the SSC Concert Parties held 2,612,931,280 SGL Shares, representing approximately 60.84% of the total issued share capital of SGL as at the Latest Practicable

Date. Such SGL Shares will not form part of the SGL Scheme Shares. SSC and the SSC Concert Parties will not vote on the SGL Scheme at the SGL Court Meeting. Under the SGL Scheme, the share capital of SGL will, on the effective date of the SGL Scheme, be reduced by cancelling and extinguishing the SGL Scheme Shares, and forthwith upon such reduction, the share capital of SGL will be restored to the amount immediately prior to the cancellation of the SGL Scheme Shares by issuing and paying up in full at par such SGL Shares as is equal to the number of the SGL Scheme Shares cancelled. The reserve created in SGL's books of account as a result of the capital reduction will be applied in paying up in full at par the New SGL Shares so issued, credited as fully paid, to SSC.

The IBC, which comprises Mr. Chan Hua Eng, the non-executive director of SGL, and Mr. Fung Ka Pun, Mr. Tan Li Pin Richard, Mr. David William Oskin and Mr. Amirsham A Aziz, the independent non-executive directors of SGL, has been established by the SGL Board to make recommendation to the Independent SGL Shareholders, *inter alia*, on the terms of the SGL Proposal. The IBC has approved our appointment as the independent financial adviser to the IBC in connection with the SGL Proposal. As the independent financial adviser, our role is to give an independent opinion to the IBC in such regard.

Quam Capital Limited is not associated with SGL, SSC or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advice to the IBC on the SGL Proposal. Apart from normal professional fees payable to us in connection with this arrangement, no arrangement exists whereby we will receive any fees or benefits from SGL, SSC, or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the SGL Document; (ii) the information supplied by SGL and its advisers; (iii) the opinions expressed by and the representations of the SGL Directors and the management of the SGL Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the SGL Document were true, accurate and complete in all respects at the date thereof and may be relied upon. SGL is obliged to inform the SGL Shareholders if there is any material change to the information disclosed in the SGL Document prior to the date of the SGL Court Meeting and the SGL SGM, in which case we will consider whether it is necessary to revise our opinion and inform the IBC and the SGL Shareholders accordingly. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the management of the SGL Group, the SGL Directors and the advisers of SGL. We have also sought and received confirmation from the SGL Directors that no material facts have been withheld or omitted from the information provided and referred to in the SGL Document and that all information or representations regarding SGL and the SGL Proposal provided to us by SGL and/or the SGL Directors and the management of the SGL Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGL Court Meeting and the SGL SGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the SGL Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of SGL or any of its subsidiaries and associates.

We have not considered the tax implications on the SGL Shareholders regarding the SGL Proposal since these are particular to their individual circumstances. In particular, the SGL Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE SGL PROPOSAL AND THE SGL SCHEME

Implementation of the SGL Scheme

As disclosed in the section headed "SGL Proposal — Letter from the SGL Board" of the SGL Document, subject to the fulfilment or waiver (as applicable) of the SGL Scheme Conditions, the SGL Scheme will be implemented by way of a scheme of arrangement under section 99 of the Companies Act of Bermuda pursuant to which, upon the SGL Scheme becoming effective, the SGL Scheme Shares will be cancelled and, in consideration thereof, each SGL Scheme Shareholder whose name appears on the Register as at the Record Time will be entitled to receive the SGL Scheme Offer Price of HK$0.76 in cash for each SGL Scheme Share held.

SGL will make an application for the withdrawal of the listing of the SGL Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules with effect from the date upon which the SGL Scheme becomes effective. If the SGL Scheme becomes effective and upon completion of the withdrawal of listing of the SGL Shares, SGL will be wholly-owned by SSC and the SSC Concert Parties.

Total consideration and confirmation of financial resources

As at the Latest Practicable Date, there were 4,294,480,830 SGL Shares in issue and SSC and the SSC Concert Parties were interested in 2,612,931,280 SGL Shares in aggregate, representing approximately 60.84% of the issued SGL Shares. The SGL Scheme Shareholders were interested in 1,681,549,550 SGL Shares in aggregate, representing approximately 39.16% of the issued SGL Shares as at the Latest Practicable Date. The SGL Shares owned by SSC and the SSC Concert Parties will not form part of the SGL Scheme Shares and, as such, will not be voted upon at the SGL Court Meeting. As at the Latest Practicable Date, there are no outstanding options, warrants, derivatives or other securities issued by SGL that carry a right to subscribe for or which are convertible into SGL Shares.

On the basis of the SGL Scheme Offer Price of HK$0.76 per SGL Scheme Share and 1,681,549,550 SGL Scheme Shares in issue as at the Latest Practicable Date, the SGL Scheme Shares are in aggregate valued at approximately HK$1,278.0 million (equivalent to approximately US$163.8 million). SSC intends to finance the cash required for the SGL Scheme by its internal resources and external financing amounting up to US$170 million obtained from Malayan Banking Berhad. As stated in the section headed "SGL Proposal — Letter from the SGL Board", DTCFL, the financial adviser to SSC, is satisfied that sufficient financial resources are available to SSC for the full implementation of the SGL Scheme in accordance with its terms.

The SGL Scheme Shareholders are recommended to read carefully the Explanatory Statement in the SGL Document, which contains further details of the terms of the SGL Proposal.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation regarding the terms of the SGL Proposal, we have considered the following principal factors and reasons:

1. Reasons for and benefits of the SGL Proposal to the SGL Scheme Shareholders

As stated in the Explanatory Statement in the SGL Document, SSC believes that the SGL Proposal will assist the SGL Scheme Shareholders in obtaining a reasonable exit value and realising their investments in SGL. Furthermore, the trading liquidity of the SGL Shares in past years has been generally thin. The average daily trading volume of the SGL Shares during the 3-year period prior to the Pre-Announcement Day was approximately 8.2 million SGL Shares. The average daily trading volume of the SGL Shares declined to approximately 7.7 million SGL Shares over the 12-month period prior to the Pre-Announcement Day, representing approximately 0.18% of the total issued share capital of SGL as at the Latest Practicable Date, or approximately 0.46% of the SGL Scheme Shares. In the 6-month period prior to the Pre-Announcement Day, the average daily trading volume of the SGL Shares further declined to approximately 3.5 million SGL Shares, indicating that it had become more difficult for the SGL Shareholders to find an exit of their investment in the SGL Shares in the open market. SSC believes that the SGL Proposal will give the SGL Scheme Shareholders an opportunity to realise their SGL Shares without exerting a downward pressure on the share price of the SGL Shares.

In view of the above, SSC has requested the SGL Board to put forward the SGL Proposal to the SGL Scheme Shareholders for consideration. The SGL Directors believe that the SGL Proposal provides an opportunity for all the SGL Scheme Shareholders to realise their investments in SGL at a premium over the prevailing average market prices of the SGL Shares.

2. Information on the SGL Group

SGL is a company incorporated in Bermuda with limited liability, whose shares have been listed on the Main Board of the Stock Exchange since 7 March 2007.

The SGL Group is principally engaged in the sale of timber logs from concession and tree plantation areas, the manufacturing and sale of plywood and veneer, the provision of upstream support, and the manufacturing and sale of timber related products. According to the annual report of SGL for the year ended 30 June 2011 (the "**2011 Annual Report**"), the interim report of SGL for the six months ended 31 December 2011 (the "**2012 Interim Report**") and the unaudited consolidated interim financial report for the six months ended 31 December 2011 and the audited consolidated financial statements for the year ended 30 June 2011 of the SGL Group which have been restated as set out in Appendix I to the SGL Document (the "**Restated Financial Information**"), revenue of the SGL Group was principally generated from four segments including (i) the sale of timber logs; (ii) the sale of plywood and veneer; (iii) the manufacture of flooring products; and (iv) other operations. For details of the financial information of the SGL Group, please refer to Appendix I to the SGL Document.

3. Financial performance of the SGL Group

(i) *Historical financial performance of the SGL Group*

The following table summarises the audited financial results of the SGL Group for each of the six years ended 30 June 2011 and the unaudited financial results of the SGL Group for the six months ended 31 December 2010 and 2011 as extracted from the respective annual reports of SGL (the "**Annual Reports**"), the 2012 Interim Report and the Restated Financial Information respectively.

	For the six months ended 31 December		For the year ended 30 June					
	2011	2010	2011	2010	2009	2008	2007	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(restated)*	*(audited)*	*(audited)*	*(audited)*	*(audited)*
Revenue	405,476	350,913	729,047	598,248	478,960	545,293	561,223	388,686
Cost of sales	(353,724)	(311,301)	(645,837)	(540,897)	(445,778)	(493,538)	(410,834)	(341,781)
Gross profit	51,752	39,012	83,210	57,351	33,182	51,755	150,389	46,905
Other operating income	5,115	5,318	11,256	11,615	6,334	7,817	5,927	2,780
Distribution costs	(13,432)	(12,181)	(24,574)	(21,745)	(17,118)	(10,417)	(6,527)	(4,536)
Administrative expenses	(22,935)	(21,450)	(41,012)	(33,292)	(35,480)	(29,733)	(27,508)	(17,114)
Other operating expenses	(2,366)	(46)	(8,736)	(69)	(4,930)	(170)	(140)	(1,538)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	(4,258)	12,377	1,585	4,232	(1,952)	(3,034)	3,600	(15,194)
Profit/(loss) from operations	13,876	23,030	21,729	18,092	(19,964)	16,218	125,741	11,303
Financial income	4,560	14,674	17,880	17,409	8,695	10,010	30,929	6,876
Financial expenses	(11,078)	(7,746)	(13,640)	(17,297)	(28,021)	(19,893)	(18,950)	(22,377)
Net financing income/(costs)	(6,518)	6,928	4,240	112	(19,326)	(9,883)	11,979	(15,501)
Share of profits less losses of associates	1,479	12,141	31,819	4,325	96	19,539	7,760	1,317
Share of profits less losses of jointly controlled entities	985	129	(11)	1,631	800	1,762	1,905	2,816
Profit/(loss) before taxation	9,822	42,228	57,777	24,160	(38,394)	27,636	147,385	(65)
Income tax	(5,452)	(6,783)	(12,160)	(592)	(4,593)	(1,523)	(16,443)	1,694
Profit/(loss) for the year	4,370	35,445	45,617	23,568	(42,987)	26,113	130,942	1,629
Attributable to								
— the SGL Shareholders	67	23,212	20,746	9,351	(37,447)	14,035	98,491	5,211
— Non-controlling interests	4,303	12,233	24,871	14,217	(5,540)	12,078	32,451	(3,582)
Profit/(loss) for the period/ year	4,370	35,445	45,617	23,568	(42,987)	26,113	130,942	1,629
Dividend	—	—	5,522	3,441	3,441	3,441	27,574	*(Note 2)*
Dividend yield *(Note 1)*			1.19%	0.97%	1.17%	0.51%	1.66%	*(Note 2)*
Earnings per share attributable to the SGL Shareholders								
Basic and diluted (US cent)	0.002	0.54	0.48	0.22	(0.87)	0.33	6.03	0.17

Notes:

1. Dividend yield of each of the financial year is calculated based on the closing prices of the SGL Shares as at the respective year end date and the annual dividend per SGL Share as extracted from the Annual Reports.

2. Dividends paid by subsidiaries of SGL to the then shareholders of SGL prior to listing of approximately US$2.4 million for the year ended 30 June 2006 were not included.

As illustrated in the above table, the revenue of the SGL Group has increased from approximately US$388.7 million for the year ended 30 June 2006 to approximately US$729.0 million for the year ended 30 June 2011, representing a cumulative annual growth rate ("**CAGR**") of approximately 13.4% for the six years ended 30 June 2011. According to the Annual Reports, the revenue growth was mainly driven by the increasing sales and export price of timber logs to major Asian countries, such as China, India, Taiwan and Korea, and the expanding flooring products business in China, which were primarily attributable to the economic growth in these countries, in particular, the housing and infrastructure sector.

The net profit attributable to the SGL Shareholders has increased from approximately US$5.2 million for the year ended 30 June 2006 to approximately US$20.7 million for the year ended 30 June 2011, representing a CAGR of approximately 31.8% for the six years ended 30 June 2011. Notwithstanding the above, it is noted that the SGL Group recorded net loss attributable to the SGL Shareholders for the year ended 30 June 2009, which was mainly attributable to the lower demand for and selling prices of timber logs, plywood and veneer as a result of the deteriorating economic climate in the key markets due to the global financial crisis. In addition, higher fuel, glue and lubricant cost and the allocation of fixed operating expenses over lower volumes further exacerbated production costs.

SGL paid dividends to the SGL Shareholders of approximately US$27.6 million (0.641 US cents per SGL Share) for the year ended 30 June 2007, approximately US$3.4 million (0.08 US cents per SGL Share) for each of the years ended 30 June 2008, 2009 and 2010, and approximately US$5.5 million (0.128 US cents per SGL Share) for the year ended 30 June 2011 respectively. The dividend payout ratio of SGL fluctuated between approximately 24.5% and 36.8% for the five years ended 30 June 2011. The dividend yield of SGL decreased from the highest of approximately 1.66% for the year ended 30 June 2007 to approximately 1.19% for the year ended 30 June 2011 and ranged from approximately 0.51% to 1.66% for the five years ended 30 June 2011, which was not considered to be attractive to the public investors.

For the six months ended 31 December 2011, revenue of the SGL Group increased to approximately US$405.5 million as compared to approximately US$350.9 million for the six months ended 31 December 2010, representing a growth rate of approximately 15.5%. The revenue growth was mainly driven by the increases in sales and export price of timber and the average prices of plywood and the flooring products sales in China. Despite the increase in revenue and gross profit for the six months ended 31 December 2011, the net profit attributable to the SGL Shareholders decreased significantly to approximately US$0.07 million for the six months ended 31 December 2011, mainly due to (i) the net financing costs of approximately US$6.5 million for the six months ended 31 December 2011 as compared to the net financing income of approximately US$6.9 million for the six months ended 31 December 2010; (ii) the loss from changes in fair value of plantation assets less estimated point-of-sale costs of approximately US$4.3 million for the six months ended 31 December 2011 as compared to the gain of approximately US$12.4 million for the six months ended 31 December 2010; and (iii) the decrease in share of profit from associates from approximately US$12.1 million for the six months ended 31 December 2010 to approximately US$1.5 million for the six months ended 31 December 2011.

The following table sets out the segment revenue of the SGL Group for each of the six years ended 30 June 2011 and for the six months ended 31 December 2010 and 2011 as extracted from the Annual Reports, the 2012 Interim Report and the Restated Financial Information respectively.

	For the six months ended 31 December		**For the year ended 30 June**					
	2011	**2010**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(restated)*	*(audited)*	*(audited)*	*(audited)*	*(audited)*
Sales of timber logs								
— Segment revenue	197,859	159,937	336,206	255,921	172,370	185,128	188,694	143,184
growth rate	*23.7%*	*N/A*	*31.4%*	*48.5%*	*-6.9%*	*-1.9%*	*31.8%*	*N/A*
— Segment profit	14,826	26,753	34,088	31,043	11,691	17,085	66,478	4,047
growth rate	*-44.6%*	*N/A*	*9.8%*	*165.5%*	*-31.6%*	*-74.3%*	*1,542.6%*	*N/A*
Sale of plywood and veneer								
— Segment revenue	97,139	87,875	190,029	181,300	191,603	294,702	336,631	207,547
growth rate	*10.5%*	*N/A*	*4.8%*	*-5.4%*	*-35.0%*	*-12.5%*	*62.2%*	*N/A*
— Segment profit/ (loss)	949	(7,717)	(4,837)	(14,533)	(24,921)	2,338	63,200	6,646
growth rate	*N/A (Note 1)*	*N/A*	*N/A (Note 2)*	*N/A (Note 2)*	*N/A (Note 3)*	*-96.3%*	*850.9%*	*N/A*
Manufacture of flooring products								
— Segment revenue	61,294	44,421	91,902	58,002	32,564	—	—	—
growth rate	*38.0%*	*N/A*	*58.4%*	*78.1%*	*N/A*	*N/A*	*N/A*	*N/A*
— Segment profit	6,838	4,743	5,448	8,325	5,693	—	—	—
growth rate	*44.2%*	*N/A*	*-34.6%*	*46.2%*	*N/A*	*N/A*	*N/A*	*N/A*
Other operations								
— Segment revenue	49,184	58,680	110,910	103,025	82,423	65,463	35,898	37,955
growth rate	*-16.2%*	*N/A*	*7.7%*	*25.0%*	*25.9%*	*82.4%*	*-5.4%*	*N/A*
— Segment (loss)/ profit	(6,937)	(749)	(12,970)	(6,743)	(12,427)	(3,205)	(4,023)	476
growth rate	*N/A (Note 2)*	*N/A*	*N/A (Note 2)*	*N/A (Note 2)*	*N/A (Note 2)*	*N/A (Note 2)*	*N/A (Note 3)*	*N/A*

Notes:

1. The segment was turnaround to record segment profit for the six months ended 31 December 2011 as compared to segment loss for the six months ended 31 December 2010.

2. The segment continued to record segment loss for the financial year/period concerned subsequent to the immediate preceding financial year/period.

3. The segment recorded segment loss for the financial year concerned as compared to segment profit for the immediate preceding financial year.

Sale of timber logs

According to the Annual Reports, revenue from sale of timber logs represents revenue from sales of hardwood logs and softwood logs by the SGL Group to China, India, Taiwan, Japan and other countries.

As illustrated in the table above, the revenue from the sale of timber logs increased from approximately US$143.2 million for the year ended 30 June 2006 to approximately US$336.2 million for the year ended 30 June 2011, representing a CAGR of approximately 18.6% for the six years ended 30 June 2011. This segment has accounted for an increasingly substantial portion of the revenue of the SGL Group from approximately 36.8% for the year ended 30 June 2006 to approximately 46.1% for the year ended 30 June 2011. The segment profit from sale of timber logs increased from approximately US$4.0 million for the year ended 30 June 2006 to approximately US$34.1 million for the year ended 30 June 2011. The SGL Group recorded declines in segment revenue and profit during the years ended 30 June 2008 and 2009 as a result of, among others, the economic crisis since the end of the year 2008 with the tightening of credit resulted in customers facing difficulty in accessing trade facilities and there was a marked reduction in sales to China as many factories had either curtailed or shut down their operations as demand for finished wood products fell due to the slow-down in the US housing market. According to the 2011 Annual Report, the key initiatives to achieve revenue growth in the years ended 30 June 2010 and 2011 were attributable to, among others, the increasing average timber log selling price, from approximately US$113.0 for 2010 to approximately US$139.5 for 2011, and the increase in sales volume of timber logs, which were resulted from the demand for timber logs from developing countries, such as China and India, mainly for construction activities. According to the 2012 Interim Report, for the six months ended 31 December 2011, the contribution of the revenue from the sale of timber logs to the revenue of the SGL Group further increased to approximately 48.8%, with increased sales volume and average selling price as compared to the same period in the preceding financial year. The total log volumes sold to India and China by the SGL Group have remained relatively stable during the period. However, demand from these two key markets have shown signs of slowing down. Despite the increase in revenue from the sale of timber logs for the six months ended 31 December 2011 as compared to that for the six months ended 31 December 2010, segment profit decreased from approximately US$26.8 million for the six months ended 31 December 2010 to approximately US$14.8 million for the six months ended 31 December 2011. Such decrease in segment profit was mainly attributable to the loss from changes in fair value of plantation assets less estimated point-of-sale costs of approximately US$4.3 million recorded for the six months ended 31 December 2011 as compared to a gain of approximately US$12.4 million for the corresponding period in 2010. In addition, we were advised by the management of SGL that the recent demand from China for timber logs has been impacted by its generally slowing down housing sector as a result of the implementation of various measures to curb the overheating of economy and to contain inflationary pressures by the government of China.

Sale of plywood and veneer

According to the Annual Reports, the revenue from the sale of plywood and veneer includes revenue derived from the sale of plywood and veneer manufactured by the SGL Group's manufacturing facilities in Malaysia and Guyana in which the SGL Group's forest concessions or tree plantation areas for plywood and veneer are located.

As illustrated in the table above, the revenue from the sale of plywood and veneer decreased from approximately US$207.5 million for the year ended 30 June 2006 to approximately US$190.0 million for the year ended 30 June 2011. The contribution of the segment of sale of plywood and veneer to the SGL Group also decreased from approximately 53.4% of the total revenue for the year ended 30 June 2006 to approximately 26.1% for the year ended 30 June 2011, which, as advised by the management of SGL, was mainly attributable to the lacklustre demand for plywood from buyers in view of economic uncertainty following the global financial crisis. Despite the demand and prices for plywood rose sharply after the Japanese earthquake in March 2011, this upward trend was eased off towards the end of the financial year as the timing of post-earthquake reconstruction activities remained unclear. In general, the demand for plywood and veneer remained soft during the year. According to the 2012 Interim Report, the revenue from the sale of plywood and veneer contributed to approximately 24.0% of the total revenue of the SGL Group for the six months ended 31 December 2011. Notwithstanding the increase in the average selling prices of plywood and veneer, sales volumes decreased as compared to the same period in the preceding financial year, mainly as a result of the continously lacklustre demand for plywood and veneer. With regard to segment results, this segment was profit-making during each of the three years ended 30 June 2008 whereas it recorded losses for the each of the recent three years ended 30 June 2011. The significant segment loss of approximately US$24.9 million for the year ended 30 June 2009 was mainly due to the decrease in segment revenue as a result of the global financial crisis in late 2008 and the significant increase in operating costs resulting from higher diesel and glue prices and fixed production costs being allocated over a lower production volume. The segment losses reduced from approximately US$24.9 million for the year ended 30 June 2009 to approximately US$4.8 million for the year ended 30 June 2011, and turned into a segment profit of approximately US$949,000 for the six months ended 31 December 2011. Such turnaround was mainly due to the recovery of selling prices and production volume of the SGL Group of plywood and veneer during the period and the increase in demand and prices for plywood after the Japanese earthquake in March 2011.

Manufacture of flooring products

According to the Annual Reports, the revenue from the segment of flooring products of the SGL Group was mainly generated from the manufacture and distribution of flooring products in China, through the SGL Group's manufacturing facilities and distribution networks primarily located in China. This business segment has started since 26 August 2008 when the SGL Group completed the acquisition of the flooring products business in China. As at 30 June 2011, the SGL Group had 1,150 distribution outlets for its flooring products in China.

As illustrated in the table above, the revenue from the manufacture and distribution of flooring products increased from approximately US$32.6 million (since the commencement of the business segment in August 2008 and up to 30 June 2009) for the year ended 30 June 2009 to approximately US$91.9 million for the year ended 30 June 2011, representing a CAGR of approximately 68.0% for the three years ended 30 June 2011. The contribution to the revenue of the SGL Group from the segment increased from approximately 6.8% for the year ended 30 June 2009 to approximately 12.6% for the year ended 30 June 2011. This segment was profit-making for each of the three years ended 30 June 2011 and for the six months ended 31 December 2010 and 2011. According to the Annual Reports, the SGL Group has strived to capitalise on the still strong demand for flooring products by the housing sector in China. The SGL Group also expanded its marketing presence, principally in the western region of China, through the opening of more distribution outlets to capture market share. However, we were advised by the management of SGL that, similar to the timber logs market, the recent demand from China for flooring products has been impacted by its generally slowing down housing sector as a result of the implementation of various measures to curb the overheating of economy and to contain inflationary pressures by the government of China. Based on the 2012 Interim Report, the revenue from this segment for the six months ended 31 December 2011 grew by approximately 38.0% as compared to the corresponding period in the preceding financial year. Nevertheless, the flooring products market in China has shown sign of slowing down as the rapid growth of the housing sector declined with various measures introduced by the Chinese government to prevent further overheating to the housing sector. The generally negative outlook for the world economy also affected the confidence of property developers to aggressively launch new housing projects.

Other operations

According to the Annual Reports, this segment derives its revenue from (i) the sale of timber related products (i.e. chipboard, door facings, doors, housing products, kitchen cabinet and sawn timber), granite aggregates, rubber compound, glue and oil palm products to external customers; and (ii) provisions of logistic services, provision of electricity supply and leasing of properties to group companies. The contribution of this segment to the total revenue of the SGL Group ranged from approximately 6.4% to 17.2% during the six years ended 30 June 2011. The revenue from other operations for the six months ended 31 December 2011 declined by approximately 16.2% as compared to the same period in the preceding financial year. This segment accounted for approximately 12.1% of the total revenue of the SGL Group during the period. The segment was loss-making for each of the five years ended 30 June 2011 and for the six months ended 31 December 2010 and 2011 principally due to the inclusion of head office expenses in this segment.

(ii) *Historical financial position of the SGL Group*

The following table summarises the audited financial position of the SGL Group for each of the six years ended 30 June 2011 and the unaudited financial position of the SGL Group for the six months ended 31 December 2011 as extracted from the Annual Reports, the 2012 Interim Report and the Restated Financial Information respectively.

	As at 31 December	**As at 30 June**					
	2011	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(restated)	*(restated)*	*(restated)*	*(audited)*	*(audited)*	*(audited)*	*(audited)*
Non-current assets							
Fixed assets							
— Investment properties	22,490	23,020	15,925	7,525	10,322	9,940	9,581
— Other property, plant and equipment	365,935	381,556	379,804	370,430	428,051	415,253	381,522
Construction in progress	743	2,614	13,696	15,401	9,153	5,480	1,963
Interests in leasehold land held under operating leases	42,100	42,396	35,035	34,216	27,939	27,172	26,504
Intangible assets	34,663	39,116	44,560	50,107	32,725	29,616	32,474
Plantation assets	267,149	285,321	239,263	213,396	241,209	228,716	167,696
Interests in associates	132,640	137,179	77,460	68,497	75,372	54,675	44,883
Interests in jointly controlled entities	12,468	12,266	13,494	10,828	14,887	14,592	15,345
Available-for-sale financial assets	331	325	34	31	34	32	30
Deferred tax assets	5,634	7,416	6,103	2,789	5,853	3,578	3,642
Total non-current assets	884,153	931,209	825,374	773,220	845,545	789,054	683,640
Current assets							
Inventories	176,863	161,802	144,655	135,457	139,049	110,554	83,475
Trade and other receivables	151,739	144,271	122,235	74,105	80,039	78,693	97,277
Current tax recoverable	6,335	16,594	18,121	20,378	19,395	12,013	9,390
Pledged bank deposits	2,757	3,873	7,356	29,636	7,280	9,153	9,975
Cash and cash equivalents	115,956	125,980	156,498	211,240	266,036	317,498	11,179
Total current assets	453,650	452,520	448,865	470,816	511,799	527,911	211,296
Total assets	1,337,803	1,383,729	1,274,239	1,244,036	1,357,344	1,316,965	894,936

	As at 31 December	As at 30 June					
	2011	2011	2010	2009	2008	2007	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(restated)	*(restated)*	*(restated)*	*(audited)*	*(audited)*	*(audited)*	*(audited)*
Current liabilities							
Bank loans and overdrafts	116,455	132,926	112,008	101,084	120,829	103,782	121,792
Obligations under finance leases	14,648	15,529	21,979	28,047	32,510	29,222	22,790
Trade and other payables	155,555	162,214	152,969	124,176	132,349	115,602	186,889
Current tax payable	8,607	5,779	2,461	1,787	263	2,633	1,843
Bonds	—	—	—	—	—	43,422	—
Total current liabilities	295,265	316,448	289,417	255,094	285,951	294,661	333,314
Net current assets	158,385	136,072	159,448	215,722	225,848	233,250	(122,018)
Total assets less current liabilities	1,042,538	1,067,281	984,822	988,942	1,071,393	1,022,304	561,622
Non-current liabilities							
Bank loans	160,349	161,782	176,493	206,398	179,327	132,904	129,241
Obligations under finance leases	28,600	18,623	23,685	34,292	57,120	63,590	55,509
Bonds	—	—	—	—	—	—	40,816
Deferred tax liabilities	52,592	57,033	54,423	53,008	55,320	59,681	48,498
Total non-current liabilities	241,541	237,438	254,601	293,698	291,767	256,175	274,064
Capital and reserves							
Share capital	429,448	430,174	430,174	430,174	430,174	430,174	979
Reserves	170,482	192,063	130,457	88,352	167,716	169,941	167,687
Total equity attributable to the SGL Shareholders	599,930	622,237	560,631	518,526	597,890	600,115	168,666
Non-controlling interests	201,067	207,606	169,590	176,718	181,736	166,014	118,892
Total equity	800,997	829,843	730,221	695,244	779,626	766,129	287,558
Total liabilities and equity	1,337,803	1,383,729	1,274,239	1,244,036	1,357,344	1,316,965	894,936
Current ratio	1.54	1.43	1.55	1.85	1.79	1.79	0.63

Non-current assets

Property, plant and equipment

As set out in the Annual Reports, property, plant and equipment of the SGL Group mainly represents (i) land and buildings; (ii) roads and bridges; (iii) plants, machinery, equipment, river crafts and wharfs; (iv) motor vehicles; and (v) furniture and fixtures for the operations of the SGL Group in Malaysia, New Zealand and China.

Intangible assets

As set out in the Annual Reports, intangible assets of the SGL Group mainly represent timber concessions, plantation licence, distribution network, trade names and customer relationships. The increase of the net carrying value of the intangible assets from approximately US$32.5 million as at 30 June 2006 to approximately US$34.7 million as at 31 December 2011 represents the additions of plantation licence during the year ended 30 June 2008 and the acquisition of distribution network, trade names and customer relationships through business combination during the year ended 30 June 2009.

Plantation assets

As advised by the management of SGL, plantation assets of the SGL Group mainly represent the standing timbers in Malaysia, New Zealand and China. The increase of the net carrying value of the plantation assets from approximately US$167.7 million as at 30 June 2006 to approximately US$267.1 million as at 31 December 2011 represents the increase in fair valuation of the plantation assets and the increase in planted areas from approximately 35,714 hectares as at 30 June 2006 to approximately 46,037 hectares as at 31 December 2011.

Current assets

As illustrated in the table above, current assets of the SGL Group have increased from approximately US$211.3 million as at 30 June 2006 to approximately US$453.7 million as at 31 December 2011. Current assets of the SGL Group as at 31 December 2011 mainly comprised inventories of approximately US$176.9 million, trade and other receivables of approximately US$151.7 million and cash and cash equivalent of approximately US$116.0 million. The current ratio of the SGL Group has increased from approximately 0.63 as at 30 June 2006 to approximately 1.85 as at 30 June 2009, then decreased to approximately 1.54 as at 31 December 2011.

Inventories

As set out in the Annual Reports, inventories of the SGL Group represent timber logs, raw materials, manufactured inventories, work-in-progress and stores and consumables. The carrying value of the inventories of the SGL Group increased from approximately US$83.5 million as at 30 June 2006 to approximately US$176.9 million as at 31 December 2011.

Liabilities

As illustrated in the table above, the total liabilities of the SGL Group has decreased from approximately US$607.4 million as at 30 June 2006 to approximately US$536.8 million as at 31 December 2011. The liabilities of the SGL Group as at 31 December 2011 mainly comprised trade and other payables of approximately US$155.6 million, bank loans and overdrafts of approximately US$276.8 million and obligations under finance leases of approximately US$43.2 million.

Net assets attributable to the SGL Shareholders

The net assets attributable to the SGL Shareholders has increased from approximately US$168.7 million as at 30 June 2006 to approximately US$600.1 million as at 30 June 2007, which was mainly attributable to the listing of SGL on 7 March 2007 and the profit attributable to the SGL Shareholders for the year ended 30 June 2007. The net assets attributable to the SGL Shareholders slightly decreased to approximately US$599.9 million as at 31 December 2011 as compared to that of approximately US$600.1 million as at 30 June 2007.

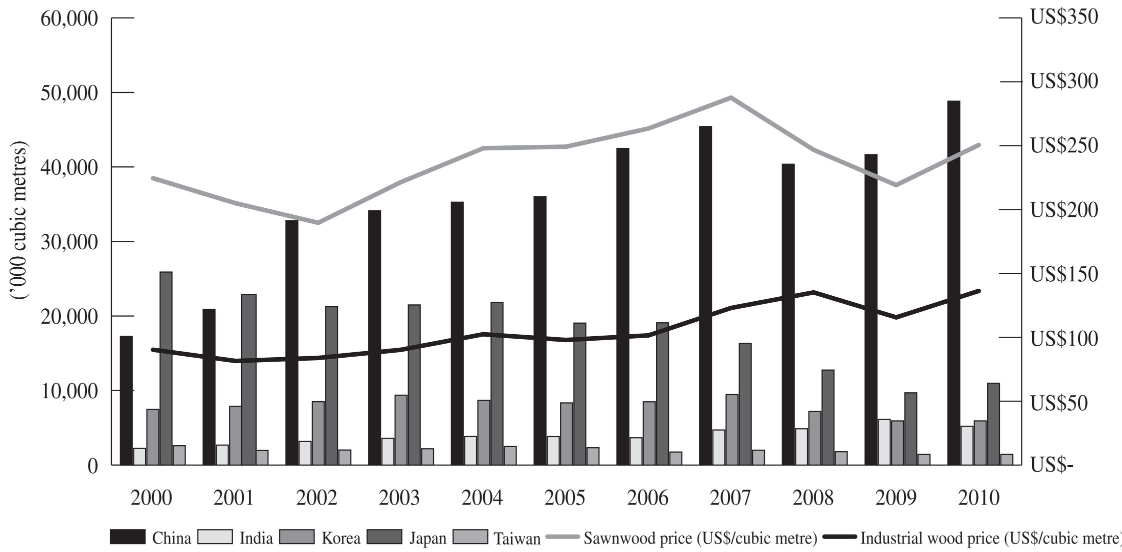
(iii) *Prospects of the SGL Group*

According to the 2011 Annual Report, the SGL Group's key export markets of China and India recorded continuing strong economic growth, augmented by a strong housing and infrastructure sector. As a result, these countries were the key contributors to the SGL Group's profits for the year ended 30 June 2011, principally from logs and flooring products sales. With the Japanese economy remaining lacklustre, plywood demand was generally soft in the first three quarters of the year ended 30 June 2011 with prices spiking sharply only in the fourth quarter after the earthquake.

As stated in the 2011 Annual Report, sales of timber logs to China, India, Taiwan, Korea and Japan accounted for approximately 32%, 32%, 12%, 10% and 9% of the SGL Group's total revenue derived from sale of timber logs for the year ended 30 June 2011 respectively; while sales of plywood and veneer to Japan, Taiwan, North America and Korea accounted for approximately 60%, 11%, 9% and 7% of the SGL Group's total revenue derived from sale of plywood and veneer for the year ended 30 June 2011 respectively. As stated in the 2011 Annual Report, in spite of being a large importer of wood products globally, China has also been affected by a slowing down economic activities and there will likely be more competition amongst producer countries to supply to this important market. India may possibly experience a slower growth rate in its economy, but it will continue to be a key market for the harder log species.

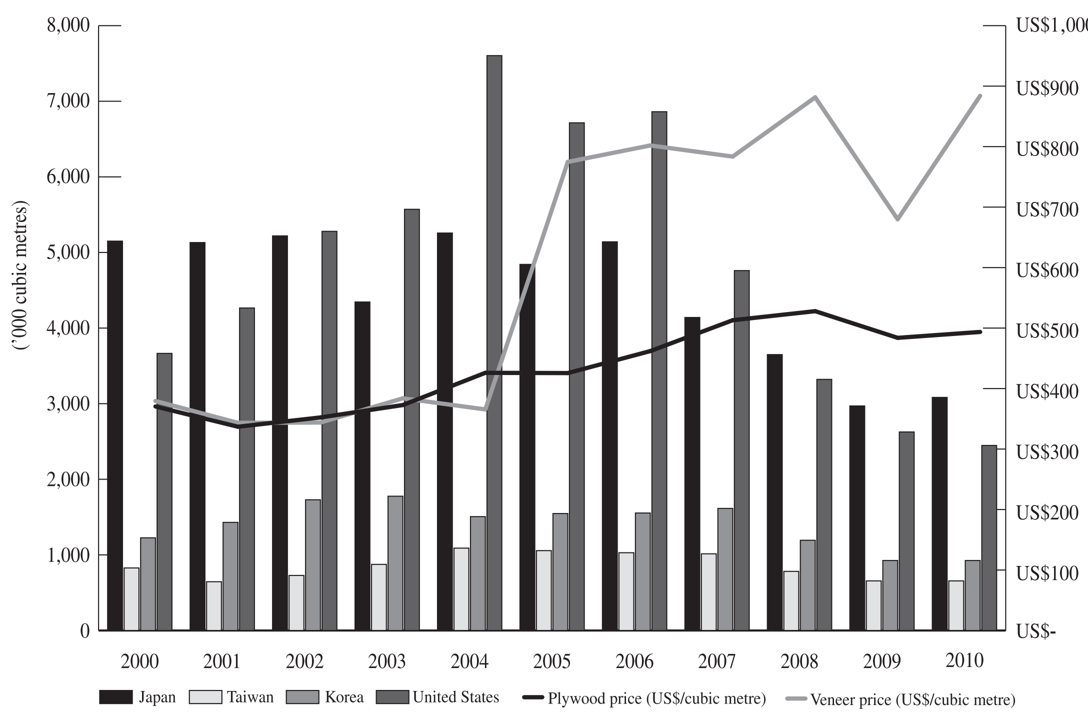
According to the 2012 Interim Report, the total log volumes sold to India and China by the SGL Group remained relatively stable. However, there were signs of a gradual slowdown during the six months ended 31 December 2011. For the plywood and veneer segment, the lacklustre housing starts coupled with the slow commencement of reconstruction activities in areas affected by the Japanese earthquake and tsunami resulted in selling prices of plywood and veneer gradually easing off during the six months ended 31 December 2011.

Imports quantity and price of timber logs by China, India, Korea, Japan and Taiwan from 2000 to 2010



Source: International Tropical Timber Organisation

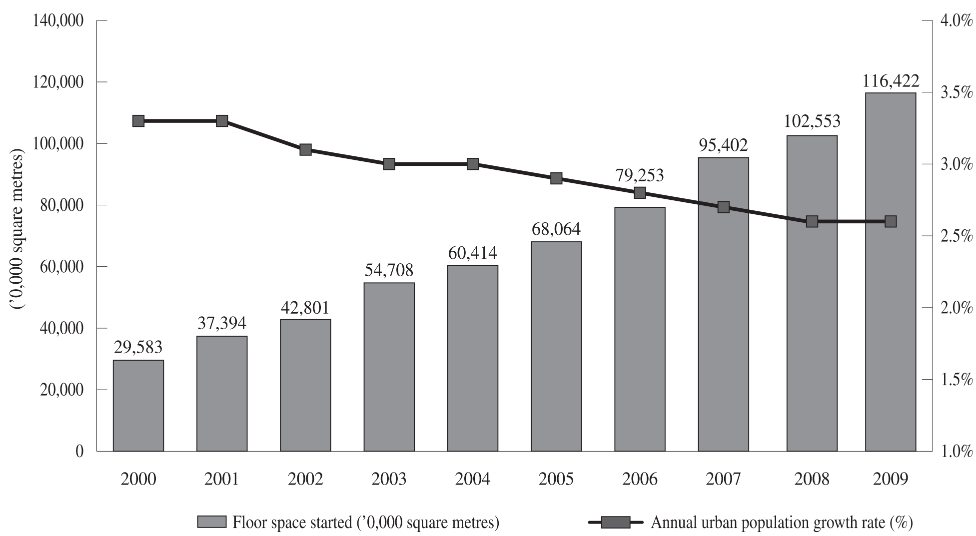
Imports quantity and price of plywood and veneer by Japan, Taiwan, Korea and the United States from 2000 to 2010



Source: International Tropical Timber Organisation

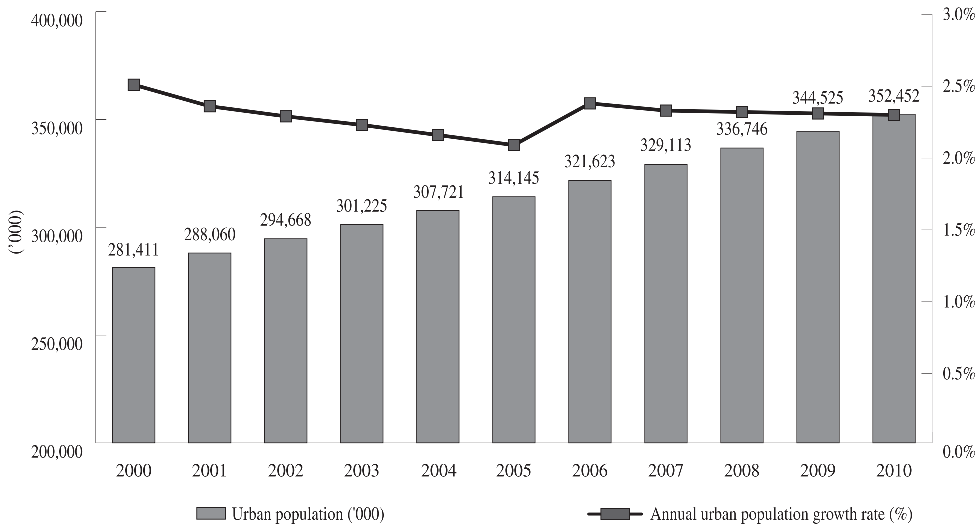
As illustrated in the charts above, it is noted that the demand from China and India for and the price of timber logs generally increased steadily from 2000 until 2007. Notwithstanding the drop of the demand for and price of timber logs in late 2008 following the global financial crisis, the price of timber logs and the demand from China picked up again starting from 2009. Notwithstanding that the demand from Japan and the United States for plywood and veneer was generally in a downward trend since 2004 and the demand from Taiwan and Korea for plywood and veneer was also decreasing since 2007, it is noted that the import quantities from Japan and the prices of timber logs, plywood and veneer increased in 2010.

Floor space of buildings started by enterprises for real estate development and annual urban population growth rate in China from 2000 to 2009



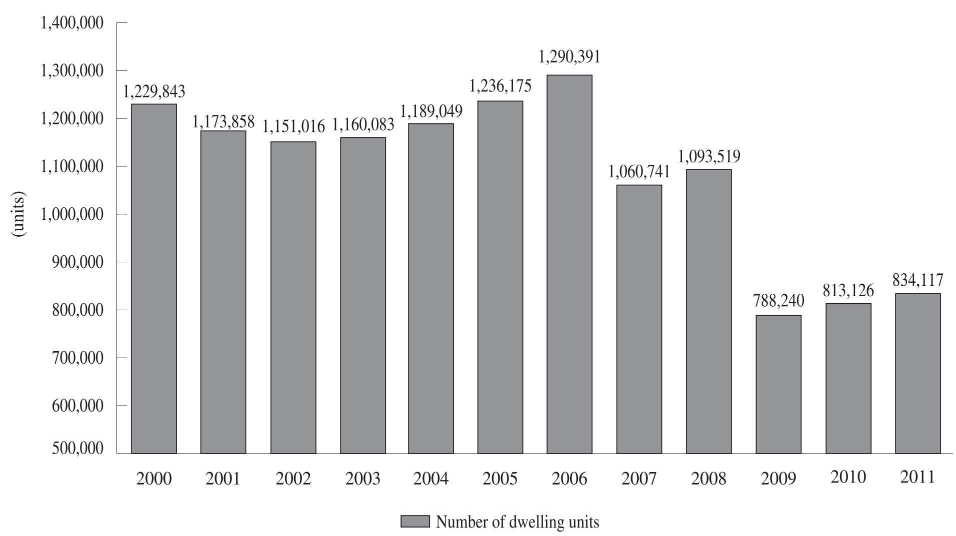
Source: China Statistical Yearbook 2010 and World Bank

Urban population and annual urban population growth rate in India from 2000 to 2010



Source: World Bank

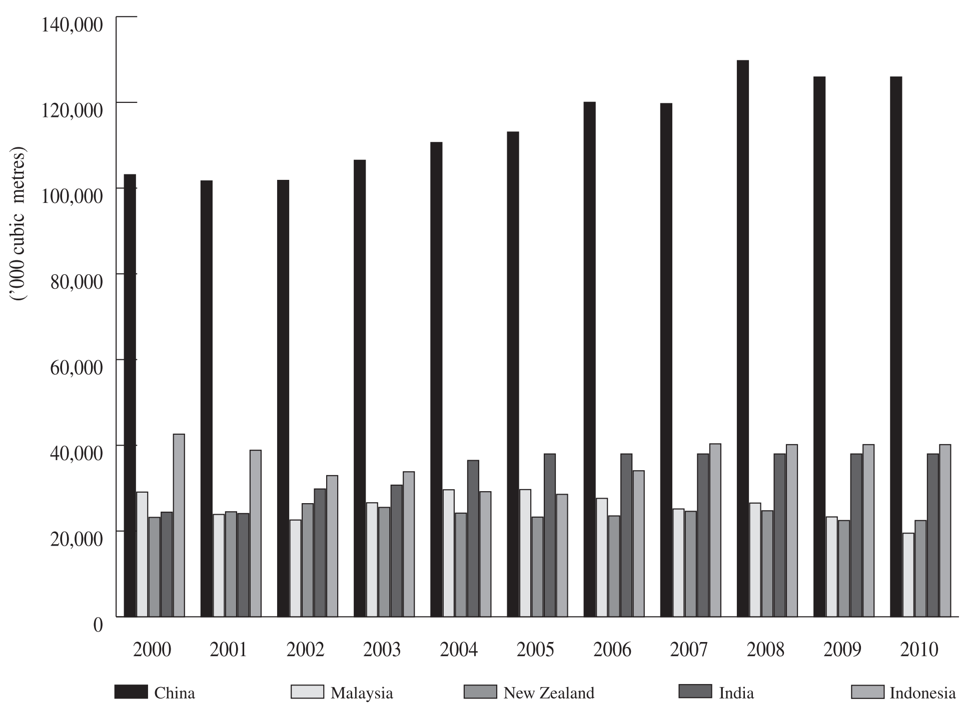
New construction starts of dwellings in Japan from 2000 to 2011



Source: Ministry of Land, Infrastructure, Transport and Tourism, Government of Japan

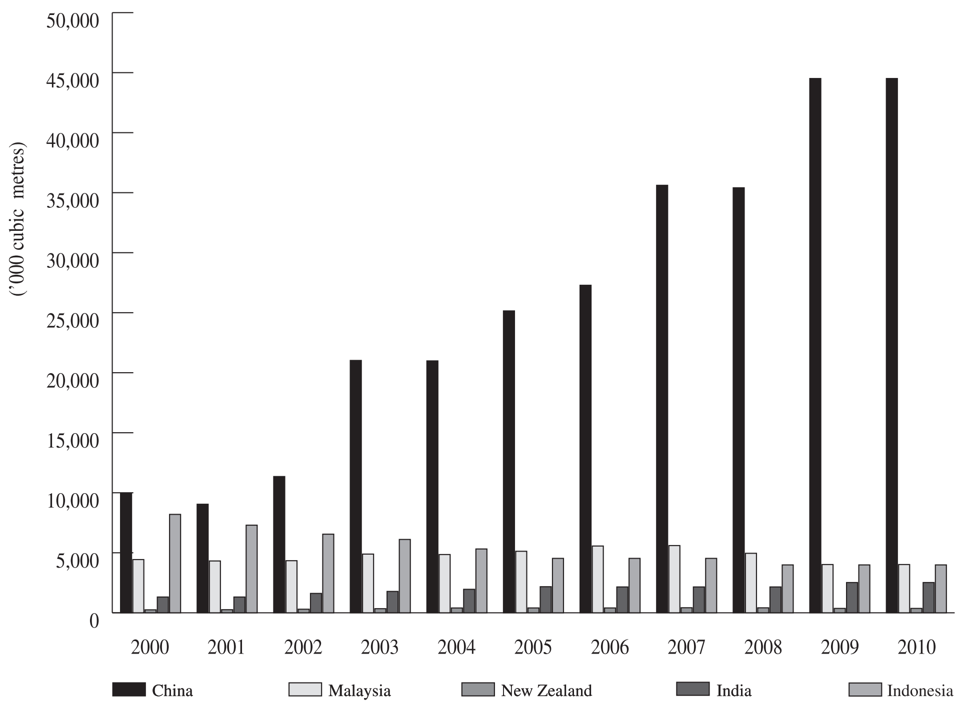
Despite the increasing construction activities in China as illustrated in the statistics on floor space starts at a CAGR of approximately 16.4% from 2000 to 2009, the growth rates for 2008 and 2009 slowed down to approximately 7.5% and 13.5% respectively. It is also noted that the urban population growth rate has been slowing down between 2000 and 2010. In addition, we were advised by the management of SGL that the demand from China for timber logs has been impacted in the short term by its generally slowing down housing sector as a result of the implementation of various measures to curb the overheating of economy and to contain inflationary pressures by the government of China. For India, urban population was in an upward trend between 2005 and 2010, with the urban population growth rate maintained at above 2% per annum, indicating demand for housing and therefore building materials including timber logs. For Japan, new construction starts of dwellings decreased significantly from 2007 to 2009, however, it appeared to be back to the growth trend after the global financial crisis with particularly moderate recovery over 2010 and 2011.

Industrial wood and sawnwood production in China, Malaysia, New Zealand, India and Indonesia from 2000 to 2010



Source: International Tropical Timber Organisation

Plywood production in China, Malaysia, New Zealand, India and Indonesia from 2000 to 2010



Source: International Tropical Timber Organisation

China has been the largest producer of industrial wood, sawnwood and plywood among the Asian producers. The production volume of China for industrial wood and sawnwood was generally trending upward between 2000 and 2008, however, it is noted that the production volume decreased from 2008 to 2010; while the production volumes of Malaysia, India, Indonesia and New Zealand have remained relatively stable in recent years. The production volume of China for plywood was generally in an upward trend between 2000 and 2009, however, it is noted that its production volume remained level in 2010. The production volumes of Malaysia and Indonesia were also slowing down in general from 2003 onwards. Apart from the above Asian producers, Russia, with approximately 20% of the world's forest cover, is one of the major producers of timber logs in Europe. As stated in the 2011 Annual Report, the export of Russian logs is competing with other exporting countries for market share, especially in the China market, and such situation may change further, depending on any future changes to be made to the Russian log export taxes with its admission to the World Trade Organisation ("**WTO**") being approved in December 2011. According to the Japan Lumber Journal, as a result of Russia's entry to WTO, Russia is planning to reduce part of its export taxes on logs. It is expected that Russia's log exports may increase accordingly following the reduction in log export taxes, which may in turn intensify market competition.

Although the price of timber logs has been picking up since 2009, the outlook for timber log price is still constrained in the short term due to the expected slowing down of wood product demand as well as the uncertain world economic outlook following the global financial crisis. Going forward, it was revealed in the 2012 Interim Report that there were signs of gradual slowdown in the demand from China and India during the six months ended 31 December 2011. Therefore, the risk of a slower pace of economic growth in China and India may also add more uncertainty to the SGL Group's future financial performance in the short term given the significant portion of revenue derived from the exports of timber logs to China and India.

The demand for plywood and veneer from the SGL Group's major geographical segments, including Japan, Taiwan, the United States and Korea, remained soft up to 2010. Despite the turnaround after the global financial crisis, the level of new construction starts of dwellings in Japan was still significantly lower in 2009, 2010 and 2011 as compared with that in 2008, which, as advised by the management of SGL, had an adverse impact on the growth of wood demand in the short term. Notwithstanding the spike in the plywood prices after the Japanese earthquake and tsunami in March 2011, the slow commencement of reconstruction activities in areas affected by the Japanese earthquake and tsunami resulted in selling prices of plywood and veneer gradually easing off during the six months ended 31 December 2011, according to the 2012 Interim Report. Going forward, according to the Japan Lumber Journal, the housing starts are expected to continue on an upward trajectory in 2012 with the number of housing starts in 2012 expected to be slightly higher than that in 2011. In view of the foregoing, although the prospects of the plywood and veneer business segment are not expected to be strong in the short term, there may be a recovery due to the cyclical nature of the industry.

In light of the above, it is uncertain as to whether the timber logs, plywood and veneer industry can maintain its growth in the short term as the prospect of this industry depends on a number of pro-cyclical factors including, among others, the global macroeconomic conditions.

4. Information on SSC and its intention regarding the future of the SGL Group

As set out in the Explanatory Statement in the SGL Document, upon the SGL Scheme becoming effective, all SGL Scheme Shares will be cancelled and the share certificates for the SGL Scheme Shares will thereafter cease to have effect as documents or evidence of title. SGL will apply to the Stock Exchange for the withdrawal of the listing of the SGL Shares on the Stock Exchange with effect from the date upon which the SGL Scheme becomes effective.

SSC is an investment holding company incorporated in Malaysia with limited liability. As at the Latest Practicable Date, Mr. Yaw holds approximately 39.60% of the issued ordinary and voting share capital of Yaw Holding Sdn. Bhd. which in turn owns 100% of the issued ordinary and voting share capital of SSC and is a director of SSC.

SSC has advised the SGL Board that it intends to continue the business currently operated by the SGL Group in its ordinary course and continue to employ the employees of the SGL Group and, subject to any possible investment opportunities which may arise in the future, does not intend to change the principal business of the SGL Group.

5. Share price and trading volume of the SGL Shares

(a) ***Share price performance of the SGL Shares***

Set out in the chart below are the closing prices and trading volumes of the SGL Shares as quoted on the Stock Exchange from the listing date of the SGL Shares, being 7 March 2007, up to and including the Latest Practicable Date (the "**Review Period**"):

Share price and trading volume of the SGL Shares during the Review Period

Source: Bloomberg

The closing price of the SGL Shares was HK$2.4 per SGL Share on 7 March 2007. As shown in the chart above, after reaching the peak of HK$3.42 per SGL Share on 25 July 2007, the closing prices of the SGL Shares were generally in a decreasing trend. It is noted that the closing prices of the SGL Shares have been below the SGL Scheme Offer Price since 1 September 2008 and up to the Latest Practicable Date, save for the periods between January and May 2010 and between March and August 2011. From 1 September 2008, being the first day the closing price of the SGL Shares below the SGL Scheme Offer Price, to the Pre-Announcement Day (both dates inclusive) (the "**Pre-Announcement Period**"), the highest and the lowest closing prices of the SGL Shares were HK$1.14 per SGL Share on 6 April 2011 and HK$0.231 per SGL Share on 9 March 2009 respectively. The SGL Scheme Offer Price represents a premium of approximately 24.6% over the average closing prices of the SGL Shares of approximately HK$0.61 per SGL Share during the Pre-Announcement Period.

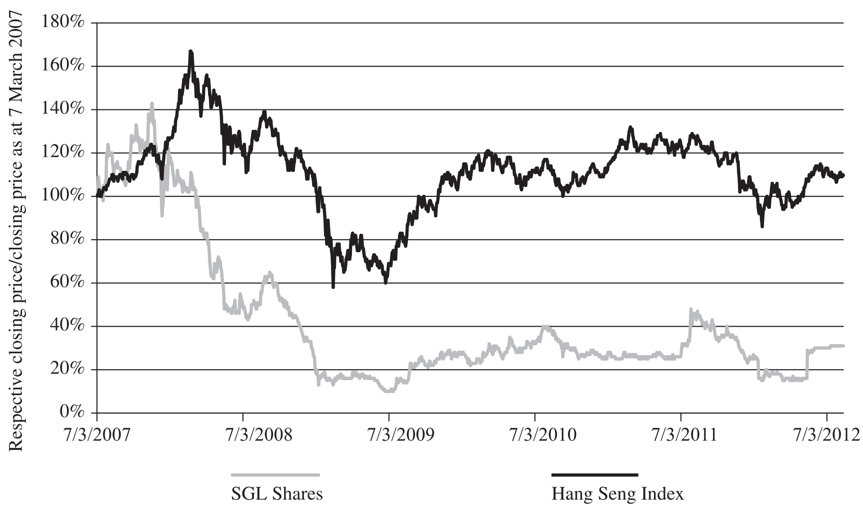
On 20 January 2012, trading in the SGL Shares was suspended pending the publication of SGL's announcement dated 30 January 2012 regarding the possible SGL Proposal (the "**January Announcement**"). The closing price of the SGL Shares surged to HK$0.70 per SGL Share on 30 January 2012, being the first trading day of the SGL Shares after the publication of the January Announcement (the "**Post-Announcement Day**"), from HK$0.375 on the Pre-Announcement Day. The closing prices of the SGL Shares remained in a narrow range of HK$0.65 and HK$0.75 per SGL Share thereafter up to and including the Latest Practicable Date. The trading in the SGL Shares was further suspended from 21 February 2012 to 22 March 2012 pending the publication of announcement dated 23 March 2012 regarding the formal SGL Proposal. From the Post-Announcement Day to the Latest Practicable Date (both dates inclusive) (the "**Post-Announcement Period**"), the closing prices of the SGL Shares remained lower than the SGL Scheme Offer Price. It is expected that such surge in the closing price of the SGL Share during the Post-Announcement Period was mainly a result of market reaction after the issuance of the January Announcement.

As at the Latest Practicable Date, the closing price of the SGL Shares was HK$0.74 per SGL Share.

As discussed above, the SGL Shares have been trading in a range of HK$0.65 to HK$0.75 per SGL Share during the Post-Announcement Period. The prevailing closing price of the SGL Shares may not be sustainable if the SGL Scheme fails and the market price of the SGL Shares may revert to its historical trading range before the release of the January Announcement, which may be substantially below the prevailing market price or the SGL Scheme Offer Price.

The price performance of the SGL Shares was further analysed by the comparison with the Hong Kong stock market trend during the Review Period. The following chart shows the closing price performance of the SGL Shares against the Hang Seng Index during the Review Period:

Performance of the SGL Shares against Hang Seng Index during the Review Period



Source: Bloomberg

As illustrated in the chart above, during the Review Period, the Hang Seng Index oscillated notably, with the highest closing point of 31,638 in October 2007 and a remarkable decline in October 2008 to 11,016 point. The performance of the SGL Shares has underperformed the Hang Seng Index for more than four years since August 2007.

As at the Latest Practicable Date, the Hang Seng Index eventually increased by approximately 9.6% as compared to the closing point as at 7 March 2007, whereas the closing price of the SGL Shares decreased substantially by approximately 69.2% as compared to its closing price as at 7 March 2007. However, it should be noted that, based on the closing price of the SGL Shares as at the Pre-Announcement Day of HK$0.375 per SGL Share, the closing price of the SGL Shares decreased by approximately 84.4% as compared to its closing price as at 7 March 2007.

Having considered the above analysis, we are of the opinion that the SGL Scheme provides an opportunity to the SGL Scheme Shareholders to realise the SGL Scheme Shares at a price which is higher than the historical price of the SGL Shares.

(b) ***Trading volume***

The following table sets out the trading volume of the SGL Shares since 1 January 2010 and up to the Latest Practicable Date:

Month/period	Average daily trading volume for the month/period of SGL Shares *(Note 1)*	Percentage of average daily trading volume to total issued SGL Shares *(Note 2)*	Percentage of average daily trading volume to total number of SGL Shares held by SGL Scheme Shareholders as at the Latest Practicable Date *(Note 3)*
2010			
January	7,911,850	0.184%	0.471%
February	2,250,889	0.052%	0.134%
March	5,476,174	0.127%	0.326%
April	3,946,105	0.092%	0.235%
May	2,348,950	0.055%	0.140%
June	2,240,638	0.052%	0.133%
July	1,750,790	0.041%	0.104%
August	2,239,035	0.052%	0.133%
September	7,910,762	0.184%	0.470%
October	17,434,750	0.405%	1.037%
November	14,341,364	0.333%	0.853%
December	3,479,273	0.081%	0.207%
2011			
January	3,968,286	0.092%	0.236%
February	2,023,989	0.047%	0.120%
March	20,563,870	0.478%	1.223%
April	33,237,555	0.773%	1.977%
May	7,537,060	0.175%	0.448%
June	6,534,408	0.152%	0.389%
July	2,356,985	0.055%	0.140%
August	2,747,522	0.064%	0.163%
September	4,672,682	0.109%	0.278%
October	5,700,471	0.133%	0.339%
November	4,531,416	0.105%	0.269%
December	1,669,853	0.039%	0.099%

Month/period	Average daily trading volume for the month/period of SGL Shares *(Note 1)*	Percentage of average daily trading volume to total issued SGL Shares *(Note 2)*	Percentage of average daily trading volume to total number of SGL Shares held by SGL Scheme Shareholders as at the Latest Practicable Date *(Note 3)*
2012			
January	12,203,170	0.284%	0.726%
February	15,790,646	0.368%	0.939%
March	27,603,780	0.643%	1.642%
April *(up to the Latest Practicable Date)*	6,694,546	0.156%	0.398%
Maximum		**0.773%**	**1.977%**
Minimum		**0.039%**	**0.099%**
Average		**0.190%**	**0.487%**

Source: Bloomberg

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. Based on the total issued SGL Shares at the end of the respective month.

3. Based on 1,681,549,550 SGL Shares held by the SGL Scheme Shareholders as at the Latest Practicable Date.

As illustrated in the above table, the average daily trading volume of the SGL Shares from 1 January 2010 to the Latest Practicable Date ranged from approximately 1,669,853 SGL Shares to approximately 33,237,555 SGL Shares, representing approximately 0.039% to 0.773% of the total number of the SGL Shares in issue for the respective month, and approximately 0.099% to 1.977% of the total number of SGL Shares held by public SGL Shareholders as at the Latest Practicable Date.

It is expected that the relatively high trading volumes in March and April 2011 were mainly due to speculation activities as a result of the Japanese earthquake and tsunami.

It is noted that the trading volumes on the Post-Announcement Day and 31 January 2012, being the second trading day of the SGL Shares immediately after the issuance of the January Announcement, were particularly large which amounted to approximately 68,472,000 and 95,358,000 SGL Shares respectively. During the Post-Announcement Period, the total trading volume surged to 664,329,007 SGL Shares with an average daily trading volume of approximately 17,034,077 SGL Shares, representing approximately 0.40% of the total number of the SGL Shares in issue as at the Latest Practicable Date.

We consider that the relatively high level of trading volume during the Post-Announcement Period was stimulated by the publication of the January Announcement.

In view of the above, we consider that, save for March 2011, April 2011 and the Post-Announcement Period, the overall liquidity of the SGL Shares was relatively low in normal circumstances. As such, the SGL Scheme Shareholders may find it difficult to dispose of a large number of the SGL Shares in the open market without exerting a downward pressure on the share price of the SGL Shares. We consider that the SGL Scheme represents a good opportunity for the Independent SGL Shareholders to realise their investment in the SGL Shares at the SGL Scheme Offer Price which carries a premium to trading prices of the SGL Shares since August 2011.

6. Comparisons

(a) ***Peer comparison***

The SGL Group is principally engaged in the sale of timber logs from concession and tree plantation areas, the manufacturing and sale of plywood and veneer, the provision of upstream support, and the manufacturing and sale of timber related products. In assessing the fairness and reasonableness of the SGL Scheme Offer Price, we have attempted to compare the pricing ratios represented by the SGL Scheme Offer Price against the market valuation of other listed companies in Hong Kong which are engaged in businesses similar to that of the SGL Group. Price-to-earnings ratio (the "**P/E ratio(s)**") and the price-to-book ratio ("**P/B ratio(s)**") have been used in the analysis. In general, in assessing whether a business segment is principal to a company, we consider that it is a justifiable basis to make reference to the revenue generated from a business segment which contributes more than half of the total revenue of a company. We have, based on the information available from the website of the Stock Exchange and Bloomberg, identified the following 3 comparables (the "**Comparable Companies**"), being an exhaustive list of companies listed on the Stock Exchange (both the Growth Enterprise Market and the Main Board), which (i) are principally engaged in the trading of timber logs and the forestry and plantation businesses; and (ii) have revenue derived from the trading of timber logs and the forestry and plantation businesses representing not less than 80% of the total revenue for their respective latest financial year. Although the principal places of tree plantation business of the SGL Group and the Comparable Companies as set out below are not the same, given that the nature of the principal businesses of the Comparable Companies is similar to that of the SGL Group, we consider that the Comparable Companies are fair and representative samples for comparison and that the analysis with the Comparable Companies provides a general reference to the Independent SGL Shareholders as to the market valuation of other listed companies in Hong Kong engaged in businesses similar to that of the SGL Group. In forming our opinion in respect of the SGL Proposal, we have also considered the results of the comparison together with the other factors stated in this letter as a whole. The list of the aforesaid Comparable Companies and their respective P/E ratios and P/B ratios are set out below.

Company (stock code)	Principal activities	Principal place of tree plantation business	Share price as at the Latest Practicable Date *(HK$)*	Market capitalisation *(HK$'million)*	P/B ratio *(Note 1)* *(times)*	P/E ratio *(Note 2)* *(times)*
Greenheart Group Limited (0094)	Log harvesting, timber processing, marketing and sales of logs and timber products	New Zealand and South America	0.51	397.7	0.4	N/A
China Grand Forestry Green Resources Group Limited (0910)	Ecological forestry business, including forest land and timber business and Biomass energy business	China	0.68	467.2	0.1	N/A
China Forestry Holdings Co., Ltd. (0930)	Management of forests and sale of timber logs	China	2.925 *(Note 3)*	8,951.8	1.1	N/A
Maximum					**1.1**	**N/A**
Minimum					**0.1**	**N/A**
Average					**0.5**	**N/A**
SGL (as implied by the SGL Scheme Offer Price)		New Zealand, Malaysia and China			**0.7** *(Note 4)*	**20.2** *(Note 5)*

Source: Bloomberg and website of the Stock Exchange

Notes:

1. P/B ratios of the Comparable Companies are calculated based on their respective closing prices as at the Latest Practicable Date and the net assets attributable to the shareholders of the Comparable Companies as extracted from their respective latest published annual or interim reports divided by their total number of issued shares as at the Latest Practicable Date.

2. All the Comparable Companies made losses according to their respective latest annual reports, therefore, no P/E ratios are available.

3. The trading of shares of China Forestry Holdings Co., Ltd. has been suspended since 26 January 2011. This is the last share price of the shares of China Forestry Holdings Co., Ltd. on 26 January 2011.

4. Calculated based on the SGL Scheme Offer Price and the net assets attributable to the SGL Shareholders as at 31 December 2011 as extracted from the Restated Financial Information divided by the total number of issued SGL Shares as at the Latest Practicable Date.

5. Calculated based on the SGL Scheme Offer Price and the net profit attributable to the SGL Shareholders for the year ended 30 June 2011 as extracted from the 2011 Annual Report divided by the total number of issued SGL Shares as at the Latest Practicable Date.

As shown in the above table, the P/E ratios of the Comparable Companies are not available as all the Comparable Companies have made losses according to their respective latest annual reports. The P/B ratios of the Comparable Companies ranged from approximately 0.1 to 1.1 times, with an average of approximately 0.5 times. The P/B ratio of SGL as implied by the SGL Scheme Offer Price of approximately 0.7 times is higher than the average and within the range of those of the Comparable Companies, which suggest that, insofar as the P/B ratios are concerned, the SGL Scheme Offer Price appears to be fair and reasonable as compared to the share prices of the Comparable Companies relative to their respective net assets.

(b) ***Privatisation precedents***

As identified from the information publicly available on the Stock Exchange website, the table below set out all the privatisation proposals that (i) involve companies listed on the Stock Exchange; (ii) were announced since 1 January 2010 and up to the Latest Practicable Date; and (iii) have been successfully completed (the "**Privatisation Precedents**"). The table illustrates the range of premiums/discounts over/to the then prevailing market prices of the relevant shares prior to the initial announcement of the privatisation over the periods indicated.

				Premium/(discount) of offer/cancellation price over/(to) the average share price prior to initial announcement of privatisation			
Date of initial announcement	**Company (stock code)**	**Principal business**	**P/B ratio** *(Note)* *(times)*	**Last trading day**	**30 trading days**	**90 trading days**	**180 trading days**
8 Jan 2010	Hutchison Telecommunications International Limited (2332)	Telecommunication	1.2	36.6%	38.5%	37.2%	32.4%
27 Apr 2010	Wheelock Properties Limited (0049)	Real estate development	1.0	143.9%	162.3%	162.2%	155.2%
19 May 2010	Denway Motors Limited (0203)	Manufacturing, assembly and trading of motor vehicles and the manufacturing and trading of automotive equipment and parts in China	2.5	16.7%	25.0%	19.3%	26.1%
10 Aug 2010	Industrial and Commercial Bank of China (Asia) Limited (0349)	Banking and financial services	2.1	27.8%	41.2%	48.8%	59.1%
12 Aug 2010	Integrated Distribution Services Group Limited (2387)	Provision of logistics services, and distribution of fast moving consumer goods and healthcare products and manufacturing	5.4	36.2%	45.1%	51.1%	60.7%
10 Jan 2011	Fubon Bank (Hong Kong) Limited (0636)	Banking and financial services	1.5	37.6%	43.2%	39.3%	45.9%
20 Jan 2011	Shanghai Forte Land Co. Ltd (2337)	Property investment and property development	1.2	25.4%	34.3%	43.0%	52.4%
13 May 2011	Little Sheep Group Limited (0968)	Operation of full-service restaurants chain, provision of catering services and sale of related food products	4.8	30.0%	29.5%	32.3%	30.8%

Date of initial announcement	Company (stock code)	Principal business	P/B ratio *(Note)* *(times)*	Premium/(discount) of offer/cancellation price over/(to) the average share price prior to initial announcement of privatisation — Last trading day	30 trading days	90 trading days	180 trading days
30 Jun 2011	China Resources Microelectronics Limited (0597)	Manufacturing, development and operation of semiconductor in China	1.2	43.3%	29.7%	21.9%	27.5%
14 Jul 2011	International Mining Machinery Holdings Limited (1683)	Design, manufacture and sale of underground long wall coal mining equipment in China	3.2	29.8%	15.8%	16.3%	23.8%
8 Aug 2011	HannStar Board International Holdings Limited (0667)	Manufacturing and sales of printed circuit board	0.6	47.1%	51.8%	48.0%	23.8%
19 Oct 2011	Zhengzhou China Resources Gas Co. Ltd. (3928)	Sales of natural gas, pressure control equipments and gas appliances and construction of gas pipelines and the provision of renovation services of gas pipelines	1.4	45.8%	38.4%	22.8%	10.9%
Maximum			**5.4**	**143.9%**	**162.3%**	**162.2%**	**155.2%**
Minimum			**0.6**	**16.7%**	**15.8%**	**16.3%**	**10.9%**
Average			**2.1**	**43.4%**	**46.2%**	**45.2%**	**45.7%**
30 Jan 2012	**SGL (as implied by the SGL Scheme Offer Price)**		**0.7**	**102.7%**	**102.7%**	**80.5%**	**21.6%**

Sources: Bloomberg and website of the Stock Exchange

Note: P/B ratios of the Privatisation Precedents are calculated based on their respective offer/cancellation price and the net assets attributable to the shareholders of the relevant listed companies in Hong Kong as extracted from their respective latest published annual or interim reports divided by their total number of issued shares as at the date of the initial announcement of privatisation.

As illustrated in the table above, almost all the offer/cancellation prices of the Privatisation Precedents represent premiums over the then prevailing market prices of the relevant shares prior to the initial announcement of the privatisation over the periods indicated. The premiums represented by the offer/cancellation price over the average closing price for the Privatisation Precedents for (i) the trading day prior to initial announcement of privatisation ranged from approximately 16.7% to 143.9% with an average of approximately 43.4%; (ii) 30 trading days prior to initial announcement of privatisation ranged from approximately 15.8% to 162.3% with an average of approximately 46.2%; (iii) 90 trading days prior to initial announcement of privatisation ranged from approximately 16.3% to 162.2% with an average of approximately 45.2%; and (iv) 180 trading days prior to initial announcement of privatisation ranged from approximately 10.9% to 155.2% with an average of approximately 45.7%. The premiums represented by the SGL Scheme Offer Price over the average closing prices of the SGL Shares of approximately 102.7%, 102.7%, 80.5% and 21.6% over (i) the closing price of Pre-Announcement Day; and (ii) the average closing prices for the periods of 30, 90 and 180 trading days up to and including Pre-Announcement Day respectively. The premiums represented by the SGL Scheme Offer Price over (i) the closing price of the Pre-Announcement Day; and (ii) the average closing prices for the periods of 30 and 90 trading days up to and including the Pre-Announcement Day are within the ranges and above the averages of those of the Privatisation Precedents for the relevant periods. The premium represented by the SGL Scheme Offer Price over the average closing prices for the period of 180 trading days up to and including the Pre-Announcement Day is within the range and below the average of those of the Privatisation Precedents for the same period.

We have also compared the P/B ratio represented by the SGL Scheme Offer Price to the corresponding ratios underlying each of the Privatisation Precedents. We note that the P/B ratio of approximately 0.7 times, represented by the SGL Scheme Offer Price, is below the average of those of the Privatisation Precedents and is at the lower end of the range of those of the Privatisation Precedents.

Having considered that all the Privatisation Precedents were offers made to the shareholders for cash or shares of other listed companies in Hong Kong to exit their respective investments, we consider that the Privatisation Precedents provide general references to the Independent SGL Shareholders as to the range of premium/discount of other proposed privatisation precedents over/to their respective net assets and average share price prior to the privatisation announcement as represented by their respective offer/cancellation price since 1 January 2010 up to and including the Latest Practicable Date. It should be noted that the Privatisation Precedents were conducted under various market conditions and the companies involved are engaged in a variety of industry sectors. Accordingly, the premiums of offer/cancellation price of the Privatisation Precedents may be affected by factors different from those applying to the SGL Scheme. As such, we consider that the above comparison table can only provide a general reference of the offer prices of the privatisation proposals announced previously but should not be used in isolation in determining the fairness and reasonableness of the SGL Scheme Offer Price.

7. Other considerations

(a) *Lack of use of equity capital market*

Although SGL has been listed on the Stock Exchange since 7 March 2007, it has not utilised its listing status to raise any funds from the equity capital market since its listing, whilst on the other hand, SGL has continued to bear the costs and incur other resources in association with maintaining its listing status. As such, we are of the view that the SGL Proposal will relieve SGL from such costs of keeping its listing status.

(b) ***Flexibilities as a non-listed company***

SGL may benefit from the available flexibilities a non-listed company has, including access to additional capital from SSC at short notice and the ability to expedite business decisions with regard to potential investment opportunities without the need to go through the formalities of obtaining the various approvals that would be required if continued to be listed.

(c) ***Prospect of an alternative offer***

We have confirmed with SGL that save for the SGL Proposal, it has not received any competing offers during the Post-Announcement Period, nor are they aware of any potential competing offers that may be made in the future. Given SSC's substantial interest in the SGL Group, the prospect of a competing offer that could ultimately be successful, in a takeover for control of the SGL Group, would seem low.

(d) ***Consequence of the SGL Scheme failing***

The SGL Board intends that the listing of the SGL Shares on the Stock Exchange shall be maintained in the event that the SGL Scheme is not approved or does not become effective. If the SGL Scheme is not approved or the SGL Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither SSC nor any person who acted in concert with it in the course of the SGL Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the SGL Proposal lapses announce an offer or possible offer for SGL, except with the consent of the Executive.

We note that the SGL Shares have been trading within the range of HK$0.65 to HK$0.75 during the Post-Announcement Period. The prevailing share price and trading volume of the SGL Shares may not be sustainable if the SGL Scheme fails and the market price of the SGL Shares may revert to its historical trading range prior to and including the Pre-Announcement Day, which may be materially below the SGL Scheme Offer Price.

(e) *Uncertainty in the future performance of the SGL Group*

The following table sets out the respective profitability ratios and growth rates of the SGL Group as discussed in the paragraph headed "Financial performance of the SGL Group" above:

	For the six months ended 31 December		For the year ended 30 June					
	2011	**2010**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Profitability								
Gross profit margin	12.8%	11.1%	11.4%	9.6%	6.9%	9.5%	26.8%	12.1%
Net profit margin	0.017%	6.6%	2.8%	1.6%	-7.8%	2.6%	17.5%	1.3%
Dividend payout ratio	N/A	N/A	26.6%	36.8%	N/A	24.5%	28.0%	N/A
Growth								
Revenue growth rate	15.5%	N/A	21.9%	24.9%	-12.2%	-2.8%	44.4%	N/A
Net profit growth rate	-99.7%	N/A	64.1%	*(Note 1)*	*(Note 2)*	-85.7%	1,819.5%	N/A

Notes:

1. The SGL Group had turned around to record net profit attributable to the SGL Shareholders for the year ended 30 June 2010 as compared to net loss attributable to the SGL Shareholders for the year ended 30 June 2009.

2. The SGL Group recorded net loss attributable to the SGL Shareholders for the year ended 30 June 2009 as compared to net profit attributable to the SGL Shareholders for the year ended 30 June 2008.

As illustrated in the table above, it is noted that the SGL Group's profitability fluctuated during the six months ended 31 December 2011 and the six years ended 30 June 2011 as demonstrated by the oscillation in its gross profit margin and net profit margin from the highest of approximately 26.8% and 17.5% for the year ended 30 June 2007 to the lowest of approximately 6.9% and -7.8% for the year ended 30 June 2009 respectively. The dividend payout ratio fluctuated between approximately 24.5% and 36.8% for the five years ended 30 June 2011, and in particular, no dividend was declared for the year ended 30 June 2009 due to the net loss attributable to the SGL Shareholders.

In addition, the revenue and net profit of the SGL Group also fluctuated during the six months ended 31 December 2011 and the six years ended 30 June 2011. It is noted that the SGL Group recorded growth in revenue and net profit for each of the three years ended 30 June 2007, 2010 and 2011 and decrease in revenue for each of the two years ended 30 June 2008 and 2009 and made a loss for the year ended 30 June 2009 following the global financial crisis. The financial performance of the SGL Group is considered to be pro-cyclical to global economic conditions. Accordingly, given the uncertainty in the global economic conditions arising from the recent European sovereign debt crisis and the slowing down economic growth in China, it is uncertain with regard to the future financial performance of the SGL Group in the short term. Despite the aforesaid short term uncertainty, barring unforeseen circumstances, after taking into account, in particular, the demand, supply and prices of timber logs, plywood and veneer in China, India and Japan since 2000, the continuing upward trend in the new construction starts of dwellings in Japan since 2010 and the historical financial performance of SGL, the future financial performance of SGL may improve in the medium to long term.

CONCLUSION AND RECOMMENDATION

In arriving at our recommendation in respect of the SGL Proposal, we have considered the principal factors and reasons as discussed above and as summarised below:

- the SGL Scheme Offer Price is approximately 24.6% above the average closing price of the SGL Shares of approximately HK$0.61 per SGL Share during the Pre-Announcement Period and is approximately 102.7% above the closing price of the SGL Shares on the Pre-Announcement Day of HK$0.375 per SGL Share, notwithstanding that it represents a discount of approximately 30% to the net assets attributable to the SGL Shareholders as at 31 December 2011;

- the SGL Scheme Shareholders may find it difficult to dispose of a large number of SGL Shares in the open market without exerting a downward pressure on the share price of the SGL Shares;

- the prevailing share price and trading volume of the SGL Shares may not be sustainable if the SGL Scheme fails and the market price of SGL Shares may revert to its historical trading range during the Pre-Announcement Period with an average closing price of approximately HK$0.61 per SGL Share, which is approximately 19.7% below the SGL Scheme Offer Price;

- the P/B ratio of SGL as implied by the SGL Scheme Offer Price is higher than the average and within the range of those of the Comparable Companies;

- the premiums represented by the SGL Scheme Offer Price over (i) the closing price of the Pre-Announcement Day; and (ii) the average closing prices for the periods of 30 and 90 trading days up to and including the Pre-Announcement Day are within the ranges and above the averages of those of the Privatisation Precedents for the relevant periods. The P/B ratio and premium represented by the SGL Scheme Offer Price over the average closing prices for the period of 180 trading days up to and including the Pre-Announcement Day are below the average and within range of those of the Privatisation Precedents;

- save for the SGL Proposal, SGL has not received any competing offers concerning SGL during the Post-Announcement Period, nor are they aware of any potential competing offers that may be made in the future. Given SSC's substantial interest in the SGL Group, the prospect of a competing offer that could ultimately be successful, in a takeover for control of the SGL Group, would seem low; and

- it is uncertain whether the SGL Group can maintain its growth in the short term as evidenced by the fluctuating profitability and growth rate and as a result of the uncertainty in the global economic condition following the recent European sovereign debt crisis and the slowing down economic growth in China, notwithstanding the growth in the revenue and net profit of the SGL Group for the two years ended 30 June 2010 and 2011 and as discussed in section (7)(e) above that the future financial performance of SGL may improve in the medium and long term.

Based on the above, in conclusion, we consider that the terms of the SGL Scheme are fair and reasonable so far as the Independent SGL Shareholders are concerned and the SGL Scheme provides the SGL Scheme Shareholders with an opportunity to realise their investment in the SGL Shares in cash. Accordingly, we advise the IBC to recommend:

(a) at the SGL Court Meeting:

— the Independent SGL Shareholders vote in favour of the SGL Scheme;

(b) at the SGL SGM:

— the SGL Shareholders vote in favour of, among others:

(i) the special resolutions to approve and give effect to the reduction of the share capital of SGL by cancelling and extinguishing the SGL Scheme Shares; and

(ii) the ordinary resolutions to apply the reserve created as a result of the cancellation of the SGL Scheme Shares to restore the issued share capital of SGL to the amount immediately prior to the cancellation of the SGL Scheme Shares by issuing and paying up in full at par the New SGL Shares to SSC.

Nevertheless, the Independent SGL Shareholders should note that the price of the SGL Shares has substantially increased following the publication of the January Announcement. As analysed in detail under the paragraph headed "Share price and trading volume of the SGL Shares" above, we believe that such surge in the closing prices of the SGL Shares during the Post-Announcement Period was mainly a result of market reaction after the issuance of the January Announcement. The prevailing closing price of the SGL Shares may not be sustainable if the SGL Scheme fails and the market price of the SGL Shares may revert to its historical trading range prior to and including the Pre-Announcement Day, which may be substantially below the SGL Scheme Offer Price.

Therefore, the Independent SGL Shareholders who would like to realise part or all of their investments in SGL are reminded to carefully and closely monitor the market price of the SGL Shares before the SGL Scheme Effective Date and, instead of accepting the SGL Proposal, consider selling their SGL Shares in the open market if the net proceeds of such sale after deducting all transaction costs exceed the net amount to be received under the SGL Proposal. For those Independent SGL Shareholders who may not be able to realise a higher return from selling their SGL Shares in the open market, the Independent SGL Shareholders are recommended to accept the SGL Proposal which provides a reasonable alternative exit to realise their investment in the SGL Shares.

Independent SGL Shareholders should read carefully the procedures for accepting the SGL Proposal detailed in the paragraph headed "Action to be taken by SGL Shareholders" in the Explanatory Statement in the SGL Document.

Yours faithfully
For and on behalf of
Quam Capital Limited
Richard D. Winter
Chief Executive Officer

This Explanatory Statement constitutes the statement required under section 100 of the Companies Act of Bermuda.

1. INTRODUCTION

On 23 March 2012, the boards of directors of both SGL and SSC jointly announced that on 20 February 2012, SSC, the controlling shareholder of SGL which, together with the SSC Concert Parties, holds approximately 60.84% of the total issued share capital of SGL as at the Latest Practicable Date, requested SGL, and SGL agreed, to put forward a proposal to the SGL Scheme Shareholders for the privatisation of SGL by way of a scheme of arrangement under section 99 of the Companies Act of Bermuda. The SGL Scheme will, if it becomes effective, result in the withdrawal of listing of the SGL Shares on the Stock Exchange.

The purpose of this Explanatory Statement is to explain the terms and effects of the SGL Scheme and to provide the SGL Scheme Shareholders with relevant information in relation to the SGL Scheme, and to state any material interest of the SGL Directors, whether as SGL Directors or as members or creditors of SGL or otherwise, and the effect thereon of the SGL Scheme, in so far as it is different from the effect on the like interests of other persons.

The particular attention of SGL Scheme Shareholders is drawn to the following sections of this document: (1) the letter from the SGL Board set out on pages 17 to 27 of this document; (2) the letter from the IBC set out on pages 28 to 29 of this document; (3) the letter from Quam Capital, the independent financial adviser to the IBC set out on pages 30 to 64 of this document; (4) the terms of the SGL Proposal and the SGL Scheme set out on pages S-1 to S-6 of this document; (5) the notice of the SGL Court Meeting set out on pages 12 to 13 of this document; (6) the notice of the SGL SGM set out on pages 14 to 16 of this document; and (7) the pink proxy form in respect of the SGL Court Meeting and white proxy form in respect of the SGL SGM as enclosed with this document.

2. TERMS OF THE SGL PROPOSAL AND THE SGL SCHEME

Implementation of the SGL Proposal

The SGL Scheme will be implemented by way of a scheme of arrangement under section 99 of the Companies Act of Bermuda pursuant to which, upon the fulfilment or waiver (where applicable) of the SGL Scheme Conditions and the SGL Scheme becoming effective, the SGL Scheme Shares will be cancelled and, in consideration thereof, each SGL Scheme Shareholder whose name appears on the Register as at the Record Time will be entitled to receive the SGL Scheme Offer Price of HK$0.76 in cash for each SGL Scheme Share held. The SGL Scheme Offer Price will not include any dividends which may be declared by SGL prior to the SGL Scheme Effective Date. No dividends or other distributions have been or will be declared by SGL during the Offer Period. SSC intends to finance the cash required for the SGL Scheme by its internal resources and external financing amounting up to US$170 million obtained from Malayan Banking Berhad.

SGL will make an application for the withdrawal of the listing of the SGL Shares from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules with effect from Wednesday, 20 June 2012. If the SGL Scheme becomes effective and upon completion of the withdrawal of listing of the SGL Shares, SGL will be wholly-owned by SSC and the SSC Concert Parties.

The SGL Proposal and the SGL Scheme will only become effective upon fulfilment or waiver (where applicable) of the SGL Scheme Conditions. Further details on the SGL Scheme Conditions are set out in paragraph 3 headed "Conditions of the SGL Proposal and the SGL Scheme" below.

Please refer to paragraph 7 headed "Comparison of value of the SGL Scheme Offer Price" below for a comparison of the value of the recent market prices and asset and other values of SGL Shares and the value of the SGL Scheme Offer Price.

Issued SGL Shares and outstanding convertible securities, warrants, options or derivatives of SGL

As at the Latest Practicable Date, there are 4,294,480,830 SGL Shares in issue and there are no outstanding options, warrants, derivatives or other securities issued by SGL that carry a right to subscribe for or which are convertible into SGL Shares.

Total consideration and confirmation of financial resources

On the basis of the SGL Scheme Offer Price of HK$0.76 per SGL Scheme Share and 1,681,549,550 SGL Scheme Shares in issue as at the Latest Practicable Date, the SGL Scheme Shares are in aggregate valued at approximately HK$1,278.0 million (equivalent to approximately US$163.8 million). As at the Latest Practicable Date, there are no outstanding options, warrants, derivatives or other securities issued by SGL that carry a right to subscribe for or which are convertible into SGL Shares.

SSC intends to finance the cash required for the SGL Scheme by its internal resources and external financing amounting up to US$170 million obtained from Malayan Banking Berhad. DTCFL, the financial adviser to SSC, is satisfied that sufficient financial resources are available to SSC for the full implementation of the SGL Scheme in accordance with its terms.

SSC does not intend that the payment of interest on, repayment of a security for any liability (contingent or otherwise) will depend on any significant extent on the business of the SGL Group.

3. CONDITIONS OF THE SGL PROPOSAL AND THE SGL SCHEME

The SGL Proposal will become effective and binding on SGL and all SGL Shareholders, subject to the fulfillment or waiver (as applicable) of the following SGL Scheme Conditions:

(a) the approval of the SGL Scheme (by way of poll) by a majority in number of the SGL Scheme Shareholders representing not less than 75% in nominal value of the SGL Scheme Shares held by the SGL Scheme Shareholders present and voting either in person or by proxy at the SGL Court Meeting, provided that:

  (i) the SGL Scheme is approved (by way of poll) by at least 75% of the votes attaching to the SGL Scheme Shares held by the Independent SGL Shareholders that are cast either in person or by proxy at the SGL Court Meeting; and

  (ii) the number of votes cast (by way of poll) against the resolution to approve the SGL Scheme at the SGL Court Meeting is not more than 10% of the votes attaching to all the SGL Scheme Shares held by all the Independent SGL Shareholders;

(b) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the SGL Shareholders present and voting in person or by proxy at the SGL SGM to approve and give effect to the reduction of the share capital of SGL by cancelling and extinguishing the SGL Scheme Shares, and (ii) the passing of an ordinary resolution by SGL Shareholders at the SGL SGM to apply the reserve created as a result of the cancellation of the SGL Scheme Shares to restore the issued share capital of SGL to the amount immediately prior to the cancellation of the SGL Scheme Shares by issuing and paying up in full at par such number of New SGL Shares as is equal to the SGL Scheme Shares cancelled;

(c) the Bermuda Court's sanction of the SGL Scheme (with or without modifications) under section 99 of the Companies Act of Bermuda and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Bermuda Court for registration;

(d) compliance, to the extent necessary, with the procedural requirements of section 46(2) of the Companies Act of Bermuda and compliance with any conditions imposed under section 46(2) of the Companies Act of Bermuda in each case in relation to the reduction of the issued share capital of SGL;

(e) all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the SGL Proposal (including its implementation) having been obtained from, given by or made with (as the case may be) the Relevant Authorities in Bermuda, Hong Kong, Malaysia and any other relevant jurisdictions and remaining in full force and effect;

(f) all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals necessary for the SGL Group to carry on its business remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the SGL Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the SGL Scheme becomes effective;

(g) all necessary consents which may be required for the implementation of the SGL Proposal and the SGL Scheme under any existing contractual obligations of the SGL Group being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the SGL Group taken as a whole;

(h) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the SGL Proposal or the SGL Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the SGL Proposal or the SGL Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of SSC to proceed with or complete the SGL Proposal and/or the SGL Scheme;

(i) no event having occurred which would make the SGL Proposal or the cancellation of the SGL Scheme Shares void, unenforceable or illegal or which would prohibit the implementation of the SGL Proposal or impose any additional material conditions or obligations with respect to the SGL Proposal or any part thereof or on the cancellation of the SGL Scheme Shares; and

(j) since the date of the Announcement there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of the SGL Group (to an extent which is material in the context of the SGL Group taken as a whole or in the context of the SGL Proposal).

The SGL Scheme is not conditional on the success of the Lingui Scheme or the Glenealy Scheme.

Condition (a) of the SGL Scheme Conditions takes into account the approval requirements under Rule 2.10 of the Hong Kong Takeovers Code, in addition to the statutory requirements under section 99 of the Companies Act of Bermuda. Under section 99 of the Companies Act of Bermuda, the SGL Scheme will, subject to the sanction of the Bermuda Court, be binding on SGL and all SGL Shareholders if the SGL Scheme is approved (by way of poll) by a majority in number of the SGL Scheme Shareholders, representing not less than 75% in nominal value of the SGL Scheme Shares, present and voting either in person or by proxy at the SGL Court Meeting. Under Rule 2.10 of the Hong Kong Takeovers Code, however, the SGL Scheme has to be approved (by way of poll) by at least 75% of the votes attaching to the SGL Scheme Shares held by the Independent SGL Shareholders that are cast either in person or by proxy at the SGL Court Meeting; and the number of votes cast (by way of poll) against the resolution to approve the SGL Scheme at the SGL Court Meeting is not more than 10% of the votes attaching to all the SGL Scheme Shares held by all the Independent SGL Shareholders.

Based on the 1,678,548,850 SGL Scheme Shares held by the Independent SGL Shareholders as at the Latest Practicable Date, 10% of such SGL Scheme Shares would amount to 167,854,885 SGL Scheme Shares.

When the SGL Scheme Conditions are fulfilled or waived, as applicable, the SGL Scheme will become effective and binding on SSC, SGL and all SGL Shareholders. SSC reserves the right to the extent permissible to waive all or any of the SGL Scheme Conditions (e), (f), (g), (h), (i), and (j) either in whole or in part and either generally or in respect of any particular matter. SGL Scheme Conditions (a), (b), (c), and (d) cannot be waived in any event.

Pursuant to Note 2 to Rule 30.1 of the Hong Kong Takeovers Code, SSC may only invoke any or all of the SGL Scheme Conditions as a basis for not proceeding with the SGL Scheme if the circumstances which give rise to the right to invoke any such SGL Scheme Condition are of material significance to SSC in the context of the SGL Proposal.

As at the Latest Practicable Date, none of the SGL Scheme Conditions have been fulfilled or waived (as applicable). All of the above SGL Scheme Conditions will have to be fulfilled or waived, as applicable, on or before the SGL Scheme Conditions Long Stop Date (or such later date, to the extent applicable, as the Executive may consent and the Bermuda Court may direct), failing which the SGL Proposal and the SGL Scheme will lapse. SGL has no right to waive any of the SGL Scheme Conditions.

If the SGL Scheme or the SGL Proposal is withdrawn, not approved or lapses, the listing of the SGL Shares on the Stock Exchange will not be withdrawn.

Assuming that the SGL Scheme Conditions are fulfilled (or, as applicable, waived), it is expected that the SGL Scheme will become effective on or before Monday, 18 June 2012 (Bermuda time) and the listing of SGL Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on or before Wednesday, 20 June 2012 pursuant to Rule 6.15(2) of the Listing Rules. Further announcements will be made in the event of a change of the expected SGL Scheme Effective Date of the SGL Scheme.

An announcement will be made by SSC and SGL if the SGL Scheme or the SGL Proposal lapses. Further announcements regarding the SGL Proposal will be made as and when appropriate.

4. REASONS FOR AND BENEFITS OF THE SGL PROPOSAL

SSC believes that the privatisation of SGL will enable SGL to implement a more efficient and economical business structure. In addition, since SGL was listed in early 2007, the increasing trend of its share price could not be sustained and, coupled with the global economic crisis, started to decline since August 2007. During the 3-year period prior to the Pre-Announcement Day, although the price of SGL Shares surged from its lowest of HK$0.231 per SGL Share as at the closing on 9 March 2009 to the average closing price of approximately HK$0.632 per SGL Share during the 3-year period prior to the Pre-Announcement Day, the share price performance of SGL Shares was weak and was notably on a decreasing trend since August 2007 in general. The closing price of SGL Shares even fell below the 3-year average closing price of approximately HK$0.632 per SGL Share since 12 September 2011 and has not shown any improvement thereafter until SGL announced on 30 January 2012 that SSC is interested in pursuing a proposal for the privatisation of SGL by SSC. The price of SGL Shares increased from HK$0.375 on the Pre-Announcement Day to HK$0.74 on the day SGL announced that SSC is interested in pursuing a proposal for the privatisation of SGL by SSC, being 30 January 2012, which seems to be supported by the announcement of the SGL Proposal. If the SGL Proposal does not become effective, the share price of SGL may be adjusted back to the level before the Pre-Announcement Day given that the trend of the trading of the SGL Shares has been at a level below the SGL Offer Price for most of the period since September 2008 where the price of SGL Shares dropped below the SGL Offer Price of HK$0.76 for the first time, as shown in graph below.

Source: Bloomberg

The share price of SGL has been trading at a very low level since its listing in 2007 thereby depriving SGL of an opportunity to utilise capital markets in order to raise additional funds at a reasonable level to finance its operations. The completion of the SGL Proposal and the Malaysian Proposals will enable SSC to consolidate its position resulting in a more efficient and effective utilisation of resources.

SSC believes that the SGL Proposal will assist the SGL Scheme Shareholders in obtaining a reasonable exit value and realising their investments in SGL. Furthermore, the trading liquidity of the SGL Shares in past years has been generally thin. The average daily trading volume of the SGL Shares during the 3-year period prior to the Pre-Announcement Day was approximately 8.2 million SGL Shares. The average daily trading volume of the SGL Shares declined to approximately 7.7 million SGL Shares over the 12-month period prior to the Pre-Announcement Day, representing approximately 0.18% of the total issued share capital of SGL as at the Latest Practicable Date, or approximately 0.46% of the SGL Scheme Shares. In the 6-month period prior to the Pre-Announcement Day, the average daily trading volume of the SGL Shares further declined to approximately 3.5 million SGL Shares, indicating that it had become more difficult for the SGL Shareholders to find an exit for their investments in SGL Shares in the open market. SSC believes that the SGL Proposal will give the SGL Scheme Shareholders an opportunity to realise their SGL Shares without exerting a downward pressure on the share price of the SGL Shares.

However, SGL Shareholders may not benefit from any growth or upside potential of SGL's businesses in the future following the completion of the SGL Proposal. For SGL Scheme Shareholders who have previously invested in SGL Shares at a price higher than the SGL Scheme Offer Price per SGL Share, the withdrawal of listing of the SGL Shares on the Stock Exchange would also mean that they will have made a decision to exit and realise the financial losses for their investments made in SGL.

5. BINDING EFFECT OF THE SGL SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the SGL Scheme is approved at the SGL Court Meeting in accordance with the requirements of section 99 of the Companies Act of Bermuda and Rule 2.10 of the Hong Kong Takeovers Code (as described above), the SGL Scheme will, so long as it is sanctioned by the Bermuda Court and a copy of the order of the Bermuda Court is delivered to the Registrar of Companies in Bermuda for registration, become binding on SGL and all the SGL Scheme Shareholders and, pursuant to an undertaking given by SSC, on SSC.

6. EFFECTS OF THE SGL SCHEME AND THE SGL PROPOSAL

Shareholding structure of SGL

As at the Latest Practicable Date, the authorised share capital of SGL was US$500,000,000 divided into 5,000,000,000 SGL Shares, and the issued share capital of SGL was US$429,448,083 divided into 4,294,480,830 SGL Shares. The following table sets out the shareholding structure of SGL: (i) as at the Latest Practicable Date; and (ii) immediately after the completion of the SGL Scheme and the SGL Proposal (assuming there is no change in issued share capital of SGL after the Latest Practicable Date and immediately prior to the SGL Scheme Effective Date):

	As at the Latest Practicable Date		**Immediately after the completion of SGL Scheme and the SGL Proposal**	
	Number of SGL Shares	*Approximate %*	*Number of SGL Shares*	*Approximate %*
SSC	2,320,290,260	54.03	4,001,839,810	93.19
Mr. Yaw *(Note 1)*	20,640,000	0.48	20,640,000	0.48
Tan Sri Yaw Teck Seng *(Note 1)*	272,001,020	6.33	272,001,020	6.33
	2,612,931,280	60.84	4,294,480,830	100.00
SGL Scheme Shareholders:				
Mr. Chan Hua Eng *(Note 2)*	6,000,000	0.14	—	—
Mr. Tan Li Pin Richard *(Note 2)*	1,800,000	0.04	—	—
Other SGL Scheme Shareholders	1,673,749,550	38.98	—	—
	1,681,549,550	39.16	—	—
Total	4,294,480,830	100.00	4,294,480,830	100.00

Note 1: Excluding the deemed interest in all the shares owned by SSC of each of Mr. Yaw and Tan Sri Yaw Teck Seng as a result of their respective interests in approximately 39.60% and approximately 39.60% of the issued ordinary and voting share capital of Yaw Holding, which owns the entire issued ordinary and voting share capital of SSC, pursuant to Part XV of the SFO.

Note 2: Mr. Chan Hua Eng is a non-executive SGL Director while Mr. Tan Li Pin Richard is an independent non-executive SGL Director. None of Mr. Chan Hua Eng and Mr. Tan Li Pin Richard has interest in SSC.

Upon the completion of the SGL Proposal, SSC and the SSC Concert Parties will be deemed to be interested in 100% of the issued share capital of SGL pursuant to Part XV of the SFO. As at the Latest Practicable Date, there were no options, warrants or convertible securities in respect of the SGL Shares held, controlled or directed by SSC or the SSC Concert Parties with it, or outstanding derivatives in respect of the SGL Shares entered into by SSC or the SSC Concert Parties. As at the Latest Practicable Date, SGL does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into SGL Shares.

7. COMPARISON OF VALUE OF THE SGL SCHEME OFFER PRICE

The SGL Scheme Offer Price of HK$0.76 per SGL Scheme Share, payable by SSC to the SGL Scheme Shareholders, represents:

(a) a premium of approximately 102.7% over the closing price of HK$0.375 per SGL Share as quoted on the Stock Exchange on the Pre-Announcement Day;

(b) a premium of approximately 101.6% over the average closing price of HK$0.377 per SGL Share as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Pre-Announcement Day;

(c) a premium of approximately 102.7% over the average closing price of HK$0.375 per SGL Share as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Pre-Announcement Day;

(d) a premium of approximately 93.4% over the average closing price of HK$0.393 per SGL Share as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Pre-Announcement Day;

(e) a premium of approximately 80.5% over the average closing price of approximately HK$0.421 per SGL Share as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Pre-Announcement Day;

(f) a premium of approximately 5.6% over the closing price of HK$0.72 per SGL Share as quoted on the Stock Exchange on the Last Trading Day;

(g) a premium of approximately 7.0% over the average closing price of HK$0.71 per SGL Share as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day;

(h) a premium of approximately 10.5% over the average closing price of HK$0.688 per SGL Share as quoted on the Stock Exchange during the period from 30 January 2012, being the first trading day immediately after the suspension of trading in SGL Shares after the Pre-Announcement Day, to the Last Trading Day;

(i) a premium of approximately 2.7% over the closing price of HK$0.74 per SGL Share as quoted on the Stock Exchange on the Latest Practicable Date;

(j) a premium of approximately 2.4% over the average closing price of HK$0.742 per SGL Share as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Latest Practicable Date; and

(k) a premium of approximately 2.3% over the average closing price of approximately HK$0.743 per SGL Share as quoted on the Stock Exchange during the period from 23 March 2012, being the first trading day immediately after the suspension of trading in SGL Shares after the Last Trading Day, to the Latest Practicable Date.

The Share Price of the SGL Shares increased from the closing price of HK$0.375 on the Pre-Announcement Day to the closing price of HK$0.72 on the Last Trading Day. This reflected the effect of the announcement of the SGL Proposal which was first announced on 20 January 2012 and the announcement of the proposed SGL Scheme Offer Price of HK$0.76 per SGL Scheme Share on 30 January 2012. A summary of the closing prices of the SGL Shares on the Stock Exchange (i) on the last trading day of each of the six calendar months preceding the date of the Announcement; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date is set out in Appendix VII to this document.

Earnings

For the year ended 30 June 2011, the consolidated profit of the SGL Group attributable to the SGL Shareholders was approximately US$20,746,000 (equivalent to approximately HK$161,818,800), representing a basic earning of approximately 0.48 US cent (equivalent to approximately 3.768 HK cents) per SGL Share (based on 4,294,480,830 SGL Shares in issue as at the Latest Practicable Date).

For the six months ended 31 December 2011, the unaudited consolidated profit of the SGL Group attributable to the SGL Shareholders was approximately US$67,000 (equivalent to approximately HK$522,600), representing a basic earning of approximately 0.002 US cent (equivalent to approximately 0.012 HK cent) per SGL Share (based on 4,294,480,830 SGL Shares in issue as at the Latest Practicable Date).

Based on the SGL Scheme Offer Price of HK$0.76 per SGL Scheme Share and the basic earning of approximately 0.48 US cent (equivalent to approximately 3.768 HK cents) per SGL Share for the year ended 30 June 2011, the SGL Scheme Offer Price values the SGL Shares at a price to earnings multiple of approximately 20.17 times.

Dividends

During the year ended 30 June 2011, SGL declared an aggregate dividend of 0.128 US cent (equivalent to approximately 1.00 HK cent) per SGL Share which was paid during the six months ended 31 December 2011. During the six months ended 31 December 2011 and up to the Latest Practicable Date, SGL did not declare any dividend.

8. INFORMATION ON SGL

SGL is an investment holding company with its subsidiaries principally engaged in the sale of timber logs from concession and tree plantation areas, the manufacturing and sale of plywood and veneer, the provision of upstream support, and the manufacturing and sale of timber related products.

Set out below are the consolidated results of the SGL Group as extracted from the audited consolidated financial statements of the SGL Group for the year ended 30 June 2011 which have been restated for the correction of an error identified during the course of preparing this document, details of which are set out in section "3. Information of Lingui and Glenealy" of "Malaysian Proposal" set out on pages 88 to 92 of this document. The restated consolidated financial statements are set out in section 3 "Audited consolidated financial statements for the year ended 30 June 2011" of Appendix I "Financial information on the SGL Group" to this document:

	For the year ended 30 June	
	2011	**2010**
	US$'000	*US$'000*
		(restated)
Revenue	729,047	598,248
Profit before taxation	57,777	24,160
Profit attributable to the SGL Shareholders	20,746	9,351

As at 30 June 2011, the consolidated net assets of the SGL Group as extracted from the audited consolidated financial statements of the SGL Group for the year ended 30 June 2011 set out in section 3 "Audited consolidated financial statements for the year ended 30 June 2011" of Appendix I "Financial information on the SGL Group" to this document was approximately US$829.84 million (restated). As at 31 December 2011, the consolidated net assets of the SGL Group as extracted from the unaudited consolidated interim financial statements of the SGL Group for the six months ended 31 December 2011 set out in section 2 "Unaudited consolidated interim financial report for the six months ended 31 December 2011" of Appendix I "Financial information on the SGL Group" to this document was approximately US$801.00 million (restated).

9. INFORMATION ON SSC

SSC is an investment holding company incorporated in Malaysia on 17 December 1979 with limited liability. As at the Latest Practicable Date, the principal business of SSC is investment holding and provision of administrative services and Yaw Holding owns 100% of the issued ordinary and voting share capital of SSC. As at the Latest Practicable Date, Mr. Yaw, a SGL Director and a director of SSC, and Tan Sri Yaw Teck Seng, father of Mr. Yaw, each holds approximately 39.60% of the issued ordinary and voting share capital of Yaw Holding. The remaining 20.80% of the issued ordinary and voting share capital of Yaw Holding is held by other family members of Mr. Yaw and Tan Sri Yaw Teck Seng, as at the Latest Practicable Date.

10. SSC'S INTENTIONS REGARDING SGL

SSC has advised the SGL Board that it intends to continue the business currently operated by the SGL Group in its ordinary course and continue to employ the employees of the SGL Group and, subject to any possible investment opportunities which may arise in the future, does not have plans to change the business of the SGL Group nor to redeploy the fixed assets of the SGL Group.

The SGL Directors (except Mr. Yaw who is interested in the SGL Proposal) consider SSC's plans for the SGL Group and its employees to be in the interest of the SGL Group.

11. INTERESTS OF DIRECTORS IN THE SGL SCHEME AND EFFECTS THEREON

The table below shows the SGL Directors' interests in SGL Shares as at the Latest Practicable Date.

	Number of SGL Shares	**Approximate %**
Mr. Yaw *(Note)*	2,340,930,260	54.51
Mr. Chan Hua Eng	6,000,000	0.14
Mr. Tan Li Pin Richard	1,800,000	0.04

Note: Including the deemed interest in all the shares owned by SSC as a result of his interest in approximately 39.60% of the issued ordinary and voting share capital of Yaw Holding, which owns the entire issued ordinary and voting share capital of SSC pursuant to Part XV of the SFO.

Save for the interests shown in the table above, none of the SGL Directors are interested in the SGL Shares or any convertible securities, warrants, options or derivatives in respect of the SGL Shares.

SSC, the controlling shareholder of SGL which, together with the SSC Concert Parties, holds approximately 60.84% of the total issued share capital of SGL as at the Latest Practicable Date. Save as disclosed above and in section 5(a)c. of Appendix VII "General Information" to this document, neither SSC nor any of the parties acting in concert with it owns or controls any other SGL Shares or any convertible securities, warrants, options or derivatives in respect of the SGL Shares. Save for Mr. Yaw who is deemed interested in all the issued share capital of SSC as a result of his interest in approximately 39.60% of the issued ordinary and voting share capital of Yaw Holding, which owns the entire issued ordinary and voting share capital of SSC, none of the SGL Directors are interested in any SSC Shares.

12. SHARE CERTIFICATES, DEALINGS AND WITHDRAWAL OF LISTING

Upon the SGL Scheme becoming effective, all SGL Scheme Shares will be cancelled and the share certificates for the SGL Scheme Shares will thereafter cease to have effect as documents or evidence of title. SGL will apply to the Stock Exchange for the withdrawal of the listing of the SGL Shares on the Stock Exchange immediately following the effective date of the SGL Scheme. Dealings in SGL Scheme Shares on the Stock Exchange are expected to cease after 4:00 p.m. on Friday, 8 June 2012, and the listing of SGL Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Wednesday, 20 June 2012 pursuant to Rule 6.15(2) of the Listing Rules. The SGL Shareholders will be notified by way of an announcement of the exact dates of the last day for dealings in the SGL Shares and on which the SGL Scheme and the withdrawal of the listing of the SGL Shares on the Stock Exchange will become effective.

If the SGL Scheme Conditions are not satisfied or waived (where applicable) on or before the SGL Scheme Conditions Long Stop Date (or such later date as SSC and SGL may agree in writing and the Bermuda Court may allow), the SGL Scheme will not become effective. If the SGL Scheme does not become effective, the listing of the SGL Shares on the Stock Exchange will not be withdrawn.

If the SGL Scheme is not approved or the SGL Proposal is otherwise withdrawn or lapses, in accordance with Rule 31.1 of the Hong Kong Takeovers Code, neither SSC nor any person who acted in concert with it in the course of the SGL Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the SGL Proposal is withdrawn or lapses announce an offer or possible offer for SGL, except with the consent of the Executive.

13. ENTITLEMENTS AND PAYMENT OF THE SGL SCHEME OFFER PRICE

In order to determine entitlements under the SGL Scheme, all transferees of the SGL Shares must lodge the duly completed transfer forms, together with the relevant certificates for the SGL Shares, with SGL's branch share registrar Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Wednesday, 13 June 2012, being the day immediately prior to the date of the closure of the Register.

Upon the SGL Scheme becoming effective, payment of the consideration for the SGL Scheme Shares, will be made to the SGL Scheme Shareholders whose names appear on the Register as at the Record Time as soon as possible but in any event within seven business days of the SGL Scheme Effective Date. Assuming that the SGL Scheme becomes effective on Monday, 18 June 2012 (Bermuda time), cheques for cash entitlements under the SGL Scheme are expected to be despatched on or before Tuesday, 26 June 2012.

In the absence of any specific instructions to the contrary received in writing by Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of SGL, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, cheques will be sent to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding, as it appears in the Register as at the Record Time. All such cheques will be sent at the risk of the person(s) entitled thereto and SSC, SGL and DTCFL or any of them will not be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, SSC shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in SGL's name with a licensed bank in Hong Kong selected by SGL.

SGL shall hold such monies on trust for those entitled under the terms of the SGL Scheme until the expiry of six years from the SGL Scheme Effective Date and shall, prior to such date, make payments thereout of the sums, together with interest thereon, to persons who satisfy SGL that they are respectively entitled thereto, provided that such cheques referred to in this paragraph of which they are payees have not been cashed. On the expiry of six years from the SGL Scheme Effective Date, SSC shall be released from any further obligation to make any payments under the SSC Scheme and SGL shall thereafter transfer to SSC the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

Settlement of the consideration under the SGL Scheme will be implemented in full in accordance with the terms of the SGL Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which SSC or SGL may otherwise be, or claim to be, entitled against any SGL Scheme Shareholders.

SGL Shareholders are recommended to consult their professional advisers if they are in any doubt as to the above procedures.

14. OVERSEAS SGL SHAREHOLDERS

This document has been prepared for the purpose of complying with the applicable laws, rules and regulations of Bermuda and Hong Kong, and the information disclosed herein may not be the same as that which would have been disclosed if this document has been prepared in accordance with the laws of any other jurisdiction.

This document does not constitute an offer or invitation to sell, purchase, subscribe for or issue any securities or the solicitation of an offer to buy or subscribe for securities pursuant to this document or otherwise in any jurisdiction in which such offer, invitation or solicitation is unlawful.

The distribution of this document, and the making of the SGL Proposal to, and acceptance of the SGL Proposal by, persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas SGL Shareholders wishing to accept the offers under the SGL Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due by the overseas SGL Shareholders in such jurisdiction. Any acceptance by such overseas SGL Shareholders will be deemed to constitute a representation and warranty from such persons to SGL and SSC that those local laws and requirements have been complied with. If you are in doubt as to your position, you should consult your own professional advisers.

15. TAXATION

As the SGL Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the SGL Scheme Shares upon the SGL Scheme becoming effective.

The SGL Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the SGL Proposal and in particular, whether the receipt of the SGL Scheme Offer Price would make such SGL Shareholder liable to taxation in Hong Kong or in any other jurisdiction.

16. SGL COURT MEETING AND SGL SGM

In accordance with the directions of the Bermuda Court, the SGL Court Meeting will be held on Monday, 28 May 2012 at 8:30 a.m. for the purpose of considering and, if thought fit, passing a resolution to approve the SGL Scheme (with or without modifications). The resolution will be passed if approval of the SGL Scheme (by way of poll) is obtained from a majority in number of the SGL Scheme Shareholders representing not less than 75% in nominal value of the Scheme Shares held by the SGL Scheme Shareholders present and voting either in person or by proxy at the SGL Court Meeting, provided also that the SGL Scheme is approved (by way of poll) by at least 75% of the votes attaching to the SGL Scheme Shares held by the Independent SGL Shareholders that are cast either in person or by proxy at the SGL Court Meeting. In addition, the SGL Scheme will, in compliance with Rule 2.10 of the Hong Kong Takeovers Code, only be implemented if the number of votes cast against the resolution to approve the SGL Scheme at the SGL Court Meeting is not more than 10% of the votes attaching to all the SGL Scheme Shares held by all the Independent SGL Shareholders.

As at the Latest Practicable Date, the Independent SGL Shareholders held in aggregate 1,678,548,850 SGL Scheme Shares. 10% of the votes attached to all such SGL Scheme Shares held by all the Independent SGL Shareholders represent 167,854,885 SGL Shares as at the Latest Practicable Date.

The SGL SGM has been convened to be held on Monday, 28 May 2012 at 9:00 a.m. (or immediately after the conclusion or adjournment of the SGL Court Meeting), for the purpose of considering and, if thought fit, passing special resolutions to approve and give effect to, among other things, the reduction of the share capital of SGL by cancelling and extinguishing the SGL Scheme Shares and ordinary resolutions to approve and give effect to, among other things, SGL applying the reserve created as a result of the cancellation of the SGL Scheme Shares to restore the issued share capital of SGL to the amount immediately prior to the cancellation of the SGL Scheme Shares by issuing and paying up in full at par the New SGL Shares to SSC. The special resolutions will be passed provided that they are approved by a majority of not less than three-fourths of the votes cast by the SGL Shareholders present and voting, in person or by proxy, at the SGL SGM. The ordinary resolutions will be passed provided that they are approved by a majority of the votes cast by the SGL Shareholders present and voting, in person or by proxy, at the SGL SGM. All SGL Shareholders will be entitled to attend and vote on the special resolutions and the ordinary resolutions at the SGL SGM.

In order to determine the entitlements of the SGL Shareholders to attend and vote at the SGL Court Meeting and the SGL SGM, it is proposed that the Register will be closed from Tuesday, 22 May to Monday, 28 May 2012 (both days inclusive), or such other dates as may be notified to SGL Shareholders by announcement. Accordingly, in order to be entitled to attend and vote at the SGL Court Meeting and the SGL SGM, SGL Shareholders, the transferees of SGL Shares or their successors in title should ensure that their SGL Shares are registered or lodged for registration in their names or in the name(s) of their nominees at or with Computershare Hong Kong Investor Services Limited, the branch share registrar of SGL in Hong Kong, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Monday, 21 May 2012.

Notice of the SGL Court Meeting is set out on pages 12 to 13 of this document. The SGL Court Meeting will be held on Monday, 28 May 2012 at the time specified in the notice of the SGL Court Meeting. A pink form of proxy for the SGL Court Meeting is enclosed with this document.

Notice of the SGL SGM is set out on pages 14 to 16 of this document. The SGL SGM will be held at 9:00 a.m. or as soon thereafter as the SGL Court Meeting convened for the same day and place shall have been concluded or adjourned on Monday, 28 May 2012. A white form of proxy for the SGL SGM is enclosed with this document.

17. DEMAND FOR POLL AT THE SGL SGM

Pursuant to Bye-law 66 of the Bye-Laws of SGL, a poll may be demanded in relation to any resolution put to the vote of the SGL SGM before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll:

(a) by the chairman of the meeting; or

(b) by at least five SGL Shareholders present in person or by proxy and entitled to vote; or

(c) any SGL Shareholder present in person or by proxy or, in the case of an SGL Shareholder being a corporation, by its duly authorized representative and representing in the aggregate not less than one-tenth of the total voting rights of all SGL Shareholders having the right to attend and vote at the meeting;

(d) any SGL Shareholder present in person or by proxy or, in the case of an SGL Shareholder being a corporation, by its duly authorized representative and holding SGL Shares conferring a right to vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all SGL Shares conferring that right; or

(e) any SGL Directors who individually or collectively hold proxies in respect of SGL Shares representing 5% or more of the total voting rights at the meeting.

In any event, voting at the SGL Court Meeting and at the SGL SGM will be taken by poll as required under the Listing Rules and the Hong Kong Takeovers Code.

18. ACTION TO BE TAKEN BY SGL SHAREHOLDERS

A pink form of proxy for use at the SGL Court Meeting and a white form of proxy for use at the SGL SGM are enclosed with this document.

Whether or not you are able to attend the SGL Court Meeting and/or the SGL SGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the SGL Court Meeting, and the enclosed white form of proxy in respect of the SGL SGM, in accordance with the instructions printed thereon, and to lodge them with Computershare Hong Kong Investor Services Limited, the branch share registrar of SGL in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In order to be valid, the pink form of proxy for use at the SGL Court Meeting should be lodged not later than 8:30 a.m. on Saturday, 26 May 2012 and the white form of proxy for use at the SGL SGM should be lodged not later than 9:00 a.m. on Saturday, 26 May 2012. The pink form of proxy in respect of the SGL Court Meeting may be returned by facsimile at number (852) 2865-0990 (marked for the attention of the "Company Secretary") not later than 8:30 a.m. on Saturday, 26 May 2012 or may alternatively be handed to the chairman of the SGL Court Meeting at the SGL Court Meeting if it is not so lodged. The completion and return of a form of proxy for the SGL Court Meeting or the SGL SGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

For the purpose of determining the entitlements of the SGL Shareholders to attend and vote at the SGL Court Meeting and the SGL SGM, the Register will be closed from Tuesday, 22 May to Monday, 28 May 2012 (both days inclusive) and during such period, no transfer of SGL Shares will be effected. In order to qualify to vote at the SGL Court Meeting and the SGL SGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the branch share registrar of SGL in Hong Kong, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 21 May 2012, being the Record Time.

SGL Shareholders should also note that should they not appoint a proxy or not attend and vote at the SGL Court Meeting, they would still be bound by the outcome of the SGL Court Meeting. An announcement will be made by SGL by no later than 7:00 p.m. on Monday, 28 May 2012 in relation to the results of the SGL Court Meeting and the SGL SGM, and if all the resolutions are passed at those meetings, further announcements will be made in relation to the hearing of the petition to sanction the SGL Scheme by the Bermuda Court and, if the SGL Scheme is sanctioned, the SGL Scheme Effective Date and the date of the withdrawal of the listing of SGL Shares on the Stock Exchange.

If you have sold or transferred all or part of your SGL Shares, you should at once hand this document to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Any SGL Shareholder who holds SGL Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. Any Beneficial Owner should make arrangements with his, her or its nominee, trustee or Registered Owner in relation to the SGL Scheme, and may consider whether he/she/it wishes to arrange for the registration of the relevant Scheme Shares in the name of the Beneficial Owner prior to the Record Time.

SGL SCHEME SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNER OF SGL SCHEME SHARES THAT GIVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTES AT THE SGL COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR IN PERSON OR BY COUNSEL AT THE BERMUDA COURT HEARING ON FRIDAY, 15 JUNE 2012 (BERMUDA TIME) AT WHICH SGL WILL SEEK THE SANCTION OF THE SGL SCHEME.

19. COSTS OF THE SGL SCHEME

The costs of the SGL Scheme and of its implementation incurred by SGL are expected to amount to approximately US$5 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges.

20. RECOMMENDATION

Your attention is drawn to the following:

(i) paragraph 13 headed "Recommendation" in the "Letter from the SGL Board" set out on pages 25 to 26 of this document;

(ii) the letter from the IBC set out on pages 28 to 29 of this document; and

(iii) the letter from Quam Capital, the independent financial adviser to the IBC set out on pages 30 to 64 of this document.

SGL Shareholders are recommended to consult their professional advisers if they are in doubt as to any of the above procedures.

21. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this document, all of which form part of this Explanatory Statement.

In conjunction with the SGL Scheme, SSC also requested the SGL Board to consider and put forward, and on 22 March 2012, the SGL Board put forward, a proposal to the board of directors of each of Lingui and Glenealy for the privatisation of Lingui and Glenealy (as the case may be) by SGL by way of a scheme of arrangement under section 176 of the Companies Act of Malaysia. As Mr. Yaw, the sole executive SGL Director, is a party acting in concert with SSC, Mr. Yaw refrained from attending the SGL Board meeting held on 20 February 2012 in relation to, among others, the discussion of the Malaysian Proposals. The SGL Board (excluding Mr. Yaw) believes that the terms of the Malaysian Proposals are fair and reasonable and are in the interest of SGL and the SGL Shareholders as a whole for SGL to put forward the Lingui Scheme to the board of directors of Lingui and the Glenealy Scheme to the board of directors of Glenealy for their consideration.

Set out below are the details of the Malaysian Proposals.

1. CONDITIONAL POSSIBLE PRIVATISATIONS OF EACH OF LINGUI AND GLENEALY BY WAY OF SCHEME OF ARRANGEMENT UNDER SECTION 176 OF THE COMPANIES ACT OF MALAYSIA

In conjunction with the SGL Scheme, SSC also requested the SGL Board to consider and put forward a proposal to the board of directors of each of Lingui and Glenealy for the privatisation of Lingui and Glenealy (as the case may be) by SGL and/or its nominee(s) by way of a scheme of arrangement under section 176 of the Companies Act of Malaysia.

The SGL Board has considered SSC's request to consider and put forward the Malaysian Proposals on 20 February 2012. On 22 March 2012, the SGL Board put forward (i) the Lingui Proposal to the board of directors of Lingui and (ii) the Glenealy Proposal to the board of directors of Glenealy.

Implementation of the Lingui Scheme

Pursuant to the offer letter dated 22 March 2012, the SGL Board requested the board of directors of Lingui to propose to the Lingui Scheme Shareholders that Lingui be privatised by way of a scheme of arrangement between Lingui and all the Lingui Scheme Shareholders pursuant to section 176 of the Companies Act of Malaysia, whereby SGL and/or its nominee(s) will acquire 216,156,673 Lingui Scheme Shares from the Lingui Scheme Shareholders, representing approximately 32.77% of the total issued share capital of Lingui as at the Latest Practicable Date, and, in consideration thereof, each Lingui Scheme Shareholder will receive the Lingui Scheme Offer Price of MYR1.63 for each Lingui Scheme Share held. The Lingui Scheme Offer Price payable under the Lingui Scheme will be financed by the SGL Group's internal resources and external financing obtained.

The Lingui Scheme Offer Price of MYR1.63 per Lingui Scheme Share was arrived at after taking into consideration the prevailing and historical market prices of Lingui Shares as traded on Bursa prior to the Pre-Announcement Day.

The Lingui Scheme is conditional upon, among other things, the SGL Proposal becoming unconditional, and the SGL Scheme becoming effective.

As at the Latest Practicable Date, Lingui is a non-wholly owned subsidiary of SGL. Upon completion of the Lingui Scheme, Lingui will become a wholly-owned subsidiary of SGL. It is the intention of SGL not to maintain the listing status of Lingui upon the completion of the Lingui Scheme. Upon completion of the Lingui Scheme, Lingui will make an application to Bursa pursuant to paragraph 16.08 of the Listing Requirements to de-list and withdraw Lingui from the Official List of Bursa.

The Lingui Books Closing Date will be determined and announced at a later date after receipt of all relevant approvals for the Lingui Scheme, including but not limited to the sanction for the Lingui Scheme by the High Court of Malaya.

Implementation of the Glenealy Scheme

Pursuant to the offer letter dated 22 March 2012, the SGL Board has requested the board of directors of Glenealy to propose to the Glenealy Scheme Shareholders that Glenealy be privatised by way of a scheme of arrangement between Glenealy and all the Glenealy Scheme Shareholders pursuant to section 176 of the Companies Act of Malaysia, whereby SGL and/or its nominee(s) will acquire 52,842,270 Glenealy Scheme Shares from the Glenealy Scheme Shareholders, representing approximately 46.32% of the total issued share capital of Glenealy as at the Latest Practicable Date, and, in consideration thereof, each Glenealy Scheme Shareholder will receive the Glenealy Scheme Offer Price of MYR7.50 for each Glenealy Scheme Share held. The Glenealy Scheme Offer Price payable under the Glenealy Scheme will be financed by the SGL Group's internal resources and external financing obtained.

The Glenealy Scheme Offer Price of MYR7.50 per Glenealy Scheme Share was arrived at after taking into consideration the prevailing and historical market prices of Glenealy Shares as traded on Bursa prior to the Pre-Announcement Day.

The Glenealy Scheme is conditional upon, among other things, the SGL Proposal becoming unconditional, and the SGL Scheme becoming effective.

Upon completion of the Glenealy Scheme, approximately 84.65% of the issued share capital of Glenealy will be directly or indirectly owned by SGL, with the remaining issued share capital of Glenealy owned by SSC. It is the intention of SGL not to maintain the listing status of Glenealy upon the completion of the Glenealy Scheme. Upon completion of the Glenealy Scheme, Glenealy will make an application to Bursa pursuant to paragraph 16.08 of the Listing Requirements to de-list and withdraw Glenealy from the Official List of Bursa.

The Glenealy Books Closing Date will be determined and announced at a later date after receipt of all relevant approvals for the Glenealy Scheme, including but not limited to the sanction for the Glenealy Scheme by the High Court of Malaya.

As at the Latest Practicable Date, there are a total of 659,630,441 Lingui Shares and 114,090,792 Glenealy Shares (after setting treasury shares off in equity) in issue respectively. As at the Latest Practicable Date, both Lingui and Glenealy have no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Lingui Shares or Glenealy Shares respectively and have not entered into any agreement for the issue of such securities, options, derivatives or warrants of Lingui Shares or Glenealy Shares, where applicable.

As at the Latest Practicable Date, SGL, through Samling Malaysia, holds 443,473,768 Lingui Shares, representing approximately 67.23% of the paid-up share capital of Lingui.

As at the Latest Practicable Date, SGL does not directly or indirectly through a wholly-owned subsidiary of SGL hold any interest in Glenealy, while Lingui, being an indirect non-wholly owned subsidiary of SGL, together with Alpenview, and Mr. Yaw (as well as SSC), being a concert party to SGL prescribed under the Malaysian Takeovers Code, hold 43,728,522 Glenealy Shares and 17,520,000 Glenealy Shares (excluding the Glenealy Shares Mr. Yaw and SSC are deemed interested in by virtue of their indirect substantial shareholding in Lingui) respectively, representing approximately 38.33% and 15.35% of the total issued share capital of Glenealy respectively.

Comparisons of value

The Lingui Scheme Offer Price of MYR1.63 per Lingui Scheme Share, payable by SGL to the Lingui Scheme Shareholders, represents:

(a) a premium of approximately 19.9% over the closing price of MYR1.36 per Lingui Share as quoted on Bursa on the Pre-Announcement Day;

(b) a premium of approximately 21.6% over the volume weighted average market price of approximately MYR1.34 per Lingui Share as quoted on Bursa for the 5-day period prior to and including the Pre-Announcement Day; and

(c) a premium of approximately 26.4% over the volume weighted average market price of approximately MYR1.29 per Lingui Share as quoted on Bursa for the 1-month period prior to and including the Pre-Announcement Day.

The Glenealy Scheme Offer Price of MYR7.50 per Glenealy Scheme Share, payable by SGL to the Glenealy Scheme Shareholders, represents:

(a) a premium of approximately 14.5% over the closing price of MYR6.55 per Glenealy Share as quoted on Bursa on the Pre-Announcement Day;

(b) a premium of approximately 16.6% over the volume weighted average market price of approximately MYR6.43 per Glenealy Share as quoted on Bursa for the 5-day period prior to and including the Pre-Announcement Day; and

(c) a premium of approximately 19.0% over the volume weighted average market price of approximately MYR6.30 per Glenealy Share as quoted on Bursa for the 1-month period prior to and including the Pre-Announcement Day.

Total consideration for the implementation of the Lingui Scheme and Glenealy Scheme

On the basis of the Lingui Scheme Offer Price of MYR1.63 per Lingui Scheme Share and 216,156,673 Lingui Scheme Shares in issue as at the Latest Practicable Date, the Lingui Scheme Shares are in aggregate valued at approximately MYR352.34 million (equivalent to approximately US$113.66 million).

On the basis of the Glenealy Scheme Offer Price of MYR7.50 per Glenealy Scheme Share and 52,842,270 Glenealy Scheme Shares in issue as at the Latest Practicable Date, the Glenealy Scheme Shares are in aggregate valued at approximately MYR396.32 million (equivalent to approximately US$127.84 million).

On the basis set out above, the aggregate value of the Lingui Scheme and Glenealy Scheme is approximately MYR748.66 million (equivalent to approximately US$241.50 million).

Financial resources

SGL intends to finance 86.5% of the funding requirement for the Lingui Scheme and the Glenealy Scheme by borrowing from SSC, on normal commercial terms without security from SGL, and the remaining portion from its internal resources.

2. CONDITIONS FOR THE LINGUI SCHEME AND GLENEALY SCHEME

The Lingui Scheme

The Lingui Scheme will become effective and binding on Lingui, SGL and/or its nominee(s) and all Lingui Shareholders subject to the fulfilment or waiver (as applicable) of the following conditions:

(a) the SGL Proposal becoming unconditional, including that the SGL Scheme becoming effective;

(b) the grant of waiver or exemption by the SC pursuant to Practice Note 44 of the Malaysian Takeovers Code from certain provisions of the Malaysian Takeovers Code for the implementation of the Lingui Scheme (by way of a scheme of arrangement as opposed to a take-over offer);

(c) the approval of the Lingui Scheme (by way of poll) by more than 50% in number of the Lingui Scheme Shareholders and not less than 75% in nominal value of the Lingui Scheme Shares held by the Lingui Scheme Shareholders present and voting either in person or by proxy at the court convened meeting of Lingui in Malaysia to be convened for the purpose of the Lingui Scheme ("Lingui Court Meeting"), provided that the number of votes cast against the resolution to approve the Lingui Scheme at the Lingui Court Meeting is not more than 10% of the votes attaching to all Lingui Scheme Shares held by all the Lingui Scheme Shareholders;

(d) the sanction of the Lingui Scheme by the High Court of Malaya under section 176 of the Companies Act of Malaysia and the lodgement of the office copy of the sealed order obtained pursuant thereto with the Registrar of Companies Malaysia;

(e) the approval of the SC for compliance with the equity requirement for public companies in respect of the Lingui Scheme; and

(f) where required, the approval, waiver and/or consent of any other relevant authorities or parties.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

The Glenealy Scheme

The Glenealy Scheme will become effective and binding on Glenealy, SGL and/or its nominee(s) and all Glenealy Shareholders subject to the fulfilment or waiver (as applicable) of the following conditions:

(a) the SGL Proposal becoming unconditional, including that the SGL Scheme becoming effective;

(b) the grant of waiver or exemption by the SC pursuant to Practice Note 44 of the Malaysian Takeovers Code from certain provisions of the Malaysian Takeovers Code for the implementation of the Glenealy Scheme (by way of a scheme of arrangement as opposed to a take-over offer);

(c) the approval of the Glenealy Scheme (by way of poll) by more than 50% in number of the Glenealy Scheme Shareholders and not less than 75% in nominal value of the Glenealy Scheme Shares held by the Glenealy Scheme Shareholders present and voting either in person or by proxy at the court convened meeting of Glenealy in Malaysia to be convened for the purpose of the Glenealy Scheme ("Glenealy Court Meeting"), provided that the number of votes cast against the resolution to approve the Glenealy Scheme at the Glenealy Court Meeting is not more than 10% of the votes attaching to all Glenealy Scheme Shares held by all the Glenealy Scheme Shareholders;

(d) the sanction of the Glenealy Scheme by the High Court of Malaya under section 176 of the Companies Act of Malaysia and the lodgement of the office copy of the sealed order obtained pursuant thereto with the Registrar of Companies Malaysia;

(e) the approval of the SC for compliance with the equity requirement for public companies in respect of the Glenealy Scheme; and

(f) where required, the approval, waiver and/or consent of any other relevant authorities or parties.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

None of the abovementioned conditions for the Lingui Scheme and Glenealy Scheme to become unconditional can be waived. The Lingui Scheme and Glenealy Scheme are not inter-conditional.

3. INFORMATION ON LINGUI AND GLENEALY

Lingui, an indirect subsidiary of SGL, is an investment and property holding company incorporated and domiciled in Malaysia with limited liability. Lingui, through its subsidiaries, manufactures plywood and veneer, extracts and sells timber, and provides logistics services. Lingui also operates quarries and manufactures rubber retread compounds. As at the Latest Practicable Date, the Lingui Shares are listed on Bursa.

Glenealy, an associate of SGL and Lingui, is an investment holding company incorporated and domiciled in Malaysia with limited liability. Glenealy, through its subsidiaries, operates oil palm plantations and oil mill. As at the Latest Practicable Date, the Glenealy Shares are listed on Bursa.

Both the SGL Group and Lingui Group equity accounts for its share of the profits of Glenealy based on the information provided by Glenealy in accordance with the respective accounting policies of SGL Group and Lingui Group. While the SGL Group had adopted IAS 41, Agriculture, ("IAS 41") since it comes into effect, Lingui Group adopted IAS 41 with effect from 1 July 2010.

Glenealy has certain biological assets located in Malaysia. These biological assets were independently valued by an independent valuer. During the course of preparing this document in connection with the Malaysian Proposals, it was brought to the attention of SGL Directors and directors of Lingui that a formula error had been found in the calculations which supported the valuations of biological assets of Glenealy, and that these calculations were adopted by the independent valuer in forming their conclusions on the fair values of the biological assets, which were included in the previously issued valuation reports on the fair value of the biological assets as at 31 December 2011, 30 June 2011, 31 December 2010 and 30 June 2010, dated 9 February 2012, 19 August 2011, 14 February 2011 and 27 August 2010, respectively ("original valuation reports").

On 12 April 2012, the independent valuer re-issued the valuation reports on the biological assets of Glenealy as at 31 December 2011, 30 June 2011, 31 December 2010 and 30 June 2010 ("re-issued valuation reports") to replace the original valuation reports to correct the formula error and restate the fair values of the biological assets of Glenealy as at those dates. As the gain or loss from changes in fair value of biological assets less estimated point-of-sale costs would be recognised in the income statement of Glenealy in accordance with IAS 41 as adopted by the SGL Group and Lingui Group respectively, any material changes in the fair value of Glenealy's biological assets would have a consequential impact on the share of profit less losses of associates and interests in associates recognised in the financial statements of the SGL Group and the Lingui Group.

Set out below are the consolidated results of the Lingui Group as extracted from the audited consolidated financial statements of Lingui for the year ended 30 June 2011 as well as the equivalent US$ amount for illustrative purposes only. These consolidated results of the Lingui Group have not been restated for correction of the error stated above, and details of which are explained in note 22 to the unaudited condensed interim financial statements for the six months ended 31 December 2011 as set forth in section 2 of Appendix II of this document.

	For the year ended 30 June			
	2011		**2010** *(note)*	
	MYR'000	*Equivalent to approximately US$'000*	*MYR'000*	*Equivalent to approximately US$'000*
Revenue	1,651,043	532,595	1,441,977	465,154
Profit before taxation	205,254	66,211	110,900	35,774
Profit attributable to the Lingui Shareholders	191,713	61,843	102,128	32,945

Note: The above consolidated results of the Lingui Group for the year ended 30 June 2010 have been restated in the consolidated financial statements of the Lingui Group for the year ended 30 June 2011 in respect of the significant changes in accounting policies as explained in note 33 to the consolidated financial statements as set forth in section 3 of Appendix II of this document.

As at 30 June 2011, the audited consolidated net assets of the Lingui Group was approximately MYR1,660.46 million (equivalent to approximately US$535.63 million). As at 31 December 2011, the unaudited consolidated net asset of the Lingui Group was approximately MYR1,644.21 million (equivalent to approximately US$530.39 million) as extracted from the unaudited consolidated interim financial information of the Lingui Group for the six months ended 31 December 2011 set out in section 2 of Appendix II to this document. As the financial results of Lingui, being a non-wholly owned subsidiary of the SGL Group, have been consolidated into the financial statements of the SGL Group, the SGL Directors do not expect any material impact on the earnings and assets and liabilities of the SGL Group upon the completion of the Lingui Scheme. Had the consolidated financial statements for the Lingui Group been restated for correction of the error, both the profit before taxation and profit attributable to the Lingui Shareholders for the year ended 30 June 2010 and consolidated net assets of the Lingui Group as at 30 June 2011 and 2010 would have decreased by MYR15.9 million.

Set out below are the audited consolidated results of the Glenealy Group as extracted from the annual report of Glenealy for the year ended 30 June 2011 as well as the equivalent US$ amount for illustrative purposes only:

	For the year ended 30 June			
	2011		2010	
	MYR'000	*Equivalent to approximately US$'000*	*MYR'000*	*Equivalent to approximately US$'000*
Revenue	258,662	83,439	189,534	61,140
Profit before taxation	118,911	38,358	51,016	16,457
Profit attributable to the Glenealy Shareholders	71,308	23,003	29,759	9,600

As at 30 June 2011, the audited consolidated net asset of the Glenealy Group was approximately MYR643.86 million (equivalent to approximately US$207.70 million). As at 31 December 2011, the unaudited consolidated net asset of the Glenealy Group was approximately MYR671.95 million (equivalent to approximately US$216.76 million). Currently, the financial information of Glenealy, being an associate of SGL, is accounted for by SGL by way of equity accounting. Upon the completion of the Glenealy Scheme, Glenealy will become a non-wholly owned subsidiary of SGL. As a result, the earnings and assets and liabilities of Glenealy will be consolidated with the financial information of the SGL Group. Details of the effect of the Glenealy Scheme on the earnings and assets and liabilities of SGL are set out in Appendix V "Unaudited pro forma financial information of the Enlarged SGL Group" to this document.

Shareholding Structure of Lingui and Glenealy

As at the Latest Practicable Date, the authorised share capital of Lingui was MYR500,000,000 divided into 1,000,000,000 Lingui Shares, and the issued share capital of Lingui was MYR329,815,220.5 divided into 659,630,441 Lingui Shares.

As at the Latest Practicable Date, the authorised share capital of Glenealy was MYR1,000,000,000 divided into 1,000,000,000 Glenealy Shares, and the issued share capital of Glenealy after setting treasury shares off in equity was MYR114,090,792 divided into 114,090,792 Glenealy Shares.

The following table sets out the shareholding structure of Lingui and Glenealy: (i) as at the Latest Practicable Date; and (ii) immediately after the completion of the Lingui Scheme and the Glenealy Scheme (assuming there is no change in the paid-up share capital of Lingui and Glenealy after the Latest Practicable Date and immediately prior to the completion of Lingui Scheme and Glenealy Scheme):

	As at the Latest Practicable Date		**Immediately after the completion of Lingui Scheme**	
	Number of Lingui Shares	*Approximate %*	*Number of Lingui Shares*	*Approximate %*
Lingui:				
SGL *(Note)*	443,473,768	67.23	659,630,441	100.00
Lingui Scheme Shareholders				
Mr. Chan Hua Eng	394,623	0.06	—	—
Other Lingui Scheme Shareholders	215,762,050	32.71	—	—
	216,156,673	32.77	—	—
Total	659,630,441	100.00	659,630,441	100.00

Note: Indirectly held through Samling Malaysia, a wholly-owned subsidiary of SGL, as at the Latest Practicable Date. Immediately after the completion of Lingui Scheme, the Lingui Shares will be directly held by SGL and/or its nominee(s), including but not limited to Samling Malaysia.

	As at the Latest Practicable Date		Immediately after the completion of Glenealy Scheme	
	Number of Glenealy Shares	*Approximate %*	*Number of Glenealy Shares*	*Approximate %*
Glenealy:				
SSC	17,520,000	15.35	17,520,000	15.35
SGL *(Note 1)*	—	—	52,842,270	46.32
Lingui *(Note 2)*	43,728,522	38.33	43,728,522	38.33
	61,248,522	53.68	114,090,792	100.00
Glenealy Scheme Shareholders				
Mr. Chan Hua Eng	32,000	0.03	—	—
Other Glenealy Scheme Shareholders	52,810,270	46.29	—	—
	52,842,270	46.32	—	—
Total	114,090,792	100.00	114,090,792	100.00

Note 1: Held by SGL directly and/or indirectly through its nominee(s).

Note 2: Lingui directly held 2,180,000 Glenealy Shares and through Alpenview, a wholly-owned subsidiary of Lingui, indirectly held 41,548,522 Glenealy Shares.

As at the Latest Practicable Date, both Lingui and Glenealy do not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into Lingui Shares and Glenealy Shares respectively.

4. REASONS FOR AND BENEFITS OF THE MALAYSIAN PROPOSALS

SSC believes that the Malaysian Proposals will assist the Lingui Scheme Shareholders and the Glenealy Scheme Shareholders in obtaining a reasonable exit value and realising their investments in Lingui and Glenealy respectively. The trading liquidity of both Lingui Shares and Glenealy Shares in the past has also been generally thin. The average daily trading volume of Lingui Shares and Glenealy Shares were approximately 0.88 million Lingui Shares and approximately 0.02 million Glenealy Shares over the 12-month period up to and including the Pre-Announcement Day respectively, representing approximately 0.13% and 0.02% of the total issued share capital of Lingui and Glenealy (after setting treasury shares off in equity) respectively as at the Last Trading Day, or approximately 0.41% of the Lingui Scheme Shares and 0.04% of Glenealy Scheme Shares respectively.

5. IMPLICATIONS UNDER THE LISTING RULES

Proposed very substantial acquisition in respect of the Lingui Scheme and the Glenealy Scheme for SGL

As the applicable percentage ratios of the transactions contemplated under the Lingui Scheme and the Glenealy Scheme in aggregate as set out in Rule 14.07 of the Listing Rules are above 100%, the Lingui Scheme and the Glenealy Scheme taken together constitute a very substantial acquisition of SGL under Chapter 14 of the Listing Rules and the Lingui Scheme and Glenealy Scheme are both subject to the reporting, announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules.

Waiver from requirement to seek the approval of the Independent SGL Shareholders

Rule 14.49 of the Listing Rules requires SGL to seek the approval of the Independent SGL Shareholders in relation to the possible acquisition by SGL of Lingui and Glenealy under the Lingui Scheme and the Glenealy Scheme respectively. In connection with such requirement, an application for a waiver has been made by, and has been granted by the Stock Exchange to, SGL from strict compliance with the abovementioned shareholders' approval requirement under Rule 14.49 of the Listing Rules on the condition that (i) a combined shareholders' circular and scheme document (i.e. this document) is issued for the purpose of seeking shareholders' approval of the SGL Scheme; and (ii) the reasons for applying for the waiver are stated in this document. Such application was made on the grounds that: (i) if the Independent SGL Shareholders voted against the SGL Scheme at the SGL Court Meeting or if the SGL Shareholders voted against the capital reduction of SGL or the issue of the New SGL Shares at the SGL SGM such that the SGL Scheme does not become effective and thereby the SGL Scheme does not proceed, the Lingui Scheme and Glenealy Scheme, and hence the possible acquisition of Lingui and Glenealy by SGL, will not proceed; (ii) if the Independent SGL Shareholders voted in favour of the SGL Scheme at the SGL Court Meeting and if the SGL Shareholders voted for the capital reduction of SGL and the issue of the New SGL Shares at the SGL SGM and the SGL Scheme becomes effective, the SGL Shares held by the SGL Scheme Shareholders will be cancelled pursuant to the SGL Scheme, and therefore the acquisition of Lingui and Glenealy by SGL will be of no relevance to the Independent SGL Shareholders; and (iii) the approval threshold for approving the SGL Scheme at the SGL Court Meeting is more stringent than that for approving the possible acquisition of Lingui and Glenealy at the SGL SGM for the purposes of Rule 14.49 of the Listing Rules.

Waiver from requirement to prepare Accountants' Reports on Lingui and Glenealy

Rule 4.01(3) and Rule 14.69(4)(a)(i) of the Listing Rules require SGL to include an accountants' report in respect of each of Lingui and Glenealy in this document. In connection with these requirements, an application from a waiver has been made by, and has been granted by the Stock Exchange to, SGL from strict compliance with the abovementioned disclosure requirement under Rule 4.01(3) and Rule 14.69(4)(a)(i) of the Listing Rules on the condition that (i) a combined shareholders' circular and scheme document (i.e. this document) is issued for the purpose of seeking shareholders' approval of the SGL Scheme; and (ii) the reasons for applying for the waiver are stated in this document. Such application was made on the grounds that: (i) Lingui and Glenealy are listed on Bursa and are accordingly subject to the financial reporting requirements of the Listing Requirements; (ii) Lingui and Glenealy publish quarterly results and annual financial report in conformity with Financial Reporting Standards in Malaysia, which is materially consistent with that adopted by SGL except for Glenealy which adopts an accounting policy not in conformity of IAS 41 as adopted by SGL; and (iii) the financial information of Lingui and Glenealy, being a non-wholly owned subsidiary and an associate of SGL respectively, have been consolidated into and accounted for by SGL by way of equity accounting in the financial statements of SGL since the listing of SGL in 2007 respectively.

Possible exempted connected transaction in respect of the borrowing from SSC to fund the Lingui Scheme and the Glenealy Scheme for SGL

As SSC, being the controlling shareholder (as defined under the Listing Rules) of SGL, is a connected person (as defined under the Listing Rules) of SGL, the intended borrowing from SSC to fund the Lingui Scheme and the Glenealy Scheme on normal commercial terms without security from SGL constitutes a connected transaction exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

1 FINANCIAL SUMMARY

The consolidated financial information of the SGL Group for each of the three years ended 30 June 2009, 2010 and 2011 and for each of the six months ended 31 December 2010 and 2011 is illustrated as below:

The auditor's reports issued by KPMG Hong Kong in respect of the SGL Group's audited consolidated financial statements for each of the three years ended 30 June 2009, 2010 and 2011 did not contain any qualifications.

Both the consolidated interim financial report for the six months ended 31 December 2011 and the consolidated financial statements for the year ended 30 June 2011 have been restated for the correction of an error which was identified during the course of preparing this document. Please refer to the introductory paragraphs of sections 2 and 3 in this Appendix for further details.

Summary Consolidated Income Statement

	Six months ended 31 December		**For the year ended 30 June**		
	2011	**2010**	**2011**	**2010**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	*(unaudited)*		*(restated)*	
Revenue	405,476	350,913	729,047	598,248	478,960
Cost of sales	(353,724)	(311,901)	(645,837)	(540,897)	(445,778)
Gross profit	51,752	39,012	83,210	57,351	33,182
Other operating income	5,115	5,318	11,256	11,615	6,334
Distribution costs	(13,432)	(12,181)	(24,574)	(21,745)	(17,118)
Administrative expenses	(22,935)	(21,450)	(41,012)	(33,292)	(35,480)
Other operating expenses	(2,366)	(46)	(8,736)	(69)	(4,930)
(Loss)/gain from changes in fair value of plantation assets less estimated point-of-sale costs	(4,258)	12,377	1,585	4,232	(1,952)
Profit/(loss) from operations	13,876	23,030	21,729	18,092	(19,964)
Financial income	4,560	14,674	17,880	17,409	8,695
Financial expenses	(11,078)	(7,746)	(13,640)	(17,297)	(28,021)
Net financing (cost)/income	(6,518)	6,928	4,240	112	(19,326)
Share of profits less losses of associates	1,479	12,141	31,819	4,325	96
Share of profits less losses of jointly controlled entities	985	129	(11)	1,631	800

Summary Consolidated Income Statement *(Continued)*

	Six months ended 31 December		For the year ended 30 June		
	2011	**2010**	**2011**	**2010**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	*(unaudited)*		*(restated)*	
Profit/(loss) before taxation	9,822	42,228	57,777	24,160	(38,394)
Income tax	(5,452)	(6,783)	(12,160)	(592)	(4,593)
Profit/(loss) for the period/year	4,370	35,445	45,617	23,568	(42,987)
Attributable to:					
Equity shareholders of SGL	67	23,212	20,746	9,351	(37,447)
Non-controlling interests	4,303	12,233	24,871	14,217	(5,540)
Profit/(loss) for the period/year	4,370	35,445	45,617	23,568	(42,987)
Dividends attributable to the year	—	—	5,522	3,441	3,441
Dividend per SGL Share (US cent)	—	—	0.128	0.08	0.08
Earnings/(loss) per SGL Share (US cent)					
Basic and diluted	0.002	0.540	0.48	0.22	(0.87)

2 UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

Set out below is the consolidated interim financial information of the SGL Group for the six months ended 31 December 2011 together with the independent review report issued by KPMG Hong Kong. As explained further in note 2(b) to the consolidated interim financial information, this information has been restated for the correction of an error which was identified during the course of preparing this document and is therefore different from, and replaces, the financial information contained in the interim report issued by the Group on 19 February 2012.

In this section, "Company" shall be constructed as SGL and "Group" shall be constructed as SGL Group.

KPMG

REVIEW REPORT TO THE BOARD OF DIRECTORS OF SAMLING GLOBAL LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages I-5 to I-27 which comprises the consolidated balance sheet of Samling Global Limited as of 31 December 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with IAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 December 2011 is not prepared, in all material respects, in accordance with IAS 34.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF SAMLING GLOBAL LIMITED *(Continued)*
(incorporated in Bermuda with limited liability)

Emphasis of matter

Without qualifying our conclusion, we draw attention to the fact that the figures presented for the six months ended 31 December 2011 include the effects of the adjustments and prior period adjustments described in note 2(b). We have reviewed the adjustments and prior period adjustments described in note 2(b) that were applied to restate the consolidated interim financial report as at and for the six months ended 31 December 2011. Based on our review, such adjustments are appropriate and have been properly applied.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 April 2012

Consolidated Income Statement
For the six months ended 31 December 2011 — unaudited
(Expressed in United States dollars)

		Six months ended 31 December	
		2011	**2010**
	Notes	*$'000*	*$'000*
Revenue	*4*	405,476	350,913
Cost of sales		(353,724)	(311,901)
Gross profit		51,752	39,012
Other operating income		5,115	5,318
Distribution costs		(13,432)	(12,181)
Administrative expenses		(22,935)	(21,450)
Other operating expenses		(2,366)	(46)
(Loss)/gain from changes in fair value of plantation assets less estimated point-of-sale costs		(4,258)	12,377
Profit from operations		13,876	23,030
Financial income		4,560	14,674
Financial expenses		(11,078)	(7,746)
Net financing (costs)/income	*5*	(6,518)	6,928
Share of profits less losses of associates		1,479	12,141
Share of profits less losses of jointly controlled entities		985	129
Profit before taxation	*6*	9,822	42,228
Income tax	*7*	(5,452)	(6,783)
Profit for the period		4,370	35,445
Attributable to:			
Equity shareholders of the Company		67	23,212
Non-controlling interests		4,303	12,233
Profit for the period		4,370	35,445
Earnings per share (US cent)	*9*		
Basic and diluted		0.002	0.540

The notes on pages I-11 to I-27 form part of this interim financial statements.

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2011 — unaudited
(Expressed in United States dollars)

	Six months ended 31 December	
	2011	**2010**
	$'000	*$'000*
Profit for the period	4,370	35,445
Other comprehensive income for the period *(Note)*		
Exchange difference on re-translation of financial statements of subsidiaries	(24,332)	40,478
Total comprehensive income for the period	(19,962)	75,923
Attributable to:		
Equity shareholders of the Company	(16,405)	53,067
Non-controlling interests	(3,557)	22,856
Total comprehensive income for the period	(19,962)	75,923

Note: The component of other comprehensive income does not have any significant tax effect for the six months ended 31 December 2011 and 2010.

The notes on pages I-11 to I-27 form part of this interim financial statements.

Consolidated Balance Sheet
At 31 December 2011 — unaudited
(Expressed in United States dollars)

	Notes	At 31 December 2011 $'000 (restated)	At 30 June 2011 $'000 (restated)
Non-current assets			
Fixed assets	10		
— Investment properties		22,490	23,020
— Other property, plant and equipment		365,935	381,556
Construction in progress		743	2,614
Interests in leasehold land held under operating leases		42,100	42,396
Intangible assets		34,663	39,116
Plantation assets	11	267,149	285,321
Interests in associates		132,640	137,179
Interests in jointly controlled entities		12,468	12,266
Available-for-sale financial assets		331	325
Deferred tax assets		5,634	7,416
Total non-current assets		884,153	931,209
Current assets			
Inventories	12	176,863	161,802
Trade and other receivables	13	151,739	144,271
Current tax recoverable		6,335	16,594
Pledged bank deposits		2,757	3,873
Cash and cash equivalents	14	115,956	125,980
Total current assets		453,650	452,520
Total assets		1,337,803	1,383,729

Consolidated Balance Sheet *(Continued)*
At 31 December 2011 — unaudited
(Expressed in United States dollars)

	Notes	**At 31 December 2011** *$'000* *(restated)*	**At 30 June 2011** *$'000* *(restated)*
Current liabilities			
Bank loans and overdrafts	*15*	116,455	132,926
Obligations under finance leases		14,648	15,529
Trade and other payables	*16*	155,555	162,214
Current tax payable		8,607	5,779
Total current liabilities		295,265	316,448
Net current assets		158,385	136,072
Total assets less current liabilities		1,042,538	1,067,281
Non-current liabilities			
Bank loans	*15*	160,349	161,782
Obligations under finance leases		28,600	18,623
Deferred tax liabilities		52,592	57,033
Total non-current liabilities		241,541	237,438
Total liabilities		536,806	553,886
Capital and reserves			
Share capital		429,448	430,174
Reserves		170,482	192,063
Total equity attributable to equity shareholders of the Company		599,930	622,237
Non-controlling interests		201,067	207,606
Total equity		800,997	829,843
Total liabilities and equity		1,337,803	1,383,729

The notes on pages I-11 to I-27 form part of this interim financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2011 — unaudited

(Expressed in United States dollars)

	Attributable to equity shareholders of the Company									
	Share capital *$'000*	Share premium *$'000*	Capital redemption reserve *$'000*	Currency translation reserve *$'000*	Revaluation reserve *$'000*	Other reserve *$'000*	Retained profits *$'000*	Sub-total *$'000*	Non-controlling interests *$'000*	Total equity *$'000*
At 1 July 2010										
— As previously reported	430,174	261,920	—	38,393	6,673	(290,137)	116,902	563,925	171,196	735,121
— Prior period adjustment	—	—	—	—	—	—	(3,294)	(3,294)	(1,606)	(4,900)
— As restated	430,174	261,920	—	38,393	6,673	(290,137)	113,608	560,631	169,590	730,221
Changes in equity for the six months ended 31 December 2010:										
Profit for the period	—	—	—	—	—	—	23,212	23,212	12,233	35,445
Total other comprehensive income for the period	—	—	—	29,855	—	—	—	29,855	10,623	40,478
Total comprehensive income for the period	—	—	—	29,855	—	—	23,212	53,067	22,856	75,923
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(2,766)	(2,766)
Dividends in respect of previous financial year, approved and paid during the period	—	—	—	—	—	—	(3,441)	(3,441)	—	(3,441)
At 31 December 2010 (as restated)	430,174	261,920	—	68,248	6,673	(290,137)	133,379	610,257	189,680	799,937
At 1 July 2011										
— As previously reported	430,174	261,920	—	82,694	6,673	(290,137)	134,207	625,531	209,212	834,743
— Prior period adjustment	—	—	—	—	—	—	(3,294)	(3,294)	(1,606)	(4,900)
— As restated	430,174	261,920	—	82,694	6,673	(290,137)	130,913	622,237	207,606	829,843
Changes in equity for the six months ended 31 December 2011:										
Profit for the period	—	—	—	—	—	—	67	67	4,303	4,370
Total other comprehensive income for the period	—	—	—	(16,472)	—	—	—	(16,472)	(7,860)	(24,332)
Total comprehensive income for the period	—	—	—	(16,472)	—	—	67	(16,405)	(3,557)	(19,962)
Purchase of own shares	(726)	—	340	—	—	—	—	(386)	—	(386)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(2,982)	(2,982)
Dividends in respect of previous financial year, approved and paid during the period	—	—	—	—	—	—	(5,516)	(5,516)	—	(5,516)
At 31 December 2011 (as restated)	429,448	261,920	340	66,222	6,673	(290,137)	125,464	599,930	201,067	800,997

The notes on pages I-11 to I-27 form part of this interim financial statements.

Condensed Consolidated Cash Flow Statement
For the six months ended 31 December 2011 — unaudited
(Expressed in United States dollars)

		Six months ended 31 December	
		2011	**2010**
	Note	*$'000*	*$'000*
Operating profit before changes in working capital		64,826	56,817
Changes in working capital		(32,720)	(29,754)
Net cash generated from operations		32,106	27,063
Net income tax refunded/(paid)		6,540	(1,648)
Net cash generated from operating activities		38,646	25,415
Net cash used in investing activities		(16,398)	(37,321)
Net cash used in financing activities		(28,138)	(33,192)
Net decrease in cash and cash equivalents		(5,890)	(45,098)
Cash and cash equivalents at the beginning of the period		114,925	139,998
Effect of foreign exchange rate changes		(2,443)	4,788
Cash and cash equivalents at the end of the period	*14*	106,592	99,688

The notes on pages I-11 to I-27 form part of this interim financial statements.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 30 April 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2011 ("2011 Annual Financial Statements"), except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 30 June 2012. Details of these changes in accounting policies are set out in note 2(a).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 Annual Financial Statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the IASB. IFRSs include all applicable IFRS, IAS and related interpretations.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on pages I-3 to I-4.

The financial information relating to the financial year ended 30 June 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements (as revised for the matter referred to in note 2(b)). Statutory financial statements for the year ended 30 June 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 April 2012.

2. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF PREVIOUSLY ISSUED INTERIM CONDENSED FINANCIAL INFORMATION

(a) Changes in accounting policies

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

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)

IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

2. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF PREVIOUSLY ISSUED INTERIM CONDENSED FINANCIAL INFORMATION *(Continued)*

(b) Restatement of previously issued interim condensed financial information

The Group previously issued interim condensed financial information as at and for the six months ended 31 December 2011 on 19 February 2012. At that date the interim financial information included the Group's share of profit and interests in Glenealy Plantations (Malaya) Berhad ("Glenealy"), an associate of the Group, based on information provided by that entity and in accordance with the Group's accounting policies.

Glenealy has certain plantation assets located in Malaysia. These plantation assets were independently valued by HASB Consultants Sdn. Bhd. ("HASB") at each balance sheet date. During the course of preparing the Company's investment circular in connection with a proposed acquisition, it was brought to the directors' attention that a formula error had been found in the calculations which supported the valuations of plantation assets of Glenealy, and that these calculations were adopted by HASB in forming their conclusions on the fair values of the plantation assets, which were included in their previously issued valuation reports on the fair value of the plantation assets as at 31 December 2011, 30 June 2011, 31 December 2010 and 30 June 2010, dated 9 February 2012, 19 August 2011, 14 February 2011 and 27 August 2010, respectively ("original valuation reports").

On 12 April 2012, HASB re-issued the valuation reports on the plantation assets of Glenealy as at 31 December 2011, 30 June 2011, 31 December 2010 and 30 June 2010 ("re-issued valuation reports") to replace the original valuation reports to correct the formula error and restate the fair values of the plantation assets of Glenealy as at those dates.

As the gain or loss from changes in fair value of plantation assets less estimated point-of-sale costs would be recognised in the income statement of Glenealy under the same accounting policies adopted by the Group, any material changes in the fair value of Glenealy's plantation assets would have a consequential impact on the share of profits less losses of associates and interests in associates recognised in the financial statements of the Group.

Specifically, based on the re-issued valuation reports, the directors of the Company determined that the Group's interests in associates as at 31 December 2011 and 30 June 2011, as reported in the interim financial report issued on 19 February 2012 and the Group's annual financial statements for the year ended 30 June 2011, should be reduced by $4,900,000, in order to correct this error. This correction of an error had no material impact on profits reported for the six months ended 31 December 2011 or 31 December 2010.

The effect of the adjustments and prior period adjustments for each financial statement line item as at 31 December 2011 and 30 June 2011 is summarised as follows:

	As previously reported	**Adjustments**	**As restated**
	$'000	*$'000*	*$'000*
Consolidated balance sheet at 31 December 2011			
Interests in associates	137,540	(4,900)	132,640
Retained profits	128,758	(3,294)	125,464
Reserves	173,776	(3,294)	170,482
Total equity attributable to equity shareholders of the Company	603,224	(3,294)	599,930
Non-controlling interests	202,673	(1,606)	201,067

	As previously reported	**Prior period adjustments**	**As restated**
	$'000	*$'000*	*$'000*
Consolidated balance sheet at 30 June 2011			
Interests in associates	142,079	(4,900)	137,179
Retained profits	134,207	(3,294)	130,913
Reserves	195,357	(3,294)	192,063
Total equity attributable to equity shareholders of the Company	625,531	(3,294)	622,237
Non-controlling interests	209,212	(1,606)	207,606

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

2. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF PREVIOUSLY ISSUED INTERIM CONDENSED FINANCIAL INFORMATION *(Continued)*

(b) Restatement of previously issued interim condensed financial information *(Continued)*

This interim condensed consolidated financial information as at 31 December 2011 incorporates the adjustments detailed above in the appropriate interim periods. On 30 April 2012 the Group also re-issued the Group's consolidated financial statements for the year ended 30 June 2011 in respect of the same matter. These re-issued consolidated financial statements are available from the Company's registered office.

3. SEGMENT REPORTING

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

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

Starting from the year ended 30 June 2011, the financial results of hardwood logs and upstream support which were reported as two separate operating segments in previous years' financial statements are grouped and reported to the Group's most senior executive management as one single operating segment for the purposes of resources allocation and performance assessment. Following a change in the composition of the Group's operating segments that in turn results in a change in the reportable segments, the segment information for the six months ended 31 December 2010 has been restated.

(a) Segment results, assets and liabilities

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

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

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

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

3. 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 resources allocation and assessment of segment performance for the six months ended 31 December 2011 and 2010 is set out below:

	Six months ended 31 December 2011						
	Logs						
	Hardwood logs	Softwood logs	Sub-total	Plywood and veneer	Flooring products	Other operations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	167,787	30,072	197,859	97,139	61,294	49,184	405,476
Inter-segment revenue	45,779	—	45,779	14,571	—	5,425	65,775
Reportable segment revenue	213,566	30,072	243,638	111,710	61,294	54,609	471,251
Reportable segment profit/(loss)	20,616	(5,790)	14,826*	949	6,838	(6,937)	15,676
Additions to non-current segment assets during the period	17,026	7,496	24,522	2,503	2,862	6,109	35,996

* Included in reportable segment profit of logs segment is a loss from changes in fair value of plantation assets less estimated point-of-sale costs of $4,258,000.

	Six months ended 31 December 2010						
	Logs						
	Hardwood logs	Softwood logs	Sub-total	Plywood and veneer	Flooring products	Other operations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	134,615	25,322	159,937	87,875	44,421	58,680	350,913
Inter-segment revenue	53,627	—	53,627	13,184	4,964	3,457	75,232
Reportable segment revenue	188,242	25,322	213,564	101,059	49,385	62,137	426,145
Reportable segment profit/(loss)	13,011	13,742	26,753^	(7,717)	4,743	(749)	23,030
Additions to non-current segment assets during the period	11,698	6,762	18,460	1,155	1,217	9,203	30,035

^ Included in reportable segment profit of logs segment is a gain from changes in fair value of plantation assets less estimated point-of-sale costs of $12,377,000.

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

3. SEGMENT REPORTING *(Continued)*

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

	At 31 December 2011						
	Logs						
	Hardwood logs	Softwood logs	Sub-total	Plywood and veneer	Flooring products	Other operations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reportable segment assets	229,009	288,122	517,131	270,479	151,138	141,537	1,080,285
Interests in associates (restated)	—	—	—	—	—	132,640	132,640
Interests in jointly controlled entities	—	—	—	—	—	12,468	12,468
Reportable segment liabilities	66,290	1,480	67,770	29,369	28,533	29,883	155,555

	At 30 June 2011						
	Logs						
	Hardwood logs	Softwood logs	Sub-total	Plywood and veneer	Flooring products	Other operations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reportable segment assets	234,200	316,909	551,109	278,963	133,081	140,913	1,104,066
Interests in associates (restated)	—	—	—	—	—	137,179	137,179
Interests in jointly controlled entities	—	—	—	—	—	12,266	12,266
Reportable segment liabilities	67,995	2,664	70,659	32,475	19,378	39,702	162,214

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

	Six months ended 31 December	
	2011	2010
	$'000	$'000
Revenue		
Reportable segment revenue	471,251	426,145
Elimination of inter-segment revenue	(65,775)	(75,232)
Consolidated revenue	405,476	350,913
Profit		
Reportable segment profit	15,676	23,030
Share of profits less losses of associates	1,479	12,141
Share of profits less losses of jointly controlled entities	985	129
Net financing (costs)/income and other unallocated head office and corporate expenses	(8,318)	6,928
Consolidated profit before taxation	9,822	42,228

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

3. SEGMENT REPORTING *(Continued)*

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

	At 31 December 2011 $'000	At 30 June 2011 $'000
Assets		
Reportable segment assets	1,080,285	1,104,066
Interests in associates (restated)	132,640	137,179
Interests in jointly controlled entities	12,468	12,266
Deferred tax assets	5,634	7,416
Current tax recoverable	6,335	16,594
Unallocated head office and corporate assets	100,441	106,208
Consolidated total assets (restated)	1,337,803	1,383,729
Liabilities		
Reportable segment liabilities	155,555	162,214
Current tax payable	8,607	5,779
Deferred tax liabilities	52,592	57,033
Bank loans and overdrafts	276,804	294,708
Obligations under finance leases	43,248	34,152
Consolidated total liabilities	536,806	553,886

4. REVENUE

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

	Six months ended 31 December 2011 $'000	2010 $'000
Sales of goods	394,819	337,391
Revenue from provision of services	10,657	13,522
	405,476	350,913

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

5. NET FINANCING (COSTS)/INCOME

	Six months ended 31 December	
	2011	**2010**
	$'000	*$'000*
Interest on loans and overdrafts from banks and finance charges on obligations under finance leases wholly repayable within five years	(10,150)	(10,096)
Less: Borrowing costs capitalised into plantation assets *(note 11)*	3,147	3,108
Interest expense	(7,003)	(6,988)
Net loss on changes in fair value of financial instruments	—	(714)
Foreign exchange losses	(4,075)	(44)
Financial expenses	(11,078)	(7,746)
Interest income	1,215	1,516
Net gain on changes in fair value of financial instruments	870	—
Foreign exchange gains	2,475	13,158
Financial income	4,560	14,674
	(6,518)	6,928

The borrowing costs have been capitalised at a rate of 4.67% to 7.31% (2010: 3.40% to 7.31%) per annum.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 31 December	
	2011	**2010**
	$'000	*$'000*
Depreciation	29,325	31,270
Less: Depreciation capitalised into plantation assets *(note 11)*	(301)	(442)
	29,024	30,828
Amortisation of interests in leasehold land held under operating leases	599	634
Amortisation of intangible assets	4,155	4,075

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

7. INCOME TAX

	Six months ended 31 December 2011 $'000	2010 $'000
Current tax		
Provision for the period	6,092	5,824
(Over)/under-provision in respect of prior years	(436)	190
	5,656	6,014
Deferred tax		
Origination and reversal of temporary differences	(204)	769
	5,452	6,783

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 six months ended 31 December 2011 and 2010.

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

(d) The subsidiaries in Guyana are liable to Guyana income tax at a rate of 30% (2010: 35%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the six months ended 31 December 2011 and 2010.

(e) The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 28% (2010: 30%).

(f) The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2010: 30%).

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

(h) No provision for Indonesian income tax has been made as the subsidiaries in Indonesia did not earn any income subject to Indonesian income tax during the six months ended 31 December 2011 (2010: N/A).

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2011 (six months ended 31 December 2010: $Nil).

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 31 December 2011 $'000	2010 $'000
Final dividend in respect of the previous financial year of 0.128 US cents (six months ended 31 December 2010: 0.080 US cents) per share, approved and paid during the following interim period	5,516	3,441

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 31 December 2011 is based on the profit attributable to equity shareholders of the Company for the six months ended 31 December 2011 of $67,000 (six months ended 31 December 2010: $23,212,000) and weighted average of 4,299,974,000 (2010: 4,301,737,000) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares during the six months ended 31 December 2011 and 2010. The diluted earnings per share is the same as the basic earnings per share.

10. FIXED ASSETS

(a) Acquisitions and disposals

During the six months ended 31 December 2011, the Group acquired fixed assets with an aggregate cost of $25,221,000 (six months ended 31 December 2010: $15,073,000). Items of fixed assets with an aggregate net book value of $854,000 were disposed of during the six months ended 31 December 2011 (six months ended 31 December 2010: $764,000), resulting in a gain on disposal of $62,000 (six months ended 31 December 2010: $296,000).

(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 15.

11. PLANTATION ASSETS

Included in additions to the Group's plantation assets for the six months ended 31 December 2011 are interest capitalised of $3,147,000 (six months ended 31 December 2010: $3,108,000) and depreciation capitalised of $301,000 (six months ended 31 December 2010: $442,000).

A significant portion of trees in New Zealand are planted on freehold forest and a small portion on leasehold forest with a term of 79 years, expiring in 2060. The Group has been granted seven (2010: seven) plantation licences for a gross area of approximately 458,000 (2010: 458,000) hectares in Malaysia. The licences are granted for 60 years, the earliest of which expires in December 2058. The Group was granted the plantation rights of a total land area of 3,079 hectares in the PRC, expiring in 2066.

The Group's plantation assets in Malaysia and the PRC were independently valued by Pöyry Forest Industry Pte Ltd ("Pöyry") while the plantation assets in New Zealand were independently valued by Chandler Fraser Keating Limited ("CFK"). In view of the non-availability of market value for tree plantation in New Zealand, Malaysia and the PRC, both Pöyry and CFK have applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at the rate of 10.2% (2010: 10.2%) for plantation assets in Malaysia, 10% (2010: 10%) for plantation assets in the PRC and 7.25% (2010: 7.25%) for plantation assets in New Zealand to arrive at the fair value of the plantation assets.

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

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

11. 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. 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 15.

12. INVENTORIES

During the six months ended 31 December 2011, $4,741,000 (six months ended 31 December 2010: $273,000) has been recognised as an expense in the consolidated income statements, to write-down the inventories to their estimated net realisable value.

13. TRADE AND OTHER RECEIVABLES

	At 31 December 2011 *$'000*	**At 30 June 2011** *$'000*
Trade receivables	71,576	64,543
Prepayments, deposits and other receivables	64,984	63,249
Loans to third parties	15,179	16,479
	151,739	144,271

Included in the Group's trade receivables are amounts due from associates, jointly controlled entities and related parties of $3,172,000 (30 June 2011: $4,386,000), $79,000 (30 June 2011: $77,000) and $537,000 (30 June 2011: $553,000) respectively, as at 31 December 2011.

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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

(i) In prior years, a loan of $9,000,000 has been disbursed to a third party in connection with a proposed acquisition of an Indonesian company (the "Target"). The Group elected to terminate this proposed acquisition in April 2010. In accordance with the sales and purchase agreement and convertible loan agreement in place, the loan of $9,000,000 shall then be repaid to the Group in full by 19 November 2010 or the commencement of the commercial operation of the Target, whichever occurs earlier. On 17 December 2010, the Group had entered into an agreement with that third party to revise the repayment term of the above loan where the loan shall be fully repaid within a period of 24 months from the date of agreement. During the repayment period, the borrower shall pay to the Group every month a minimum amount of $300,000. The loan is unsecured and bears interest at 6% (30 June 2011: 6%) per annum.

The borrower made a total repayment of $1,800,000 to the Group up to 30 June 2011, but no repayment had been made by the borrower during the six months ended 31 December 2011. As at 31 December 2011, the outstanding loan amounted to $7,200,000 (30 June 2011: $7,200,000). Since there was no repayment during the six months ended 31 December 2011, the Directors assessed that a portion of the loan may not be recoverable. Consequently, an impairment loss of $1,800,000 was recognised in respect of the outstanding loan balance as at 31 December 2011; and

(ii) Two loans totalling $9,779,000 have been disbursed to two third parties (the "Borrowers") in connection with certain proposed business acquisitions. As at 31 December 2011, the loans are secured and interest free. These loans are convertible into shares of certain designated companies which are set out in the loan agreements. These loans are repayable by the Borrowers at the request of the Group, which will be at the time that the Group decides not to proceed with the proposed acquisitions in accordance with the terms and conditions of the loan agreements. The loans shall carry interest at 6% per annum since then. Subject to the fulfilment of certain terms and conditions as set out in the loan agreements, a loan of $3,823,000 will be further disbursed to the above mentioned third parties.

(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 from the date of billing is as follows:

	At 31 December 2011 *$'000*	**At 30 June 2011** *$'000*
Within 30 days	40,992	39,957
31–60 days	7,689	8,497
61–90 days	4,166	3,243
91–180 days	8,466	8,118
181–365 days	6,267	1,273
1–2 years	3,230	2,493
Over 2 years	766	962
	71,576	64,543

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

13. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of Trade Receivables

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

At 31 December 2011, the Group's trade receivables of $4,515,000 (30 June 2011: $4,200,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of these receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $4,515,000 (30 June 2011: $4,200,000) were recognised.

(c) Trade Receivables that are not impaired

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

	At 31 December 2011 *$'000*	**At 30 June 2011** *$'000*
Within 30 days	40,992	39,957
31–60 days	7,689	8,497
61–90 days	4,166	3,243
91–180 days	8,466	8,118
181–365 days	6,267	1,273
1–2 years	3,230	2,493
Over 2 years	766	962
	71,576	64,543

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

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

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

14. CASH AND CASH EQUIVALENTS

	At 31 December 2011 *$'000*	At 30 June 2011 *$'000*
Deposits with banks and other financial institutions	85,582	101,543
Cash at bank and in hand	30,374	24,437
Cash and cash equivalents in the consolidated balance sheet	115,956	125,980
Bank overdrafts *(note 15)*	(9,364)	(11,055)
Cash and cash equivalents in the condensed consolidated cash flow statement	106,592	114,925

15. BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts were repayable as follows:

	At 31 December 2011 *$'000*	At 30 June 2011 *$'000*
Within one year or on demand	116,455	132,926
After one year but within two years	36,139	34,043
After two years but within five years	120,245	123,601
After five years	3,965	4,138
	160,349	161,782
	276,804	294,708

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

15. BANK LOANS AND OVERDRAFTS *(Continued)*

The bank loans and overdrafts were secured as follows:

	At 31 December 2011	At 30 June 2011
	$'000	*$'000*
Overdrafts *(note 14)*		
— unsecured	7,635	10,136
— secured	1,729	919
	9,364	11,055
Bank loans		
— unsecured	138,351	147,153
— secured	129,089	136,500
	267,440	283,653
	276,804	294,708

The carrying values of assets secured for bank loans and overdrafts were as follows:

	At 31 December 2011	At 30 June 2011
	$'000	*$'000*
Fixed assets	64,839	68,018
Interests in leasehold land held under operating leases	12,323	12,458
Plantation assets	236,533	259,080
Pledged bank deposits	2,757	3,873
	316,452	343,429

At 31 December 2011, a bank loan of the Group amounting to $30,000,000 (30 June 2011: $35,000,000) was secured by the Group's shares in Lingui Developments Berhad.

The banking facilities of the Group amounting to $332,285,000 (30 June 2011: $345,049,000) were utilised to the extent of $276,804,000 (30 June 2011: $294,708,000) as at 31 December 2011.

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

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

16. TRADE AND OTHER PAYABLES

	At 31 December 2011 $'000	At 30 June 2011 $'000
Trade payables	60,595	71,357
Other payables	37,516	35,393
Accrued expenses	41,779	39,913
Amount due to an associate	4,723	3,468
Derivative financial instruments	10,942	12,083
	155,555	162,214

Included in the Group's trade payables are amounts due to associates and related parties of $766,000 (30 June 2011: $625,000) and $6,800,000 (30 June 2011: $2,564,000) respectively, as at 31 December 2011.

The amount due to an associate is secured, interest-bearing at a rate of 9% per annum and repayable on 28 March 2012.

An ageing analysis of trade payables from the date of billing is as follows:

	At 31 December 2011 $'000	At 30 June 2011 $'000
Within 30 days	23,038	33,523
31–60 days	6,241	12,996
61–90 days	6,985	4,606
91–180 days	10,858	7,134
181–365 days	7,704	8,924
1–2 years	5,715	3,673
Over 2 years	54	501
	60,595	71,357

17. CONTINGENT LIABILITIES

The status of the legal claims stated in the 2011 Annual Financial Statements remains unchanged as at 31 December 2011.

18. SEASONALITY OF OPERATIONS

In general, the Group's revenue during each financial year historically has been the weakest during the second and third quarters of its financial year as a result of holiday periods celebrated during such quarters by customers in various countries (such as Christmas and Chinese New Year holiday). In addition, the Group's revenue is also affected by seasonal rainfall (including annual monsoons in Malaysia).

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

19. CAPITAL COMMITMENTS

	At 31 December 2011 $'000	At 30 June 2011 $'000
Authorised and contracted for	5,972	10,485
Authorised but not contracted for	57,979	89,672
	63,951	100,157

20. RELATED PARTY TRANSACTIONS

During the six months ended 31 December 2011 and 2010, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Yaw Holding Sdn. Bhd. ("Yaw Holding"), its subsidiaries and associates ("Yaw Holding Group")	Yaw Holding is the ultimate controlling party of the Company
Glenealy Plantations (Malaya) Berhad ("Glenealy") and its subsidiaries ("Glenealy Group")	Glenealy is an associate of the Group
Sepangar Chemical Industry Sdn. Bhd. ("Sepangar")	Sepangar is an associate of the Group
Daiken Miri Sdn. Bhd. ("Daiken")	Daiken is an associate of the Group
Rimalco Sdn. Bhd. ("Rimalco")	Rimalco is an associate of the Group
Stone Tan China Holding Corporation ("Stone Tan") and its subsidiaries ("Stone Tan Group")	Stone Tan is an associate of the Group
Magna-Foremost Sdn. Bhd. ("Magna-Foremost")	Magna-Foremost is a jointly controlled entity of the Group
Arif Hemat Sdn. Bhd. ("Arif Hemat")	Arif Hemat is controlled by a director of certain subsidiaries of the Group
3D Networks Sdn. Bhd. ("3D Networks")	3D Networks is controlled by Mr. Yaw Chee Ming
Hap Seng Auto Sdn. Bhd. ("HSA") and its subsidiaries ("HSA Group")	HSA is controlled by the father-in-law of Mr. Yaw Chee Ming
Sojitz Building Materials Corporation ("Sojitz Building")	Sojitz Building is a subsidiary of Sojitz Corporation, a major shareholder of Samling Housing Products Sdn. Bhd., a subsidiary of the Group
Pacific Plywood Co., Ltd. ("Pacific Plywood")	Pacific Plywood is controlled by Mr. Chia Ti Lin, Colin, a senior management of the Group
Meridian Magic Sdn. Bhd. ("Meridian Magic")	Meridian Magic is controlled by the brother of Mr. Yaw Chee Ming

Notes to the Unaudited Interim Financial Report *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

20. RELATED PARTY TRANSACTIONS *(Continued)*

Particulars of significant transactions between the Group and the above related parties during the six months ended 31 December 2011 and 2010 are as follows:

	Six months ended 31 December 2011 $'000	2010 $'000
Sale of goods to:		
Rimalco	3,824	2,772
Daiken	—	289
Magna-Foremost	1,731	1,202
Sojitz Building	11,538	12,238
	17,093	16,501
Provision of services to:		
Yaw Holding Group	74	65
Daiken	41	55
Magna-Foremost	196	204
Glenealy Group	99	67
	410	391
Rental of properties and equipment to:		
Yaw Holding Group	179	—
Rimalco	58	57
Daiken	25	30
Magna-Foremost	5	5
3D Networks	27	26
Arif Hemat	9	9
Meridian Magic	198	—
	501	127
Interest income from:		
Magna-Foremost	—	3
Interest expense to:		
Stone Tan Group	231	—
Rental of properties and equipment from:		
Yaw Holding Group	466	450
Purchase of goods from:		
Sepangar	4,243	3,480
Daiken	1,942	1,018
HSA Group	9,784	2,521
Pacific Plywood	10	—
	15,979	7,019
Purchase of services from:		
Yaw Holding Group	394	396
Purchase of fixed assets from:		
Yaw Holding Group	71	46

21. SUBSEQUENT EVENTS

On 22 March 2012, the board of directors of the Company put forward a proposal to the board of directors of Lingui Developments Berhad ("Lingui") and Glenealy for the privatisation of Lingui and Glenealy, both Lingui and Glenealy are currently listed on Bursa Malaysia Securities Berhad. The total consideration for the proposed privatisation is RM748,652,000 (equivalent to $241,501,000).

3 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Set out below are the consolidated financial statements of the SGL Group for the year ended 30 June 2011 together with the independent auditor's report issued by KPMG Hong Kong. As explained further in note 1(b) to the consolidated financial statements, these financial statements have been restated for the correction of an error which was identified during the course of preparing this document and are therefore different from, and replace, the financial statements issued by the Group on 22 September 2011.

In this section, "Company" shall be constructed as SGL and "Group" shall be constructed as SGL Group.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAMLING GLOBAL LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Samling Global Limited (the "Company") and its subsidiaries (together the "Group") set out on pages I-30 to I-112, which comprise the consolidated and company balance sheets as at 30 June 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAMLING GLOBAL LIMITED *(Continued)*
(Incorporated in Bermuda with limited liability)

Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that the figures presented for the year ended 30 June 2011 include the effects of the adjustments and prior period adjustments described in note 1(b). We have audited the adjustments and prior period adjustments described in note 1(b) that were applied to restate the consolidated financial statements as at and for the year ended 30 June 2011. Based on our audit, such adjustments are appropriate and have been properly applied.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 April 2012

Consolidated Income Statement
For the year ended 30 June 2011
(Expressed in United States dollars)

	Note	2011 $'000	2010 $'000 (restated)
Revenue	3	729,047	598,248
Cost of sales		(645,837)	(540,897)
Gross profit		83,210	57,351
Other operating income	4	11,256	11,615
Distribution costs		(24,574)	(21,745)
Administrative expenses		(41,012)	(33,292)
Other operating expenses	4	(8,736)	(69)
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	17	1,585	4,232
Profit from operations		21,729	18,092
Financial income		17,880	17,409
Financial expenses		(13,640)	(17,297)
Net financing income	5	4,240	112
Share of profits less losses of associates	19	31,819	4,325
Share of profits less losses of jointly controlled entities	20	(11)	1,631
Profit before taxation	6	57,777	24,160
Income tax	7(a)	(12,160)	(592)
Profit for the year		45,617	23,568
Attributable to:			
Equity shareholders of the Company		20,746	9,351
Non-controlling interests		24,871	14,217
Profit for the year		45,617	23,568
Earnings per share (US cent)	10		
Basic and diluted		0.48	0.22

The notes on pages I-38 to I-112 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9(a).

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2011
(Expressed in United States dollars)

	2011 *$'000*	2010 *$'000* *(restated)*
Profit for the year	45,617	23,568
Other comprehensive income for the year *(Note)*		
Exchange difference on re-translation of financial statements of subsidiaries	60,690	29,121
Total comprehensive income for the year	106,307	52,689
Attributable to:		
Equity shareholders of the Company	65,047	26,004
Non-controlling interests	41,260	26,685
Total comprehensive income for the year	106,307	52,689

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

The notes on pages I-38 to I-112 form part of these financial statements.

Consolidated Balance Sheet
At 30 June 2011
(Expressed in United States dollars)

	Note	2011 $'000 (restated)	2010 $'000 (restated)
Non-current assets			
Fixed assets	13		
— Investment properties		23,020	15,925
— Other property, plant and equipment		381,556	379,804
Construction in progress	14	2,614	13,696
Interests in leasehold land held under operating leases	15	42,396	35,035
Intangible assets	16	39,116	44,560
Plantation assets	17	285,321	239,263
Interests in associates	19	137,179	77,460
Interests in jointly controlled entities	20	12,266	13,494
Available-for-sale financial asset		325	34
Deferred tax assets	21	7,416	6,103
Total non-current assets		931,209	825,374
Current assets			
Inventories	22	161,802	144,655
Trade and other receivables	23	144,271	122,235
Current tax recoverable	7(c)	16,594	18,121
Pledged bank deposits	24	3,873	7,356
Cash and cash equivalents	25	125,980	156,498
Total current assets		452,520	448,865
Total assets		1,383,729	1,274,239
Current liabilities			
Bank loans and overdrafts	26(a)	132,926	112,008
Obligations under finance leases	26(b)	15,529	21,979
Trade and other payables	27	162,214	152,969
Current tax payable	7(c)	5,779	2,461
Total current liabilities		316,448	289,417
Net current assets		136,072	159,448
Total assets less current liabilities		1,067,281	984,822
Non-current liabilities			
Bank loans	26(a)	161,782	176,493
Obligations under finance leases	26(b)	18,623	23,685
Deferred tax liabilities	21	57,033	54,423
Total non-current liabilities		237,438	254,601
Total liabilities		553,886	544,018

Consolidated Balance Sheet *(Continued)*
At 30 June 2011
(Expressed in United States dollars)

	Note	2011 $'000 (restated)	2010 $'000 (restated)
Capital and reserves			
Share capital	28	430,174	430,174
Reserves		192,063	130,457
Total equity attributable to equity shareholders of the Company		622,237	560,631
Non-controlling interests		207,606	169,590
Total equity		829,843	730,221
Total liabilities and equity		1,383,729	1,274,239

Approved and authorised for issue by the Board of Directors on 30 April 2012.

Chan Hua Eng
Director

Yaw Chee Ming
Director

The notes on pages I-38 to I-112 form part of these financial statements.

Balance Sheet

at 30 June 2011

(Expressed in United States dollars)

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

Approved and authorised for issue by the Board of Directors on 30 April 2012.

Chan Hua Eng	**Yaw Chee Ming**
Director	*Director*

The notes on pages I-38 to I-112 form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2011
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital $'000 (Note 28(a))	Share premium $'000 (Note 29(b)(i))	Currency translation reserve $'000 (Note 29(b)(ii))	Revaluation reserve $'000 (Note 29(b)(iii))	Other reserve $'000 (Note 29(b)(iv))	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
At 1 July 2009		430,174	261,920	21,740	6,673	(309,679)	107,698	518,526	176,718	695,244
Changes in equity for the year:										
Profit for the year										
— as previously reported		—	—	—	—	—	12,645	12,645	15,823	28,468
— prior period adjustment		—	—	—	—	—	(3,294)	(3,294)	(1,606)	(4,900)
— as restated		—	—	—	—	—	9,351	9,351	14,217	23,568
Total other comprehensive income for the year		—	—	16,653	—	—	—	16,653	12,468	29,121
Total comprehensive income for the year		—	—	16,653	—	—	9,351	26,004	26,685	52,689
Additional investment in a subsidiary		—	—	—	—	19,542	—	19,542	(31,727)	(12,185)
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	(2,086)	(2,086)
Dividends in respect of previous financial year, approved and paid during the year	9(b)	—	—	—	—	—	(3,441)	(3,441)	—	(3,441)
At 30 June 2010 (as restated)		430,174	261,920	38,393	6,673	(290,137)	113,608	560,631	169,590	730,221
At 1 July 2010										
— as previously reported		430,174	261,920	38,393	6,673	(290,137)	116,902	563,925	171,196	735,121
— prior period adjustment		—	—	—	—	—	(3,294)	(3,294)	(1,606)	(4,900)
— as restated		430,174	261,920	38,393	6,673	(290,137)	113,608	560,631	169,590	730,221
Changes in equity for the year:										
Profit for the year		—	—	—	—	—	20,746	20,746	24,871	45,617
Total other comprehensive income for the year		—	—	44,301	—	—	—	44,301	16,389	60,690
Total comprehensive income for the year		—	—	44,301	—	—	20,746	65,047	41,260	106,307
Acquisition of subsidiaries	30(a)	—	—	—	—	—	—	—	103	103
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	(3,347)	(3,347)
Dividends in respect of previous financial year, approved and paid during the year	9(b)	—	—	—	—	—	(3,441)	(3,441)	—	(3,441)
At 30 June 2011 (as restated)		430,174	261,920	82,694	6,673	(290,137)	130,913	622,237	207,606	829,843

The notes on pages I-38 to I-112 form part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 30 June 2011
(Expressed in United States dollars)

	Note	2011 $'000	2010 $'000 (restated)
Profit before taxation		57,777	24,160
Adjustments for:			
Negative goodwill	4	—	(391)
Gain on disposal of fixed assets	4	(389)	(2,252)
Depreciation and amortisation	6	71,378	69,522
Write off of fixed assets		277	720
Reversal of impairment losses on fixed assets	6	(1,358)	—
Interest income	5	(2,868)	(2,214)
Interest expense	5	13,530	12,936
Net (gain)/loss on changes in fair value of financial instruments	5	(1,229)	3,628
Write off of available-for-sale financial asset		36	—
Impairment losses on interests in associates	6	66	91
Share of profits less losses of associates	19	(31,819)	(4,325)
Share of profits less losses of jointly controlled entities	20	11	(1,631)
Harvested timber transferred to inventories	17	15,752	12,853
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	17	(1,585)	(4,232)
Net unrealised foreign exchange gain		(9,072)	(11,100)
Changes in working capital:			
(Increase)/decrease in inventories		(7,476)	265
Increase in trade and other receivables		(17,316)	(47,054)
Increase in trade and other payables		2,467	16,678
Net cash generated from operations		88,182	67,654
Income tax and withholding tax paid		(14,910)	(8,954)
Income tax refunded		3,605	8,585
Net cash generated from operating activities		76,877	67,285
Investing activities			
Payment for the purchase of fixed assets		(27,540)	(36,903)
Acquisition of interests in leasehold land held under operating leases		(3,832)	—
Payment for construction in progress		(536)	(4,426)
Capital expenditure on plantation assets		(14,637)	(11,474)
Proceeds from disposal of fixed assets		7,329	4,949
Payment for subscription of shares in an associate		(20,000)	—
Additional investment in an associate		(3,086)	—
Additional investment in a jointly controlled entity		—	(35)
Dividends received from associates		3,791	960
Payment for the purchase of available-for-sale financial asset		(325)	—
Acquisition of subsidiaries, net of cash and cash equivalents acquired	30	(2,442)	(948)
Additional investment in a subsidiary		—	(12,185)
Repayment of loan by a jointly controlled entity		—	1,618
Decrease in pledged deposits		3,483	22,280
Interest received		2,868	2,214
Net cash used in investing activities		(54,927)	(33,950)

Consolidated Cash Flow Statement *(Continued)*
For the year ended 30 June 2011
(Expressed in United States dollars)

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

The notes on pages I-38 to I-112 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 and basis of preparation

(i) Statement of compliance

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

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

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

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

(ii) Basis of preparation

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

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

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

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

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

(b) Restatement of previously issued financial statements

The Group previously issued consolidated financial statements as at and for the year ended 30 June 2011 on 22 September 2011. At that date the financial statements included the Group’s share of profit and interests in Glenealy Plantations (Malaya) Berhad (“Glenealy”), an associate of the Group, based on information provided by that entity in accordance with the Group’s accounting policy set out in note 1(d) to those financial statements.

Glenealy has certain plantation assets located in Malaysia. These plantation assets were independently valued by HASB Consultants Sdn. Bhd. (“HASB”) at each balance sheet date. During the course of preparing the Company’s investment circular in connection with a proposed acquisition, it was brought to the directors’ attention that a formula error had been found in the calculations which supported the valuations of plantation assets of Glenealy, and that these calculations were adopted by HASB in forming their conclusions on the fair values of the plantation assets, which were included in the previously issued valuation reports on the fair value of the plantation assets as at 31 December 2011, 30 June 2011, 31 December 2010 and 30 June 2010, dated 9 February 2012, 19 August 2011, 14 February 2011 and 27 August 2010, respectively (“original valuation reports”).

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Restatement of previously issued financial statements *(Continued)*

On 12 April 2012, HASB re-issued the valuation reports on the plantation assets of Glenealy as at 31 December 2011, 30 June 2011, 31 December 2010 and 30 June 2010 ("re-issued valuation reports") to replace the original valuation reports to correct the formula error and restate the fair values of the plantation assets of Glenealy as at those dates.

As the gain or loss from changes in fair value of plantation assets less estimated point-of-sale costs would be recognised in the income statement of Glenealy under the same accounting policies adopted by the Group, any material changes in the fair value of Glenealy's plantation assets would have a consequential impact on the share of profits less losses of associates and interests in associates recognised in the financial statements of the Group.

Specifically, based on the re-issued valuation reports, the directors of the Company determined that the Group's share of profits less losses of associates for the year ended 30 June 2010 and the Group's interests in associates as at 30 June 2011 and 2010, as reported in the Group's consolidated financial statements issued on 22 September 2011, should be reduced by $4,900,000 in order to correct this error. This correction of an error had no material impact on profits reported for the year ended 30 June 2011.

The effect of the adjustments and prior period adjustments for each financial statement line item in respect of the years ended 30 June 2011 and 2010 is summarised as follows:

	As previously reported	Adjustments	As restated
	$'000	*$'000*	*$'000*
Consolidated balance sheet at 30 June 2011			
Interests in associates	142,079	(4,900)	137,179
Retained profits	134,207	(3,294)	130,913
Reserves	195,357	(3,294)	192,063
Total equity attributable to equity shareholders of the Company	625,531	(3,294)	622,237
Non-controlling interests	209,212	(1,606)	207,606

	As previously reported	Prior period adjustments	As restated
	$'000	*$'000*	*$'000*
Consolidated balance sheet at 30 June 2010			
Interests in associates	82,360	(4,900)	77,460
Retained profits	116,902	(3,294)	113,608
Reserves	133,751	(3,294)	130,457
Total equity attributable to equity shareholders of the Company	563,925	(3,294)	560,631
Non-controlling interests	171,196	(1,606)	169,590
Consolidated income statement for the year ended 30 June 2010			
Share of profits less losses of associates	9,225	(4,900)	4,325
Profit for the year	28,468	(4,900)	23,568
Profit attributable to equity shareholders of the Company for the year	12,645	(3,294)	9,351
Profit attributable to non-controlling interests for the year	15,823	(1,606)	14,217
Basic and diluted earnings per share (US cent)	0.29	(0.07)	0.22

Notes to the Financial Statements *(Continued)*

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Restatement of previously issued financial statements *(Continued)*

	As previously reported	Prior period adjustments	As restated
	$'000	*$'000*	*$'000*
Consolidated statement of comprehensive income for the year ended 30 June 2010			
Profit for the year	28,468	(4,900)	23,568
Total comprehensive income for year	57,589	(4,900)	52,689
Total comprehensive income attributable to equity shareholders of the Company for the year	29,298	(3,294)	26,004
Total comprehensive income attributable to non-controlling interests for the year	28,291	(1,606)	26,685

Consolidated balance sheet at 1 July 2009 is not presented as the adjustments do not impact the balances at 1 July 2009.

These financial statements incorporate the adjustments detailed above in the appropriate periods. On 30 April 2012 the Group also re-issued the Group's interim condensed financial information as at 31 December 2011 in respect of the same matter. This re-issued interim financial information is available from the Company's registered office.

(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.

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

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

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates and jointly controlled entities

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

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

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

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

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

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

(e) Foreign currency

(i) *Functional and reporting currency*

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

(ii) *Transactions and balances*

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investment properties

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

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

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

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

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

(g) Other property, plant and equipment

(i) *Owned assets*

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

(ii) *Leased assets*

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

(iii) *Subsequent costs*

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

(iv) *Depreciation*

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

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

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

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

(v) *Retirement and disposal*

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Construction in progress

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

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

(i) Intangible assets

(i) ***Goodwill***

Goodwill represents the excess of

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

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

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

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

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

(ii) ***Timber concession licences and plantation licence***

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

(iii) ***Other intangible assets***

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

(iv) ***Amortisation***

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

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

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

Notes to the Financial Statements *(Continued)*

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Available-for-sale financial assets

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

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

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

(k) Interests in leasehold land held under operating leases

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

(l) Plantation assets

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

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

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

(m) Trade and other receivables

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

(n) Inventories

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

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

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

(o) Cash and cash equivalents

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Impairment of assets *(Continued)*

(ii) *Impairment of other assets*

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

— fixed assets;

— construction in progress;

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

— intangible assets;

— interests in subsidiaries; and

— goodwill.

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

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

(iii) *Interim financial reporting and impairment*

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Interest-bearing borrowings

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

(r) Employee benefits

(i) ***Short term employee benefits***

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

(ii) ***Defined contribution retirement plans***

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

(s) Provisions and contingent liabilities

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

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

(t) Trade and other payables

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

(u) Revenue

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

(i) ***Sale of goods***

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

(ii) ***Services rendered***

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

(iii) ***Dividend income***

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

(iv) ***Rental income from operating lease***

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

(v) ***Interest income***

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Expenses

(i) *Operating lease payments*

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

(ii) *Royalty payments*

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

(iii) *Repairs and maintenance expenditure*

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

(iv) *Financing costs*

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

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

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

(w) Income tax

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

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Income tax *(Continued)*

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

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

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

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

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

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

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

  — the same taxable entity; or

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

(x) Derivative financial instruments

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Related parties

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

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

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

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

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

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

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

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

(z) Segment reporting

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Changes in accounting policies

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

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

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

— Improvements to IFRSs (2009)

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

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

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

2 SEGMENT REPORTING

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

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

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

(a) Segment results, assets and liabilities

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

2 SEGMENT REPORTING *(Continued)*

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

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.

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

	2011						
	Logs						
	Hardwood logs	Softwood logs	Sub-total	Plywood and veneer	Flooring products	Other operations	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	280,338	55,868	336,206	190,029	91,902	110,910	729,047
Inter-segment revenue	87,931	—	87,931	21,972	—	8,293	118,196
Reportable segment revenue	368,269	55,868	424,137	212,001	91,902	119,203	847,243
Reportable segment profit/(loss)	21,659	12,429	34,088*	(4,837)	5,448	(12,970)	21,729
Reportable segment assets	234,200	316,909	551,109	278,963	133,081	140,913	1,104,066
Interests in associates (restated)	—	—	—	—	—	137,179	137,179
Interests in jointly controlled entities	—	—	—	—	—	12,266	12,266
Additions to non-current segment assets during the year	25,767	16,029	41,796	3,668	1,727	18,669	65,860
Reportable segment liabilities	67,995	2,664	70,659	32,475	19,378	39,702	162,214

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

	2010						
	Logs						
	Hardwood logs	Softwood logs	Sub-total	Plywood and veneer	Flooring products	Other operations	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	218,292	37,629	255,921	181,300	58,002	103,025	598,248
Inter-segment revenue	80,454	139	80,593	21,445	3,271	5,013	110,322
Reportable segment revenue	298,746	37,768	336,514	202,745	61,273	108,038	708,570
Reportable segment profit/(loss)	15,872	15,171	31,043^	(14,533)	8,325	(6,743)	18,092
Reportable segment assets	244,982	268,141	513,123	267,421	119,619	125,047	1,025,210
Interests in associates (restated)	—	—	—	—	—	77,460	77,460
Interests in jointly controlled entities	—	—	—	—	—	13,494	13,494
Additions to non-current segment assets during the year	30,774	14,108	44,882	10,510	4,678	13,365	73,435
Reportable segment liabilities	67,152	9,884	77,036	37,175	10,217	28,541	152,969

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

2 SEGMENT REPORTING *(Continued)*

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

	2011	**2010**
	$'000	*$'000*
Revenue		
Reportable segment revenue	847,243	708,570
Elimination of inter-segment revenue	(118,196)	(110,322)
Consolidated revenue	729,047	598,248
Profit		
Reportable segment profit	21,729	18,092
Share of profits less losses of associates (restated)	31,819	4,325
Share of profits less losses of jointly controlled entities	(11)	1,631
Net financing income	4,240	112
Consolidated profit before taxation (restated)	57,777	24,160
Assets		
Reportable segment assets	1,104,066	1,025,210
Interests in associates (restated)	137,179	77,460
Interests in jointly controlled entities	12,266	13,494
Deferred tax assets	7,416	6,103
Current tax recoverable	16,594	18,121
Unallocated head office and corporate assets	106,208	133,851
Consolidated total assets (restated)	1,383,729	1,274,239
Liabilities		
Reportable segment liabilities	162,214	152,969
Current tax payable	5,779	2,461
Deferred tax liabilities	57,033	54,423
Bank loans and overdrafts	294,708	288,501
Obligations under finance leases	34,152	45,664
Consolidated total liabilities	553,886	544,018

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

2 **SEGMENT REPORTING** *(Continued)*

Geographical information

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

	Malaysia	Guyana	New Zealand	The PRC	Japan	North America	Australia	Other countries	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
2011									
Revenue from external customers	170,148	10,610	6,325	172,465	130,696	56,342	59,588	122,873	729,047
Specified non-current assets (restated)	504,195	46,434	307,314	50,811	8,541	—	166	6,007	923,468
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 (restated)	446,491	49,553	259,019	52,378	7,951	—	3,845	—	819,237

3 **REVENUE**

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

4 OTHER OPERATING INCOME AND EXPENSES

Other operating income

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

Other operating expenses

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

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

5 NET FINANCING INCOME

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

(a) Personnel expenses

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

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

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

(b) Other items

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

7 INCOME TAX

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

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

Notes:

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

(b) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the years ended 30 June 2011 and 2010.

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

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

(e) The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 30% (2010: 30%). No provision for New Zealand income tax has been made for the years ended 30 June 2011 and 2010 as the subsidiaries have utilised the tax losses to set off against the taxable profits generated during the relevant years. In May 2010, the New Zealand government announced a reduction in the income tax rate from 30% to 28% with effective from the year of assessment 2011/2012.

(f) The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2010: 30%).

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

7 INCOME TAX *(Continued)*

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

	2011	2010
	$'000	*$'000*
		(restated)
Profit before taxation	57,777	24,160
Income tax using the corporate tax rates applicable to profit in the countries concerned	14,011	5,219
Effect of non-deductible expenses *(note (i))*	6,103	4,164
Effect of non-taxable income *(note (ii))*	(11,284)	(5,785)
Effect of tax credit *(note (iii))*	(2,927)	(2,920)
Effect of utilisation of temporary differences not recognised in prior years	(7,605)	(3,243)
Effect of temporary differences and tax losses not recognised in the current year	7,820	6,312
Effect on deferred tax balances at the beginning of the year resulting from a change in tax rate	—	(2,188)
Under-provision of withholding tax	5,938	—
Under/(over)-provision in prior years	104	(967)
Income tax expense	12,160	592

Notes:

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

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

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

8 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

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

9 DIVIDENDS

(a) Dividend attributable to the year

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

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

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

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

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company for the year of $20,746,000 (2010: $9,351,000 (restated)) and 4,301,737,000 (2010: 4,301,737,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

11 DIRECTORS' REMUNERATION

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

	2010				
	Fees	Salaries, allowances and others benefits	Discretionary bonuses	Contributions to retirement schemes	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

The emoluments of these individuals are within the following band:

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

13 FIXED ASSETS

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

13 FIXED ASSETS *(Continued)*

The Company

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

13 FIXED ASSETS *(Continued)*

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

13 FIXED ASSETS *(Continued)*

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

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

The net book value of properties represents:

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

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

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

14 CONSTRUCTION IN PROGRESS

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

15 INTERESTS IN LEASEHOLD LAND HELD UNDER OPERATING LEASES

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

16 INTANGIBLE ASSETS

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

(a) Timber concessions

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

16 INTANGIBLE ASSETS *(Continued)*

(b) Plantation licence

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

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

(c) Distribution network, trade names and customer relationships

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

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

17 PLANTATION ASSETS

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

17 PLANTATION ASSETS *(Continued)*

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

A significant portion of trees in New Zealand are planted on freehold forest and a small portion on leasehold forest with a term of 79 years, expiring in 2060. The Group has been granted seven (2010: seven) plantation licences for a gross area of approximately 458,000 (2010: 458,000) hectares in Malaysia. The licences are granted for 60 years, the earliest of which expires in December 2058. The Group was granted the plantation rights of a total land area of 3,079 hectares in the PRC, expiring in 2066.

The Group's plantation assets in Malaysia and the PRC were independently valued by Pöyry Forest Industry Pte Ltd ("Pöyry") while the plantation assets in New Zealand were independently valued by Chandler Fraser Keating Limited ("CFK"). In view of the non-availability of market value for tree plantation in New Zealand, Malaysia and the PRC, both Pöyry and CFK have applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at the rate of 10.2% (2010: 10.2%) for plantation assets in Malaysia, 10% (2010: 10%) for plantation assets in the PRC and 7.25% (2010: 7.25%) for plantation assets in New Zealand to arrive at the fair value of the plantation assets.

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

17 PLANTATION ASSETS *(Continued)*

Sensitivity analysis

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

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

18 INTERESTS IN SUBSIDIARIES

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

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

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

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

19 INTERESTS IN ASSOCIATES

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	*$'000*	*$'000*	*$'000*
	(restated)	*(restated)*		
Unlisted associate, at cost	—	—	20,000	—
Share of net assets:				
— Associates listed outside Hong Kong	105,734	67,398	—	—
— Unlisted associates	31,602	10,153	—	—
	137,336	77,551	—	—
Impairment losses on interests in associates	(157)	(91)	—	—
	137,179	77,460	20,000	—
Market value of listed associates	79,230	56,456		

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

19 INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's associates are as follows:

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

19 INTERESTS IN ASSOCIATES *(Continued)*

Summary financial information of associates (restated):

	Assets $'000 (restated)	Liabilities $'000 (restated)	Equity $'000 (restated)	Revenue $'000	Profit $'000 (restated) (note 19(c))
2011					
100 per cent	577,613	(210,632)	366,981	256,294	76,440
Group's effective interest	218,975	(81,796)	137,179	105,956	31,819
2010					
100 per cent	368,654	(153,326)	215,328	171,758	11,828
Group's effective interest	134,938	(57,478)	77,460	64,937	4,325

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

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

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

(c) The profit for the year (the Group's effective interest) includes a gain from changes in fair value of plantation assets less estimated point-of-sale costs of $12,200,000 (2010: loss of $67,000 (restated)) for the year ended 30 June 2011.

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

20 INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

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

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

21 DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

21 DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

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

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

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

22 INVENTORIES

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

23 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	*$'000*	*$'000*	*$'000*
Trade receivables	68,743	67,921	—	—
Less: allowance for doubtful debts *(note 23(b))*	(4,200)	(1,536)	—	—
	64,543	66,385	—	—
Prepayments, deposits and other receivables	63,249	44,150	360	3,074
Loans to third parties	16,479	11,700	—	—
	144,271	122,235	360	3,074

The amount of the Group's and the Company's trade and other receivables which is expected to be recognised as expense or recovered after more than one year is $4,438,000 (2010: $3,437,000) and $40,000 (2010: $40,000) respectively. All other trade and other receivables are expected to be recognised as expense or recovered within one year.

As at 30 June 2011, the Group's trade receivables included amounts due from associates, jointly controlled entities and related parties of $4,386,000 (2010: $4,658,000), $77,000 (2010: $756,000) and $553,000 (2010: $915,000) respectively.

Details of the Group's loans to third parties are:

(i) In prior years, a loan of $9,000,000 has been disbursed to a third party in connection with a proposed acquisition of an Indonesian company (the "Target"). The Group elected to terminate this proposed acquisition in April 2010. In accordance with the sales and purchase agreement and convertible loan agreement in place, the loan of $9,000,000 shall then be repaid to the Group in full by 19 November 2010 or the commencement of the commercial operation of the Target, whichever occurs earlier. On 17 December 2010, the Group had entered into an agreement with that third party to revise the repayment term of the above loan where the loan shall be fully repaid within a period of 24 months from the date of agreement. During the repayment period, the borrower shall pay to the Group every month a minimum amount of $300,000. The loan is unsecured and bears interest at 6% (2010: 6%) per annum. As at 30 June 2011, the outstanding loan amounted to $7,200,000 (2010: $9,000,000);

(ii) At 30 June 2010, a loan of $2,700,000, which is unsecured, interest bearing at 5.5% per annum and was due for repayment in April 2010. The amount was subsequently repaid to the Group in August 2010; and

(iii) Two loans totalling $9,279,000 were disbursed to two third parties (the "Borrowers") during the year ended 30 June 2011 in connection with certain proposed acquisitions. As at 30 June 2011, the loans are secured and interest free. These loans are convertible into shares of certain designated companies which is set out in the loan agreements. These loans are repayable by the Borrowers at the request of the Group, which will be at the time that the Group decides not to proceed with the proposed acquisitions in accordance with the terms and conditions of the loan agreements. The loans shall carry interest at 6% per annum since then. Subject to the fulfilment of certain terms and conditions as set out in the loan agreements, a loan of $4,323,000 will be further disbursed to the above mentioned third parties.

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

23 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

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

An ageing analysis of trade receivables is as follows:

	The Group	
	2011	**2010**
	$'000	*$'000*
Within 30 days	39,957	36,226
31–60 days	8,497	9,604
61–90 days	3,243	4,634
91–180 days	8,118	9,161
181–365 days	1,273	4,360
1–2 years	2,493	1,278
Over 2 years	962	1,122
	64,543	66,385

(b) Impairment of trade receivables

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

	The Group	
	2011	**2010**
	$'000	*$'000*
At the beginning of the year	1,536	12,561
Impairment loss recognised	2,467	265
Uncollectible amounts written off	—	(11,331)
Exchange differences	197	41
At the end of the year	4,200	1,536

At 30 June 2011, the Group's trade receivables of $4,200,000 (2010: $1,536,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of these receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $4,200,000 (2010: $1,536,000) were recognised. The Group does not hold any collateral over these balances.

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

23 TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Trade receivables that are not impaired

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

	The Group	
	2011	**2010**
	$'000	*$'000*
Within 30 days	39,957	36,226
31–60 days	8,497	9,604
61–90 days	3,243	4,634
91–180 days	8,118	9,161
181–365 days	1,273	4,360
1–2 years	2,493	1,278
Over 2 years	962	1,122
	64,543	66,385

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

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

24 PLEDGED BANK DEPOSITS

As at 30 June 2011 and 2010, certain deposits of the Group are pledged to banks for certain banking facilities granted to the Group as disclosed in note 26(a).

25 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	*$'000*	*$'000*	*$'000*
Deposits with banks and other financial institutions	101,543	114,291	54,362	98,426
Cash at bank and in hand	24,437	42,207	1,165	809
Cash and cash equivalents in the balance sheet	125,980	156,498	55,527	99,235
Bank overdrafts *(note 26(a))*	(11,055)	(16,500)		
Cash and cash equivalents in the consolidated cash flow statement	114,925	139,998		

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

26 BORROWINGS

(a) Bank loans and overdrafts

The bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	*$'000*	*$'000*	*$'000*
Within one year or on demand	132,926	112,008	10,000	10,000
After one year but within two years	34,043	29,626	10,000	10,000
After two years but within five years	123,601	146,867	15,000	25,000
After five years	4,138	—	—	—
	161,782	176,493	25,000	35,000
	294,708	288,501	35,000	45,000

The bank loans and overdrafts were secured as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	*$'000*	*$'000*	*$'000*
Bank overdrafts *(note 25)*				
— unsecured	10,136	11,410	—	—
— secured	919	5,090	—	—
	11,055	16,500	—	—
Bank loans				
— unsecured	147,153	152,231	—	—
— secured	136,500	119,770	35,000	45,000
	283,653	272,001	35,000	45,000
	294,708	288,501	35,000	45,000

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

26 BORROWINGS *(Continued)*

(a) Bank loans and overdrafts *(Continued)*

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

	The Group	
	2011	**2010**
	$'000	*$'000*
Fixed assets	68,018	56,992
Interests in leasehold land held under operating leases	12,458	12,101
Plantation assets	259,080	220,495
Pledged bank deposits	3,873	7,356
	343,429	296,944

As at 30 June 2011, a bank loan of the Group and the Company amounting to $35,000,000 (2010: $45,000,000) was secured by the Group's shares in Lingui Developments Berhad ("Lingui").

As at 30 June 2011, the banking facilities of the Group and the Company amounting to $345,049,000 (2010: $331,001,000) and $35,000,000 (2010: $45,000,000) were utilised to the extent of $294,708,000 (2010: $288,501,000) and $35,000,000 (2010: $45,000,000) respectively.

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

Further details of the Group's management of liquidity risk are set out in note 33(e).

(b) Obligations under finance leases

The Group had obligations under finance leases repayable as follows:

	The Group			
	2011		**2010**	
	Present value of the minimum lease payments	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**
	$'000	*$'000*	*$'000*	*$'000*
Within one year	15,529	16,979	21,979	23,958
After one year but within two years	8,598	9,392	14,653	15,732
After two years but within five years	10,025	10,634	9,032	9,444
	18,623	20,026	23,685	25,176
	34,152	37,005	45,664	49,134
Less: Total future interest expenses		(2,853)		(3,470)
Present value of lease obligations		34,152		45,664

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

27 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	*$'000*	*$'000*	*$'000*
Trade payables	71,357	69,529	—	—
Other payables	35,393	33,110	—	—
Accrued expenses	39,913	37,332	774	1,112
Amount due to an associate	3,468	—	—	—
Derivative financial instruments	12,083	12,998	6,688	5,515
	162,214	152,969	7,462	6,627

All trade payables, other payables and accrued expenses are expected to be settled within one year or repayable on demand.

As at 30 June 2011, the Group's trade payables included amounts due to associates, jointly controlled entities and related parties of $625,000 (2010: $1,435,000), $Nil (2010: $30,000) and $2,564,000 (2010: $4,299,000) respectively.

The amount due to an associate is secured, interest-bearing at a rate of 12% per annum and repayable on 28 March 2012.

An ageing analysis of trade payables is as follows:

	The Group	
	2011	**2010**
	$'000	*$'000*
Within 30 days	33,523	29,469
31–60 days	12,996	10,757
61–90 days	4,606	7,046
91–180 days	7,134	9,179
181–365 days	8,924	10,333
1–2 years	3,673	2,670
Over 2 years	501	75
	71,357	69,529

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

28 SHARE CAPITAL

(a) Authorised and issued share capital

	2011		2010	
	Number of shares ('000)	Amount $'000	Number of shares ('000)	Amount $'000
Authorised:				
Ordinary shares of $0.1 each	5,000,000	500,000	5,000,000	500,000
Ordinary shares, issued and fully paid:				
At the beginning and the end of the year	4,301,737	430,174	4,301,737	430,174

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

(b) Capital management

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

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

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

The Group's strategy, which was unchanged from 2010, was to maintain the total debt-to-total assets ratio at not more than 50%.

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

28 SHARE CAPITAL *(Continued)*

(b) Capital management *(Continued)*

The total debt-to-total assets ratio at 30 June 2011 and 2010 was as follows:

	Notes	2011 $'000 (restated)	2010 $'000 (restated)
Current liabilities			
Bank loans and overdrafts	26(a)	132,926	112,008
Obligations under finance leases	26(b)	15,529	21,979
		148,455	133,987
Non-current liabilities			
Bank loans	26(a)	161,782	176,493
Obligations under finance leases	26(b)	18,623	23,685
		180,405	200,178
Total debt		328,860	334,165
Total assets		1,383,729	1,274,239
Total debt-to-total assets ratio		24%	26%

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

29 RESERVES

(a) The Company

	Share premium (note 29(b)(i)) $'000	Other reserve (note 29(b)(iv)) $'000	Retained profits $'000	Total $'000
At 1 July 2009	261,920	(134,671)	14,098	141,347
Profit and total comprehensive income for the year	—	—	296	296
Dividends declared and paid (note 9(b))	—	—	(3,441)	(3,441)
At 30 June 2010	261,920	(134,671)	10,953	138,202
At 1 July 2010	261,920	(134,671)	10,953	138,202
Profit and total comprehensive income for the year	—	—	9,659	9,659
Dividends declared and paid (note 9(b))	—	—	(3,441)	(3,441)
At 30 June 2011	261,920	(134,671)	17,171	144,420

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

29 RESERVES *(Continued)*

(b) Nature and purpose of reserves

(i) *Share premium*

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

(ii) *Currency translation reserve*

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

(iii) *Revaluation reserve*

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

(iv) *Other reserve*

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

(v) *Distributable reserves*

The aggregate amount of distributable reserves at 30 June 2011 was $17,171,000 (2010: $10,953,000).

30 ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of subsidiaries during the year ended 30 June 2011

On 28 August 2010 and 31 December 2010, the Group completed the acquisition of 95% equity interest of PT Inti Agro Makmur ("Inti Agro") and 95% equity interest of PT Alamanda Lestari Alam ("Alamanda") for a cash consideration of Indonesian Rupiah ("IDR") 13.8 billion (equivalent to $1,387,000) and IDR10.5 billion (equivalent to $1,055,000) respectively.

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

	Recognised fair value at the date of acquisition *$'000*
Interests in leasehold land held under operating leases	2,545
Non-controlling interests	(103)
Total purchase consideration and net cash outflow in respect of the acquisition	2,442

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

30 ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(b) Business combination during the year ended 30 June 2010

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

31 RELATED PARTY TRANSACTIONS

During the years ended 30 June 2011 and 2010, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Yaw Holding Sdn. Bhd. (“Yaw Holding”), its subsidiaries and associates (“Yaw Holding Group”)	Yaw Holding is the ultimate controlling party of the Company
Glenealy Plantations (Malaya) Berhad (“Glenealy”) and its subsidiaries (“Glenealy Group”)	Glenealy is an associate of the Group
Sepangar Chemical Industry Sdn. Bhd. (“Sepangar”)	Sepangar is an associate of the Group
Daiken Miri Sdn. Bhd. (“Daiken”)	Daiken is an associate of the Group
Rimalco Sdn. Bhd. (“Rimalco”)	Rimalco is an associate of the Group
Stone Tan China Holding Corporation (“Stone Tan”) and its subsidiaries (“Stone Tan Group”)	Stone Tan is an associate of the Group
Magna-Foremost Sdn. Bhd. (“Magna-Foremost”)	Magna-Foremost is a jointly controlled entity of the Group
Foremost Crest Sdn. Bhd. (“Foremost Crest”)	Foremost Crest is a jointly controlled entity of the Group
Samling International Limited (“SIL”) and its subsidiaries (“SIL Group”)	SIL is controlled by the father of Mr. Yaw Chee Ming, a beneficial shareholder and director of the Company
Perkapalan Damai Timur Sdn. Bhd. (“PDT”)	PDT is a major shareholder of the Company and is controlled by a director of certain subsidiaries of the Group
Arif Hemat Sdn. Bhd. (“Arif Hemat”)	Arif Hemat is controlled by a director of certain subsidiaries of the Group
3D Networks Sdn. Bhd. (“3D Networks”)	3D Networks is controlled by Mr. Yaw Chee Ming
Hap Seng Auto Sdn. Bhd. (“HSA”) and its subsidiaries (“HSA Group”)	HSA is controlled by the father-in-law of Mr. Yaw Chee Ming
Sojitz Building Material Corporation (“Sojitz Building”)	Sojitz Building is a subsidiary of Sojitz Corporation, a major shareholder of Samling Housing Products Sdn. Bhd., a subsidiary of the Group
Pacific Plywood Co., Ltd. (“Pacific Plywood”)	Pacific Plywood is controlled by Mr. Chia Ti Lin, Colin, a senior management of the Group
Meridian Magic Sdn. Bhd. (“Meridian Magic”)	Meridian Magic is controlled by the brother of Mr. Yaw Chee Ming

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

31 RELATED PARTY TRANSACTIONS *(Continued)*

Particulars of significant transactions between the Group and the above related parties during the years ended 30 June 2011 and 2010 are as follows:

(a) Related party transactions

	2011	**2010**
	$'000	*$'000*
Sale of goods to:		
Rimalco	6,595	2,652
Daiken	398	36
Magna-Foremost	2,705	2,400
Sojitz Building	18,763	19,681
Arif Hemat	—	1
Pacific Plywood	—	53
	28,461	24,823
Provision of services to:		
Yaw Holding Group	156	138
Daiken	99	122
Magna-Foremost	222	224
Glenealy	184	—
Foremost Crest	—	53
	661	537
Rental of properties and equipment to:		
Yaw Holding Group	190	12
Rimalco	117	115
Daiken	59	61
Magna-Foremost	10	9
3D Networks	54	49
Arif Hemat	18	8
Meridian Magic	198	—
	646	254
Interest income from:		
Magna-Foremost	4	6
Interest expense to:		
Stone Tan Group	50	—
Rental of properties and equipment from:		
Yaw Holding Group	919	834

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

31 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Related party transactions *(Continued)*

	2011	2010
	$'000	*$'000*
Purchase of goods from:		
Sepangar	9,046	8,308
Daiken	2,891	3,557
HSA Group	4,249	4,527
Pacific Plywood	48	331
	16,234	16,723
Provision of services from:		
Yaw Holding Group	782	785
Purchase of fixed assets from:		
Yaw Holding Group	204	177
HSA Group	—	1,231
	204	1,408

Note: The amounts receivable from the related parties are included in "Trade and other receivables" (see note 23) and the amounts payable to the related parties are included in "Trade and other payables" (see note 27).

(b) Key management personnel remuneration

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

	2011	2010
	$'000	*$'000*
Short-term employee benefits	2,800	2,622
Post-employment benefits	180	159
	2,980	2,781

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

32 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments outstanding at 30 June 2011 and 2010 not provided for in the financial statements were as follows:

	The Group	
	2011	**2010**
	$'000	*$'000*
Contracted for	10,485	8,371
Authorised but not contracted for	89,672	59,933
	100,157	68,304

(b) Future minimum royalty fees

At 30 June 2011 and 2010, the total future minimum royalty fees payable under the terms of the timber concession licences of the Group are as follows (see note 16(a)):

	The Group	
	2011	**2010**
	$'000	*$'000*
Within one year	1,563	1,441
After one year but within five years	3,010	3,876
After five years	3,100	3,375
	7,673	8,692

(c) Contingent liabilities

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

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

(2) Four of the Group's subsidiaries, Samling Plywood (Lawas) Sdn. Bhd. ("Samling Plywood Lawas"), Samling Plywood (Miri) Sdn. Bhd. ("Samling Plywood Miri"), Ravenscourt Sdn. Bhd. ("Ravenscourt") and Samling Reforestation (Bintulu) Sdn. Bhd. ("Samling Reforestation") together with the Director of Forests, Sarawak and State of Government of Sarawak were being jointly sued by certain inhabitants of longhouses and settlements situated at and around the timber concessions held by Samling Plywood Lawas, Samling Plywood Miri and Ravenscourt and planted forest held by the Samling Reforestation respectively. The plaintiffs are claiming various orders, reliefs and damages including declarations that issuance of the forest timber licences and licences for planted forests by the Director of Forests, Sarawak to Samling Plywood Lawas, Samling Plywood Miri, Ravenscourt and Samling Reforestation which overlap the plaintiffs' claimed areas are unlawful, unconstitutional, null and void.

As at 30 June 2011, the above proceedings remained pending before the Malaysian courts.

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

32 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(c) Contingent liabilities *(Continued)*

(ii) Environmental contingencies

The Group's operations are regulated by various laws and regulations. Laws and regulations protecting the environment and wild life have generally become more stringent in recent years and could become more stringent in the future. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group for violations for existing conditions attached to the licences whether or not caused or known by the Group. The financial position of the Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The directors are not aware of any environmental liabilities as at 30 June 2011. The directors are also not aware of any violation to existing conditions attached to the Group's timber concession and tree plantation licences, or subject to any significant costs, expenses, penalties and liabilities.

33 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objectives of:

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

(ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

(iii) ensuring that credit risk on sales to customers on deferred terms are properly managed.

The Group is also exposed to financial risks arising from changes in timber prices, the movements of which would have significant impact on the Group's earnings, cash flows as well as the value of the plantation assets. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At the balance sheet date, 2% (2010: 3%) and 5% (2010: 12%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS *(Continued)*

(c) Foreign currency exchange risk

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

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

In order to mitigate the foreign currency exchange risk, the Group has entered into certain forward exchange contracts during the year. All of the foreign exchange contracts have maturities of less than one year after the balance sheet date.

The revenue generating operations of the Group's PRC subsidiaries are transacted in Renminbi, which is not freely convertible into foreign currencies. On 1 January 1984, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted by the People's Bank of China ("PBOC"). However, the unification of the exchange rate does not imply convertibility of Renminbi into other foreign currencies. All foreign exchange transactions of these PRC subsidiaries continue to take place either through the PBOC or other institutions authorised to buy or sell foreign currencies. Approval of foreign currency payments, including remittances of dividends, by the PBOC or other institutions requires submitting a payment application form together with relevant supporting documents.

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

The Group

	2011 (expressed in United States Dollars)							
	United States Dollars	**Japanese Yen**	**Singapore Dollars**	**Malaysian Ringgit**	**Hong Kong Dollars**	**New Zealand Dollars**	**Australian Dollars**	**Renminbi**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other receivables	19,170	3,738	—	—	40	—	—	1,548
Cash and cash equivalents	11,336	1,922	6,650	923	22,157	6,566	11,074	5
Trade and other payables	(944)	(676)	—	—	(328)	—	—	(10)
Bank loans and overdrafts	(58,867)	—	—	—	—	—	—	—
Net exposure arising from recognised assets and liabilities	(29,305)	4,984	6,650	923	21,869	6,566	11,074	1,543

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS *(Continued)*

(c) Foreign currency exchange risk *(Continued)*

(ii) *(Continued)*

The Company

	2011 (expressed in United States Dollars)				
	Singapore Dollars	**Malaysian Ringgit**	**Hong Kong Dollars**	**New Zealand Dollars**	**Australian Dollars**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Prepayments, deposits and other receivables	—	—	40	—	—
Cash and cash equivalents	6,650	923	22,142	6,566	11,074
Other payables and accrued expenses	—	—	(328)	—	—
Net exposure arising from recognised assets and liabilities	6,650	923	21,854	6,566	11,074

	2010 (expressed in United States Dollars)			
	Malaysian Ringgit	**Hong Kong Dollars**	**New Zealand Dollars**	**Australian Dollars**
	$'000	*$'000*	*$'000*	*$'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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS *(Continued)*

(c) Foreign currency exchange risk *(Continued)*

(iii) *Sensitivity analysis*

The following table indicates the approximate change in the Group's profit for the year and retained profits that would arise if foreign currency exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The Group

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year and retained profits *$'000*	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year and retained profits *$'000*
United States Dollars	5%	(994)	5%	(831)
	(5)%	994	(5)%	831
Japanese Yen	5%	187	1%	16
	(5)%	(187)	(1)%	(16)
Singapore Dollars	5%	278	N/A	N/A
	(5)%	(278)	N/A	N/A
Malaysian Ringgit	5%	46	5%	230
	(5)%	(46)	(5)%	(230)
Hong Kong Dollars	1%	183	1%	251
	(1)%	(183)	(1)%	(251)
New Zealand Dollars	5%	274	3%	234
	(5)%	(274)	(3)%	(234)
Australian Dollars	10%	925	10%	2,493
	(10)%	(925)	(10)%	(2,493)
Renminbi	1%	13	1%	68
	(1)%	(13)	(1)%	(68)

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS *(Continued)*

(c) Foreign currency exchange risk *(Continued)*

(iii) *Sensitivity analysis* *(Continued)*

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign exchange currency risk at the balance sheet date. The analysis is performed on the same basis for 2010.

(d) Interest rate risk

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

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

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

(i) *Hedging*

Interest rate swap agreements have been entered into for loans with a notional contract amount of US$78.0 million (2010: US$88.0 million), NZ$13.0 million (2010: NZ$13.0 million) and RM34.5 million (2010: RM34.5 million) as at 30 June 2011 to ensure that the exposure to changes in interest rates are fixed for the respective tranches throughout the tenure of the loans with swap rates between 4.65% to 7.31% (2010: 4.65% to 7.31%) per annum respectively throughout the loan period.

The swaps mature over the next four years match with the maturity of the related loans. The net fair value of swaps entered into by the Group and the Company at 30 June 2011 was a payable of $12,083,000 (2010: $12,998,000) and a payable of $6,688,000 (2010: $5,515,000) respectively. These amounts are recognised as derivative financial instruments and are included within "trade and other payables" (note 27) at 30 June 2011 and 2010 respectively.

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS *(Continued)*

(d) Interest rate risk *(Continued)*

(ii) Interest rate profile

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

	The Group			
	2011		2010	
	Effective interest rate	Amount	Effective interest rate	Amount
	%	$'000	%	$'000
Net fixed rate borrowings:				
Obligations under finance leases	4.73–7.07%	34,152	4.73–8.29%	45,664
Bank loans	4.35–7.97%	74,562	4.35–12.00%	70,031
Amount due to an associate	12.00%	3,468	N/A	—
		112,182		115,695
Variable rate borrowings:				
Bank overdrafts	7.30–8.10%	11,055	6.80–7.55%	16,500
Bank loans	2.02–7.55%	209,091	1.93–7.30%	201,970
		220,146		218,470
Total borrowings		332,328		334,165
Fixed rate borrowings as a percentage of total net borrowings		34%		35%

	The Company			
	2011		2010	
	Effective interest rate	Amount	Effective interest rate	Amount
	%	$'000	%	$'000
Variable rate borrowings:				
Bank loans	2.02%	35,000	2.12%	45,000

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS *(Continued)*

(d) Interest rate risk *(Continued)*

(iii) ***Sensitivity analysis***

At 30 June 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained profits by approximately $3,323,000 (2010: $3,342,000). Other components of consolidated equity would not be affected (2010: $Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit for the year (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

(e) Liquidity and cash flow risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as they fall due, and on its ability to obtain external financing, to meet its committed future capital expenditures.

Timber prices are constantly affected by both demand and supply cycles of the timber industry. As a result, the movements of the prices would have significant impact on the Group's earnings and valuation of plantation assets as well as cash flows and liquidity. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS *(Continued)*

(e) Liquidity and cash flow risk *(Continued)*

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

The Group

		2011				
	Carrying amount at 30 June 2011	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Bank loans and overdrafts	294,708	320,071	141,416	40,244	134,321	4,090
Obligations under finance leases	34,152	37,005	16,979	9,392	10,634	—
Trade and other payables	146,663	146,663	146,663	—	—	—
Amount due to an associate	3,468	3,780	3,780	—	—	—
Derivative financial instruments (net settled)	12,083	14,483	4,636	4,131	5,716	—
	491,074	522,002	313,474	53,767	150,671	4,090

		2010			
	Carrying amount at 30 June 2010	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	$'000	*$'000*	*$'000*	*$'000*	*$'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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS *(Continued)*

(e) Liquidity and cash flow risk *(Continued)*

The Company

		2011			
	Carrying amount at 30 June 2011	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Bank loans	35,000	36,260	10,627	10,425	15,208
Other payables and accrued expenses	774	774	774	—	—
Derivative financial instruments (net settled)	6,688	8,522	2,970	2,566	2,986
	42,462	45,556	14,371	12,991	18,194

		2010			
	Carrying amount at 30 June 2010	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Bank loans	45,000	49,256	11,642	11,259	26,355
Other payables and accrued expenses	1,112	1,112	1,112	—	—
Derivative financial instruments (net settled)	5,515	7,986	2,413	2,062	3,511
	51,627	58,354	15,167	13,321	29,866

(f) Natural risk

The Group's revenue depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood in the concessions and the growth of the trees in the plantations may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting in the concessions, or otherwise impede the Group's logging operations or the growth of the trees in the plantations, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and in a timely manner.

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS *(Continued)*

(f) Natural risk *(Continued)*

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

(g) Fair values

Financial instruments carried at fair value

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

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

2011

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Liabilities				
Derivatives financial instruments:				
— Interest rate and cross currency swaps	—	12,083	—	12,083

	The Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Liabilities				
Derivatives financial instruments:				
— Interest rate and cross currency swaps	—	6,688	—	6,688

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS *(Continued)*

(g) Fair values *(Continued)*

The carrying amount of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2011 and 2010 except as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	*$'000*	*$'000*	*$'000*
The Group				
Financial liabilities				
— Unsecured borrowings	49,980	44,821	60,436	54,607
— Obligations under finance leases	18,623	17,074	23,685	21,954

(h) Estimation of fair values

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

(i) *Derivatives*

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

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

33 FINANCIAL INSTRUMENTS *(Continued)*

(h) Estimation of fair values *(Continued)*

(iii) Interest rates used for determining fair value

The entity uses the government yield curve as of 30 June 2011 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2011	**2010**
Derivatives	0.31%–3.29%	0.53%–3.18%
Bank loans	2.02%–7.55%	1.85%–7.30%
Obligations under finance leases	6.00%	5.64%

34 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Useful lives of fixed assets

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

(b) Fair value of plantation assets

The Group's plantation assets are valued at fair value less estimated point-of-sale costs. In determining the fair value of the plantation assets, the professional valuers have applied the net present value approach which requires a number of key assumptions and estimates to be made such as discount rate, log price, harvest profile, plantation costs, growth and harvesting costs. Any change in these estimates may affect the fair value of the plantation assets significantly. The professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of plantation assets.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

34 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Impairment of trade receivables

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

(e) Net realisable value of inventories

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

(f) Impairment of non-current assets

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

(g) Business combinations

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

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

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

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES

As at 30 June 2011, the Company has direct and indirect interests in the following subsidiaries.

Except for Caribbean Esskay Limited, Samling Malaysia Inc., SGL Trading Inc., Samling China Inc., Samling Trademark Inc., Samling Global USA Inc., Samling Japan Corporation, Australian Wood Panels Group Pty. Ltd. (formerly known as Brewster Pty. Ltd.) and Anhui Tongling Anlin Wood Plantation Co., Ltd., all subsidiaries are held indirectly by the Company through intermediate investment holding companies.

Details of the subsidiaries at 30 June 2011 are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Attributable equity interest %	Principal activity
Syarikat Samling Timber Sdn. Bhd.	Malaysia, 26 October 1976	11,979,950 ordinary shares of RM1 each	100	Contractor for timber extraction, forest plantation and investment holding
Kayuneka Sdn. Bhd.	Malaysia, 2 September 1993	80,000 ordinary shares of RM1 each and 20,000 preference shares of RM1 each	100	Agent for sale of logs
KTN Timor Sdn. Bhd.	Malaysia, 24 January 1983	6,000,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Ravenscourt Sdn. Bhd.	Malaysia, 30 May 1984	500,000 ordinary shares of RM1 each	100	Extraction and sale of logs
S.I.F. Management Sdn. Bhd.	Malaysia, 28 December 1993	300,000 ordinary shares of RM1 each	100	Extraction and sale of logs, manufacture and sale of veneer
Samling Flooring Products Sdn. Bhd.	Malaysia, 17 January 1984	10,000,000 ordinary shares of RM1 each	100	Manufacture and sale of flooring products, veneer and plywood
Samling Housing Products Sdn. Bhd.	Malaysia, 21 August 1993	10,000,000 ordinary shares of RM1 each	56.1	Manufacture and sale of housing products
Samling Chipboard Sdn. Bhd.	Malaysia, 5 April 1994	100,000 ordinary shares of RM1 each	56.1	Manufacture and sale of particle board
Samling Resources Sdn. Bhd.	Malaysia, 8 May 1985	1,000,000 ordinary shares of RM1 each and 50,000 preference shares of RM1 each	100	Rental of equipment
Samling Reforestation (Bintulu) Sdn. Bhd.	Malaysia, 5 April 1994	500,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Samling Wood Industries Sdn. Bhd.	Malaysia, 15 June 1970	10,907,002 ordinary shares of RM1 each	100	Extraction and sale of logs

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Attributable equity interest %	Principal activity
Sorvino Holdings Sdn. Bhd.	Malaysia, 22 January 1992	2,000,000 ordinary shares of RM1 each	100	Provision of machinery repairs and re-conditioning services
Syarikat Reloh Sdn. Bhd.	Malaysia, 7 May 1983	100,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Majulaba Sdn. Bhd.	Malaysia, 29 April 1985	25,000 ordinary shares of RM1 each	70	Extraction and sale of logs
Sertama Sdn. Bhd.	Malaysia, 10 November 1986	1,000,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Samling DorFoHom Sdn. Bhd.	Malaysia, 5 April 1994	40,000,000 ordinary shares of RM1 each, 347,143 CRPS (Class A) of RM1 each, 379,885 CRPS (Class B1) of RM1 each and 5,700,000 CRPS (Class B2) of RM1 each	88.53	Investment holding and wood residual trading
Samling Manufacturing Plantation Sdn. Bhd.	Malaysia, 2 April 1998	200,000 ordinary shares of RM1 each	61.97	Dormant
Lingui Developments Berhad	Malaysia, 27 December 1967	659,630,441 ordinary shares of RM0.5 each	67.23	Investment holding
Samling Plywood (Baramas) Sdn. Bhd.	Malaysia, 22 August 1987	20,250,000 ordinary shares of RM1 each	67.23	Manufacture and sale of plywood and veneer, extraction and sale of logs
Samling Plywood (Lawas) Sdn. Bhd.	Malaysia, 9 May 1986	3 ordinary shares of RM1 each	67.23	Extraction and sale of logs
TreeOne (Malaysia) Sdn. Bhd.	Malaysia, 20 January 1997	1,000,000 ordinary shares of RM1 each, 6,182,947 redeemable preference shares “A” of RM1 each, 1,400 redeemable preference shares “C” of RM1 each and 50,000 deferred shares of RM1 each	67.23	Investment holding

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Attributable equity interest %	Principal activity
Samling Plywood (Bintulu) Sdn. Bhd.	Malaysia, 19 March 1986	25,000,000 ordinary shares of RM1 each	67.23	Manufacture and sale of plywood and veneer, extraction and sale of logs
Tamex Timber Sdn. Bhd.	Malaysia, 23 December 1980	1,001,000 ordinary shares of RM1 each, 50,000 redeemable preference shares (type 1) of RM1 each and 50,000 redeemable preference shares (type 2) of RM1 each	67.23	Contractor for timber extraction, riverine transportation services, spare parts, petrols, oil and lubricant traders, insurance agents and provision of repair services
Samling Power Sdn. Bhd.	Malaysia, 28 May 1996	2,000,000 ordinary shares of RM1 each	67.23	Operation of power generating facilities
Ang Cheng Ho Quarry Sdn. Bhd.	Malaysia, 28 February 1970	66,000 ordinary shares of RM100 each	67.23	Quarry licensee and operator
Stigang Resources Sdn. Bhd.	Malaysia, 15 July 1976	6,121,530 ordinary shares of RM1 each	67.23	Quarry licensee and operator
Alpenview Sdn. Bhd.	Malaysia, 11 October 1991	1,000,000 ordinary shares of RM1 each and 3,070,038 redeemable preference shares of RM1 each	67.23	Investment holding
Lingui Corporation Sdn. Bhd.	Malaysia, 29 March 1985	2 ordinary shares of RM1 each	67.23	Provision of management services
Hock Lee Plantations Sdn. Bhd.	Malaysia, 8 April 1970	72,624 ordinary shares of RM100 each and 100 redeemable preference shares of RM100 each	67.23	Investment holding
TreeOne Logistic Services Sdn. Bhd.	Malaysia, 1 April 1997	300,000 ordinary shares of RM1 each	65.21	Provision of logistic services
Grand Paragon Sdn. Bhd.	Malaysia, 11 October 1996	2,000,000 ordinary shares of RM1 each	67.23	Investment holding

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Attributable equity interest %	Principal activity
Samling Plywood (Miri) Sdn. Bhd.	Malaysia, 18 January 1984	40,000,000 ordinary shares of RM1 each	67.23	Manufacture and sale of plywood, extraction and sale of logs
Tinjar Transport Sdn. Bhd.	Malaysia, 15 September 1976	2,476,000 ordinary shares of RM1 each	67.23	Riverine transportation services
Miri Parts Trading Sdn. Bhd.	Malaysia, 29 November 1980	200,000 ordinary shares of RM1 each	67.23	Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services
AinoFurnishing Sdn. Bhd. (formerly known as Ainokitchen (Malaysia) Sdn. Bhd.)	Malaysia, 7 April 2005	20,000,000 ordinary shares of RM1 each	67.23	Kitchen, cookware, dining ware retail and tendering of kitchen products in housing development projects
Bukit Pareh Quarry Sdn. Bhd.	Malaysia, 29 September 1977	3 ordinary shares of RM1 each	67.23	Dormant
TreeOne (NZ) Limited	New Zealand, 13 January 1997	1 ordinary share of NZ$10,000 each	67.23	Investment holding
Hikurangi Forest Farms Limited	New Zealand, 19 June 1980	1,200,000 ordinary shares of NZ$1 each	67.23	Forest plantation
East Coast Forests Limited	New Zealand, 23 April 1951	1,000 ordinary shares of NZ$2 each	67.23	Dormant
Tasman Forestry (Gisborne) Limited	New Zealand, 16 April 1980	42,500,000 ordinary shares of NZ$1 each	67.23	Dormant
Hock Lee Rubber Products Sdn. Bhd.	Malaysia, 15 January 1980	13,000,000 ordinary shares of RM1 each	67.23	Manufacture and sale of rubber retread compounds
Hock Lee Enterprises (M) Sdn. Bhd.	Malaysia, 28 November 1967	137,000 ordinary shares of RM100 each	67.23	Property investment and letting of industrial properties
Fuji Milestone Sdn. Bhd.	Malaysia, 1 January 2011	2 ordinary shares of RM1 each	67.23	Dormant
Propel Formula Sdn. Bhd.	Malaysia, 1 January 2011	2 ordinary shares of RM1 each	67.23	Dormant

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Attributable equity interest %	Principal activity
Prominent Target Sdn. Bhd.	Malaysia, 11 January 2011	2 ordinary shares of RM1 each	67.23	Dormant
Plenitude Spectrum Sdn. Bhd.	Malaysia, 11 January 2011	2 ordinary shares of RM1 each	67.23	Dormant
Samling Malaysia Inc.	British Virgin Islands, 24 June 2005	35,835,000 ordinary share of US$1 each	100	Investment holding
Barama Company Limited	Guyana, 20 August 2001	18,000,000 ordinary shares of US$1 each	100	Extraction and sale of logs, manufacture and sale of plywood and sawn timber
Barama Buckhall Inc.	Guyana, 15 April 2005	500,000 ordinary shares of G$1 each	100	Manufacture and sale of sawn timber
Barama Housing Inc.	Guyana, 27 October 2003	2 ordinary shares of G$1 each	100	Dormant
Caribbean Esskay Limited	British Virgin Islands, 8 May 1992	4 ordinary shares of US$1 each	100	Investment holding
SGL Trading Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100	Trading
Australian Wood Panels Group Pty. Ltd.	Australia, 13 June 1954	1,147,000 ordinary shares of A$1 each	100	Sale and distribution of building materials
Samling Japan Corporation	Japan, 1 July 2005	60 ordinary shares of Yen 50,000 each	100	Market research and letting of industrial properties
Samling China Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100	Investment holding
Samling Trademark Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1 each	100	Ownership of trademark
Samling Trading Co. Limited (formerly known as "Samling Tongling Co., Ltd.")	Hong Kong, 30 December 2004	1 ordinary share of HK$1 each	100	Trading
Samling Riverside Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1 each	100	Sale of plywood and flooring products

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Attributable equity interest %	Principal activity
Samling Foothill Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1 each	100	Investment holding
Samling Elegant Living Group Co., Ltd.	British Virgin Islands, 26 February 2008	US$61,670,000	70	Investment holding
Samling Baroque Holding (Hong Kong) Limited	Hong Kong, 29 February 2008	23,400,001 ordinary share of HK$1 each	70	Investment holding
Samling Baroque Trading (Hong Kong) Limited	Hong Kong, 29 February 2008	1 ordinary share of HK$1 each	70	Investment holding
Samling Elegant Living Holding (Hong Kong) Limited	Hong Kong, 29 February 2008	176,367,992 ordinary share of HK$1 each	70	Investment holding
Samling Labuan Limited	Malaysia, 31 January 2008	35,835,000 ordinary share of US$1 each	100	Investment holding
Dayalaba Sdn. Bhd.	Malaysia, 29 April 1985	25,000 ordinary shares of RM1 each	70	Extraction and sale of logs
Bedianeka Sdn. Bhd.	Malaysia, 10 September 1993	2 ordinary shares of RM1 each	100	Trading of logs
Merawa Sdn. Bhd.	Malaysia, 24 August 1987	25,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Riverside Plywood Corporation	The PRC, 13 August 2002	US$12,300,000	100	Manufacture and sale of plywood and flooring products
Foothill LVL & Plywood (Cangshan) Co., Ltd.	The PRC, 26 November 2002	US$1,840,000	100	Manufacture and sale of laminated veneer lumber
Samling Global USA, Inc.	United States of America, 20 September 2006	US$1,500	100	Sale of plywood and flooring products
Anhui Tongling Anlin Wood Plantation Co., Ltd.	The PRC, 23 October 1995	RMB9,000,000	100	Forest plantation
Baroque Timber (Zhongshan) Co., Ltd.	The PRC, 12 May 2006	RMB130,000,000	70	Manufacture, sale and distribution of flooring products

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

35 PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Attributable equity interest %	Principal activity
Baroque Timber Industry (Tianjin) Co., Ltd.	The PRC, 25 January 2007	RMB15,309,944	70	Manufacture, sale and distribution of flooring products
Shanghai Elegant Living Timber Products Co., Ltd.	The PRC, 25 May 2005	RMB1,000,000	70	Sale of flooring products
Samling Credits (Labuan) Limited	Malaysia, 15 June 2009	1 ordinary share of US$1 each	100	Dormant
Samling NZ Inc.	British Virgin Islands, 9 December 2008	1 ordinary share of US$1 each	100	Dormant
Xylos Arteriors India Private Limited	India, 31 March 2009	3,114,800 ordinary shares of Rs10 each	100	Sale and distribution of wood products
Riverside Flooring Corporation	The PRC, 30 March 2009	US$2,000,000	100	Manufacture and sale of flooring products
Ambang Setia Labuan Limited	Malaysia, 12 May 2008	2 ordinary shares of US$1 each	100	Trading
Samling Elegant Living Trading (Labuan) Limited	Malaysia, 16 July 2009	1 ordinary share of US$1 each	70	Trading of flooring products
SGL Resources Holding Limited	United Arab Emirates, 12 November 2009	1,000 ordinary shares of AED1 each	100	Dormant
SGL Plantations Holding Limited	United Arab Emirates, 16 November 2009	1,000 ordinary shares of AED1 each	100	Investment holding
Suzhou Times Flooring Co., Ltd.	The PRC, 8 December 2005	US$1,920,000	100	Manufacture and sale of flooring products
Baroque Timber Industry (Sichuan) Co., Ltd.	The PRC, 4 September 2009	US$6,000,000	70	Manufacture and sale of flooring products
PT Inti Agro Makmur	Indonesia, 12 June 2006	5,800 ordinary shares of IDR1,000,000 each	95	Plantation
PT Alamanda Lestari Alam	Indonesia, 27 December 2007	13,000 ordinary shares of IDR1,000,000 each	95	Plantation
Persada Trade Limited	Malaysia, 28 February 2011	1 ordinary share of US$1 each	100	Trading

Notes to the Financial Statements *(Continued)*
(Expressed in United States dollars unless otherwise indicated)

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2011

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and interpretations and new standards which are not yet effective for the year ended 30 June 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Revised IAS 24, Related party disclosures	1 January 2011
Improvements to IFRSs 2010	1 January 2011
Amendments to IAS 12, *Income taxes*	1 January 2012
IFRS 9, *Financial instruments*	1 January 2015

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

37 PARENT AND ULTIMATE CONTROLLING PARTY

At 30 June 2011, the directors consider the immediate parent and ultimate controlling party of the Company to be Samling Strategic Corporation Sdn. Bhd. and Yaw Holding Sdn. Bhd. respectively, both of which are incorporated in Malaysia. Neither of them produces financial statements available for public use.

38 SUBSEQUENT EVENTS

On 22 March 2012, the board of directors of the Company put forward a proposal to the board of directors of Lingui Developments Berhad ("Lingui") and Glenealy for the privatisation of Lingui and Glenealy, both Lingui and Glenealy are currently listed on Bursa Malaysia Securities Berhad. The total consideration for the proposed privatisation is RM748,652,000 (equivalent to $241,501,000).

1 INDEBTEDNESS

As at the close of business on 29 February 2012, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this document, the Enlarged SGL Group had total outstanding indebtedness of US$343,443,000, including bank borrowings of US$289,484,000 and hire purchase commitments of US$53,959,000.

Save as disclosed in this section "Indebtedness" and apart from intra-group and normal trade bills and payables in the ordinary and usual course of business, the Enlarged SGL Group did not have outstanding at the close of business on 29 February 2012 any mortgages, charges or debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness or any finance lease or hire purchase commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The SGL Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the internal generated funds and financial resources of the Enlarged SGL Group, the Enlarged SGL Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this document.

3. MATERIAL CHANGES

The loss recognised from changes in fair value of plantation assets less estimated point-of-sale costs and lower contribution from the SGL Group's oil palm plantation associate in the second half of year 2011 had decreased the profit before taxation of the SGL Group for the six months ended 31 December 2011 compared to 31 December 2010 as reflected in the SGL Group's unaudited interim condensed consolidated statement as set out under the paragraph headed "2. Unaudited consolidated interim financial report for the six months ended 31 December 2011 — Consolidated Income Statement " in Appendix I "Financial information on the SGL Group" of this document.

The SGL Directors confirm that, save as disclosed in this section "Material changes", there was no material change in the financial or trading position or outlook of SGL between 30 June 2011, the date to which the latest audited consolidated financial statements of SGL were made up, and the Latest Practicable Date.

1. FINANCIAL SUMMARY

The following summary financial information of the Lingui Group contains the consolidated financial information of the Lingui Group for the three years ended 30 June 2009, 2010 and 2011 and the six months ended 31 December 2010 and 2011.

The consolidated income statements for the six months ended 31 December 2011 and 2010 and the consolidated statement of financial position as at 31 December 2011 are extracted from the unaudited condensed consolidated interim financial statements of the Lingui Group for the six months ended 31 December 2011 as set forth in section 2 of this Appendix. These financial statements are prepared in accordance with the Financial Reporting Standards in Malaysia with the adoption of IAS 41, *Agriculture* ("IAS 41").

The consolidated balance sheet as at 30 June 2011 and the consolidated income statement for the year then ended are extracted from the audited consolidated financial statements of the Lingui Group for the year ended 30 June 2011 as set forth in section 3 of this Appendix. These financial statements are prepared in accordance with the Financial Reporting Standards in Malaysia with the adoption of IAS 41, however, these financial statements have not been restated for the correction of an error which was identified during the course of preparing this document as explained in note 22 to the unaudited condensed consolidated interim financial statements of the Lingui Group for the six months ended 31 December 2011 as set forth in section 2 of this Appendix.

The consolidated balance sheets as at 30 June 2010 and 2009 and the consolidated income statements for the years then ended are extracted from the audited consolidated financial statements of the Lingui Group for each of the years ended 30 June 2010 and 2009 as set forth in section 4 and 5 of this Appendix, respectively. These financial statements are prepared in accordance with Financial Reporting Standards in Malaysia.

As mentioned in the paragraph "3. Information on Lingui and Glenealy" under the section "Malaysian Proposals", it was brought to the directors of Lingui's attention that a formula error had been found in the calculations which supported the valuations of plantation assets of Glenealy that was prepared in accordance with the accounting policies of IAS 41.

The directors of Lingui have considered the following when making decision on whether it is necessary to re-issue the prior year financial statements of Lingui:

- the audited consolidated financial statements of Lingui for the year ended 30 June 2010 as reproduced in section 4 of this Appendix are prepared in accordance with Financial Reporting Standards in Malaysia without the adoption of IAS 41, henceforth the relevant plantation assets are accounted for by Lingui using cost method and the formula error has no impact on these financial statements;

- the impact of the error on the financial information as of 30 June 2010 has been addressed in the adjustment set out in the section "1. Reconciliation of Lingui" of Appendix IV of this document for the year ended 30 June 2010 and explained in Note 1(a) to Accounting Policies Reconciliation of Lingui as set out in Appendix IV of this document;

- with effect from 1 July 2010, Lingui has adopted IAS 41. The comparative financial information for the year ended 30 June 2010 as included in the audited consolidated financial statements of Lingui for the year ended 30 June 2011 had been restated for such change in the accounting policy. As a result, the error would mainly have a consequential impact on the comparative financial information for the year ended 30 June 2010 as included in the financial statements for the year ended 30 June 2011 and there is no material impact on the profits of Lingui for the year ended 30 June 2011; and

- the directors of Lingui have prepared the condensed interim financial statements for the six months ended 31 December 2011, and restated the comparative information as of 30 June 2011 as set out in section 2 of this Appendix to correct the error through prior year adjustments. The directors of Lingui determined the correction had no material impact on the profits reported for the six months ended 31

December 2011 and 2010. The details of the prior year adjustments, which only affect the retained earnings and the investments in associates and jointly-controlled entities are set out in Note 22 to the condensed interim financial statements of Lingui set out in section 2 of this Appendix below.

Based on the above the directors of Lingui consider the impact on the financial statements of Lingui as a whole is not significant and therefore the financial statements of Lingui are not re-issued.

Your attention is also drawn to the fact that as a result of the correction of the said error, financial information for the six months ended 31 December 2011 as well set out in the summary below are different from the condensed consolidated financial statement of Lingui for the period ended 31 December 2011 published by Lingui on Bursa on 18 February 2012.

Summary Consolidated Income Statement

	For the six months ended 31 December		For the financial year ended 30 June		
	2011	**2010**	**2011**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
	(unaudited)	*(unaudited)*			
Revenue	931,901	789,137	1,651,043	1,441,977	1,292,792
Cost of sales	(858,784)	(736,115)	(1,515,450)	(1,366,787)	(1,246,214)
Gross profit	73,117	53,022	135,593	75,190	46,578
Other income	6,344	4,368	9,646	9,266	10,954
Distribution expenses	(7,915)	(6,759)	(14,672)	(15,235)	(14,033)
Administrative expenses	(24,609)	(25,987)	(50,087)	(42,545)	(50,613)
Other operating expenses	(1,564)	(144)	(5,625)	(233)	(313)
Operating profit/(loss) before changes in fair value of biological assets less estimated point-of-sale costs	45,373	24,500	74,855	26,443	(7,427)
(Loss)/gain from changes in fair value of biological assets less estimated point-of-sale costs	(17,992)	35,362	14,455	—	—
Results from operating activities	27,381	59,862	89,310	26,443	(7,427)
Finance costs	(19,727)	(10,411)	(20,337)	(30,259)	(69,396)
Finance income	7,228	21,376	35,587	332	222
Operating profit/(loss)	14,882	70,827	104,560	(3,484)	(76,601)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly-controlled entities	5,994	41,173	100,694	18,542	876
Profit/(loss) before tax	20,876	112,000	205,254	15,058	(75,725)
Income tax expense	(3,939)	(17,119)	(13,541)	8,385	(8,527)
Profit/(loss) attributable to owners of Lingui	16,937	94,881	191,713	23,443	(84,252)
Basic earnings/(loss) per ordinary share (sen)	2.57	14.38	29.06	3.55	(12.77)

Summary Consolidated Statement of Financial Position

	As at 31 December 2011	As at 30 June 2011	As at 30 June 2010	As at 30 June 2009
	RM'000	*RM'000*	*RM'000*	*RM'000*
	(unaudited)			
Assets				
Property, plant and equipment	696,137	696,002	641,894	667,440
Biological assets	750,213	786,984	1,037,670	1,086,152
Timber concession	20,726	23,994	30,529	37,064
Prepaid lease payments	45,129	45,770	47,051	48,332
Investment properties	37,147	37,804	19,327	19,616
Investments in associates and jointly-controlled entities	432,424	447,101	263,706	250,268
Deferred tax assets	151	137	195	200
Total non-current assets	1,981,927	2,037,792	2,040,372	2,109,072
Inventories	238,161	217,149	195,688	200,184
Current tax assets	5,915	11,651	22,474	33,813
Trade and other receivables	311,614	295,055	345,883	388,008
Dividend receivable	1,425	1,425	1,900	—
Cash and cash equivalents	109,649	104,280	69,017	130,996
Total current assets	666,764	629,560	634,962	753,001
Total assets	2,648,691	2,667,352	2,675,334	2,862,073
Equity				
Share capital	329,815	329,815	329,815	329,815
Reserves	1,314,393	1,330,641	1,203,217	1,193,803
Total equity attributable to owners of Lingui	1,644,208	1,660,456	1,533,032	1,523,618
Liabilities				
Borrowings	480,801	442,925	479,674	594,878
Deferred tax liabilities	127,071	133,721	223,795	243,715
Total non-current liabilities	607,872	576,646	703,469	838,593
Trade and other payables	242,531	242,747	275,797	286,984
Borrowings	141,361	180,620	159,428	209,855
Current tax liabilities	12,719	6,883	3,608	3,023
Total current liabilities	396,611	430,250	438,833	499,862
Total liabilities	1,004,483	1,006,896	1,142,302	1,338,455
Total equity and liabilities	2,648,691	2,667,352	2,675,334	2,862,073

2. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

Set out below are the unaudited condensed consolidated interim financial statements of the Lingui Group together with the relevant notes thereto, and the text of a review report received from KPMG Malaysia, the reporting accountant of Lingui, for the six months ended 31 December 2011 for the purpose of incorporation into this document.

These financial statements are prepared in accordance with the Financial Reporting Standards in Malaysia with the adoption of IAS 41, *Agriculture*. In addition, these financial statements contain a prior year adjustment in respect of the correction of an error identified during the course of preparing this document as explained in note 22 to these financial statements and therefore, the comparative figures of these financial statements have been restated in order to correct the error. As a result of the correction of the said error, financial information set out in the following unaudited condensed consolidated interim financial statements are different from the condensed consolidated financial statement of Lingui for the period ended 31 December 2011 published by Lingui on Bursa on 18 February 2012.

Statement by Directors in respect of the condensed interim financial statements for the six months ended 31 December 2011

In the opinion of the Directors, the condensed interim financial statements of Lingui Group, which comprise the condensed consolidated statement of financial position as at 31 December 2011 and the condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the six months ended 31 December 2011, as set out on pages II-5 to II-26 are drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of Lingui Group as at 31 December 2011 and of its financial performance and cash flows for the period then ended.

Chan Hua Eng
Director

Yaw Chee Ming
Director

Date: 30 April 2012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 — UNAUDITED

		Group	
		31.12.2011	**30.6.2011**
	Note	*RM'000*	*RM'000*
			(restated)
Assets			
Property, plant and equipment	*4*	696,137	696,002
Biological assets	*5*	750,213	786,984
Timber concession		20,726	23,994
Prepaid lease payments		45,129	45,770
Investment properties		37,147	37,804
Investments in associates and jointly-controlled entities	*6*	432,424	431,223
Deferred tax assets		151	137
Total non-current assets		1,981,927	2,021,914
Inventories	*7*	238,161	217,149
Current tax assets		5,915	11,651
Trade and other receivables	*8*	311,614	295,055
Dividend receivable		1,425	1,425
Cash and cash equivalents		109,649	104,280
Total current assets		666,764	629,560
Total assets		2,648,691	2,651,474
Equity			
Share capital		329,815	329,815
Reserves		1,314,393	1,314,763
Total equity attributable to owners of the Company		1,644,208	1,644,578

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 — UNAUDITED *(Continued)*

		Group	
		31.12.2011	**30.6.2011**
	Note	*RM'000*	*RM'000*
			(restated)
Liabilities			
Borrowings	*9*	480,801	442,925
Deferred tax liabilities		127,071	133,721
Total non-current liabilities		607,872	576,646
Trade and other payables	*10*	242,531	242,747
Borrowings	*9*	141,361	180,620
Current tax liabilities		12,719	6,883
Total current liabilities		396,611	430,250
Total liabilities		1,004,483	1,006,896
Total equity and liabilities		2,648,691	2,651,474

The notes on pages II-13 to II-26 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 — UNAUDITED

		Six months ended 31 December	
		2011	**2010**
	Note	*RM'000*	*RM'000*
Revenue	*11*	931,901	789,137
Cost of sales		(858,784)	(736,115)
Gross profit		73,117	53,022
Other income		6,344	4,368
Distribution expenses		(7,915)	(6,759)
Administrative expenses		(24,609)	(25,987)
Other operating expenses		(1,564)	(144)
(Loss)/Gain from changes in fair value of biological assets less estimated point-of-sale costs	*5*	(17,992)	35,362
Results from operating activities		27,381	59,862
Finance costs	*12*	(19,727)	(10,411)
Finance income	*13*	7,228	21,376
Operating profit		14,882	70,827
Share of profit after tax and non-controlling interests of equity accounted associates and jointly-controlled entities		5,994	41,173
Profit before tax		20,876	112,000
Income tax expense	*14*	(3,939)	(17,119)
Profit attributable to owners of the Company		16,937	94,881
Basic earnings per ordinary share (sen)	*15*	2.57	14.38

The notes on pages II-13 to II-26 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 — UNAUDITED

	Six months ended 31 December	
	2011	**2010**
	RM'000	*RM'000*
Profit for the period	16,937	94,881
Foreign currency translation differences for foreign operations	(7,540)	24,634
Share of other comprehensive income of associated and jointly-controlled entities	127	—
	(7,413)	24,634
Total comprehensive income for the period, attributable to the owners of the Company	9,524	119,515

The notes on pages II-13 to II-26 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 — UNAUDITED

				Non-distributable		*Distributable*	
		Share capital	**Share premium**	**Translation reserve**	**Fair value reserve**	**Retained earnings**	**Total**
Group	*Note*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
At 1 July 2010							
— As previously stated		329,815	130,089	110,870	14,224	837,156	1,422,154
— Prior year adjustment	22	—	—	—	—	(15,878)	(15,878)
At 1 July 2010, restated		329,815	130,089	110,870	14,224	821,278	1,406,276
Foreign currency translation differences for foreign operation		—	—	24,634	—	—	24,634
Profit for the period		—	—	—	—	94,881	94,881
Total comprehensive income for the period		—	—	24,634	—	94,881	119,515
Dividend to owners of the Company	16	—	—	—	—	(4,947)	(4,947)
At 31 December 2010		329,815	130,089	135,504	14,224	911,212	1,520,844

				Non-distributable		*Distributable*	
		Share capital	**Share premium**	**Translation reserve**	**Fair value reserve**	**Retained earnings**	**Total**
Group	*Note*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
At 1 July 2011							
— As previously stated		329,815	130,089	162,406	14,224	1,023,922	1,660,456
— Prior year adjustment	22	—	—	—	—	(15,878)	(15,878)
At 1 July 2011, restated		329,815	130,089	162,406	14,224	1,008,044	1,644,578
Foreign currency translation differences for foreign operation		—	—	(7,540)	—	—	(7,540)
Share of other comprehensive income of associates and jointly-controlled entities		—	—	193	(66)	—	127
Total other comprehensive income for the period		—	—	(7,347)	(66)	—	(7,413)
Profit for the period		—	—	—	—	16,937	16,937
Total comprehensive income for the period		—	—	(7,347)	(66)	16,937	9,524
Dividend to owners of the Company	16	—	—	—	—	(9,894)	(9,894)
At 31 December 2011		329,815	130,089	155,059	14,158	1,015,087	1,644,208

The notes on pages II-13 to II-26 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 — UNAUDITED

	Six months ended 31 December	
	2011	**2010**
	RM'000	*RM'000*
Cash flows from operating activities		
Profit before tax	20,876	112,000
Adjustments for:		
Depreciation and amortisation	42,342	43,511
Harvested timber transferred to inventories	27,798	22,730
Loss/(Gain) from changes in fair value of biological assets less estimated point-of-sale costs	17,992	(35,362)
Finance costs	10,287	10,411
Unrealised foreign exchange loss/(gain)	6,191	(13,662)
Fair value loss/(gain) arising from financial instruments	3,249	(7,215)
Finance income	(405)	(129)
Share of profit after tax and non-controlling interest of equity accounted associates and jointly-controlled entities	(5,994)	(41,173)
Other non-cash items	(105)	(337)
Operating profit before changes in working capital	122,231	90,774
Changes in working capital:		
Inventories	(21,072)	6,357
Trade and other payables	(4,364)	(34,627)
Trade and other receivables	(14,625)	(14,273)
Cash generated from operations	82,170	48,231
Income tax refunded/(paid)	2,671	(2,444)
Net cash generated from operating activities	84,841	45,787

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 — UNAUDITED *(Continued)*

	Six months ended 31 December	
	2011	**2010**
	RM'000	*RM'000*
Cash flows from investing activities		
Additions of biological assets	(7,869)	(6,067)
Dividends received from associates and other investments	4,920	5,016
Interest received	405	129
Purchase of property, plant and equipment	(21,547)	(20,734)
Purchase of investment properties	—	(5,674)
Proceeds from disposal of property, plant and equipment	111	839
Net cash used in investing activities	(23,980)	(26,491)
Cash flows from financing activities		
Pledged deposits received	3,043	(1,229)
Dividend paid	(9,894)	(4,947)
Proceeds from borrowings	89,313	21,580
Repayment of borrowings	(111,616)	(35,186)
Finance costs paid	(19,779)	(19,348)
Net cash used in financing activities	(48,933)	(39,130)
Net increase/(decrease) in cash and cash equivalents	11,928	(19,834)
Cash and cash equivalents at 1 July	90,215	19,372
Foreign exchange difference on opening balances	(288)	1,242
Cash and cash equivalents at 31 December *(i)*	101,855	780

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 — UNAUDITED *(Continued)*

(i) ***Cash and cash equivalents***

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:

	Six months ended 31 December	
	2011	**2010**
	RM'000	*RM'000*
Cash and bank balances	24,595	39,424
Deposits with licensed banks	85,054	25,235
Bank overdrafts	(7,763)	(38,775)
	101,886	25,884
Less: Fixed deposits and bank balances pledged to the financial institutions	(31)	(25,104)
	101,855	780

The notes on pages II-13 to II-26 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Lingui Developments Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements of the Group as at and for the six months ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the Lingui Group or the Group) and the Group's interest in associates and jointly-controlled entities.

The consolidated financial statements of the Group as at and for the year ended 30 June 2011 are available upon request from the Company's registered office at:

Level 42,
Menara Maxis,
Kuala Lumpur City Centre,
50088 Kuala Lumpur

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 30 April 2012.

1. BASIS OF PREPARATION

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and FRS 134, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the unaudited interim financial statements are consistent with those adopted in the Group's audited financial statements for the financial year ended 30 June 2011 except for the adoption of the following new and revised standards, amendments and interpretations that are effective for the financial period from 1 July 2011:

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- *Improvements* to FRSs (2010)
- IC Interpretation 19, *Extinguishing* Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

The adoption of above standards, amendments and interpretations has no material impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the interim financial statements in conformity with FRSs requires Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparation of these condensed consolidated interim financial statements, the significant judgements made by Directors in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 30 June 2011.

4. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 31 December 2011, the Group acquired assets with a cost of RM39,366,000 (Six months ended 31 December 2010: RM23,925,000) of which RM17,819,000 (Six months ended 31 December 2010: RM3,191,000) was acquired by means of finance lease liabilities.

Assets with a carrying amount of RM nil (Six months ended 31 December 2010: RM502,000) were disposed, resulting in a gain of RM111,000 (Six months ended 31 December 2010: RM337,000).

(b) Capital commitments

As at 31 December 2011, the Group had entered into contracts to purchase property, plant and equipment for RM1,960,000 (30 June 2011: RM12,750,000).

(c) Security

Certain building and machineries of the Group with a total carrying amounts of RM15,299,000 (30 June 2011: RM18,521,000) are charged to banks as security for borrowings.

(d) Leased plant and machinery and motor vehicles

At 31 December 2011, the net carrying amounts of leased plant and machinery and motor vehicles of the Group were RM82,438,000 and RM5,361,000 (30 June 2011: RM73,416,000 and RM1,587,000) respectively.

5. BIOLOGICAL ASSETS

Included in additions to biological assets is interest capitalised of RM9,690,000 (Six months ended 31 December 2010: RM9,770,000).

A significant portion of biological assets in New Zealand is located on freehold forest and a small portion on leasehold forest with terms expiring in 2060.

The biological assets are charged to banks as security for borrowings.

Fair value accounting

The Group's biological assets in New Zealand was independently valued by Chandler Fraser Keating Limited ("CFK"). In view of the non-availability of market value for forest trees in New Zealand, CFK has applied the net present value approach whereby projected future net cash flows, based on their assessment of current timber log prices, were discounted at the rate of 7.25% (Six months ended 31 December 2010: 7.25%) for the period applied to pre-tax cash flows to provide a current market value of the biological assets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

5. BIOLOGICAL ASSETS *(Continued)*

Fair value accounting *(Continued)*

The discount rate used in the valuation of biological assets in New Zealand as at end of reporting period was determined by reference to published discount rates, weighted average cost of capital analysis, internal rate of return analysis, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions mainly in New Zealand over a period of time, with more weight given to the implied discount rate.

The principal valuation methodology and assumptions adopted are as follows:

- A stand-based approach was employed whereby stands are scheduled to be harvested at or near their optimum economic rotation age.
- The cash flows are those arising from the current rotation of trees only. No account was taken of revenues or costs from re-establishment following harvest, or of land not yet planted.
- The cash flows do not take into account income tax and finance costs.
- The cash flows have been prepared in real terms and have not therefore included inflationary effects.
- The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account.
- Costs, including logging and transport costs, forest management cost and indirect costs, are current average costs. No allowance has been made for cost improvements in future operations.

The values assigned to the key assumptions represent management's assessment of current trends in the forest plantation in New Zealand and are based on both external and internal sources (historical data). Any changes in the market conditions or to subsequent decisions on the harvesting levels may have a material impact on the assets values as the future cash flow may differ from these estimates.

Fair value loss and gain arose from the changes in fair value of biological asset less estimated point-of-sales costs are RM17,992,000 loss (Six months ended 31 December 2011) and RM35,362,000 gain (Six months ended 31 December 2010) respectively.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

6. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

		At 31 December 2011 *RM'000*	At 30 June 2011 *RM'000* *(restated)*
At cost			
Quoted shares at 1 July		111,622	102,248
Acquisition of shares		—	9,374
At 31 December/30 June		111,622	111,622
Unquoted shares at 1 July		84,370	84,569
Impairment losses		—	(199)
At 31 December/30 June		84,370	84,370
		195,992	195,992
Share of post-acquisition results			
Quoted shares	*6.1*	222,055	220,608
Unquoted shares		14,377	14,623
		236,432	235,231
		432,424	431,223
Market value of quoted shares		263,246	240,944

6.1 Share of post-acquisition results

Biological assets of the associated company are measured on initial recognition and at the end of each reporting period at its fair value less estimated point-of-sale costs. The biological assets for the six months ended 31 December 2011 and the financial year ended 30 June 2011 were independently valued by HASB Consultants Sdn. Bhd. ("HASB"), a registered Valuers & Estate Agents with Board of Valuers, Appraisers and Estate Agents Malaysia. In view of the non-availability of market value, HASB has applied the net present value approach whereby projected future net cash flows, based on their assessment of current Fresh Fruit Bunch ("FFB") prices, were discounted at the rate of 12% (30 June 2011: 12%) for the period applied to pre-tax cash flows to provide a current market value of the plantation assets.

The rate adopted by the independent valuer for the valuation is 12%, who is of the view that the discount rate is generally accepted by the plantation industry, the valuation profession and the regulatory bodies in Malaysia.

The valuation of the oil palm plantations is on the following principles:

- Valuation of the existing 25-period cycle only;
- Adoption of the current FFB prices for the first 2 periods and there after the 10-period average Malaysian Palm Oil Board ("MPOB") FFB price; and
- Adoption of the current/adjusted industry cost of production.

The values assigned to the key assumptions represent management's assessment of current trends in the oil palm plantation and are based on both external and internal sources (historical data). Any changes in the market conditions or to subsequent decisions on the harvesting levels may have a material impact on the assets values as the future cash flow may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. INVENTORIES

During the six months ended 31 December 2011, RM14,595,000 (Six months ended 31 December 2010: RM858,000) has been recognised as an expense in the income statements, under cost of sales to write-down the inventories to their estimated net realisable value.

8. TRADE AND OTHER RECEIVABLES

	At 31 December 2011 *RM'000*	At 30 June 2011 *RM'000*
Trade		
Trade receivables	90,325	86,488
Less: Allowance for doubtful debts	(9,006)	(8,006)
	81,319	78,482
Amount due from contract customer	468	503
Amount due from related companies	207,641	183,896
	289,428	262,881
Non trade		
Other receivables	4,672	9,175
Deposits	4,487	7,822
Prepayments	7,590	7,370
Amount due from related companies	5,427	7,737
Amount due from penultimate holding company	10	70
	22,186	32,174
	311,614	295,055

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:

	At 31 December 2011 *RM'000*	At 30 June 2011 *RM'000*
Within 30 days	55,157	55,264
31–60 days	6,632	7,264
61–90 day	4,900	3,977
91–180 days	8,217	7,269
181–365 days	3,951	960
1–2 years	2,462	3,748
	81,319	78,482

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

9. BORROWINGS

		At 31 December 2011 *RM'000*	At 30 June 2011 *RM'000*
Non-current			
Term loans	— secured	232,018	227,489
	— unsecured	208,767	182,580
Finance lease liabilities	— secured	40,016	32,856
		480,801	442,925
Current			
Overdrafts	— unsecured	7,763	10,991
Bankers' acceptances	— unsecured	22,408	31,509
Revolving credit	— unsecured	38,200	53,000
Term loans	— secured	2,815	4,203
	— unsecured	50,703	58,522
Finance lease liabilities	— secured	19,472	22,395
		141,361	180,620
		622,162	623,545

New drawdown

During the six months ended 31 December 2011, a subsidiary of the Group had acquired an unsecured term loan, with a limit of RM45,000,000 that was denominated in RM. The loan was fully drawn down and bears a floating interest rate at cost of fund +1%, hence its carrying amount approximates fair value. The loan matures in December 2016. As at 31 December 2011, the Group has adhered to the covenants imposed onto it.

10. TRADE AND OTHER PAYABLES

	At 31 December 2011 *RM'000*	At 30 June 2011 *RM'000*
Trade		
Trade payables	124,335	139,918
Amount due to related companies	214	528
	124,549	140,446
Non trade		
Other payables	18,224	16,043
Accrued expenses	76,182	66,950
Amount due to associate	2,428	1,393
Amount due to penultimate holding company	910	926
Derivative financial instruments	20,238	16,989
	117,982	102,301
	242,531	242,747

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

10. TRADE AND OTHER PAYABLES *(Continued)*

An ageing analysis of trade payables is as follows:

	At 31 December 2011 *RM'000*	At 30 June 2011 *RM'000*
Within 30 days	30,555	54,564
31–60 days	15,361	25,487
61–90 days	15,471	11,273
91–180 days	29,996	18,477
181–365 days	16,254	23,270
1–2 years	16,912	7,070
Over 2 years	—	305
	124,549	140,446

11. REVENUE

	Six months ended 31 December 2011 *RM'000*	2010 *RM'000*
Revenue		
— sale of goods	627,596	577,331
— trading and services	303,473	211,724
— rental income from investment properties	832	82
	931,901	789,137

12. FINANCE COSTS

	Six months ended 31 December 2011 *RM'000*	2010 *RM'000*
Interest expense of financial liabilities that are not at fair value through profit or loss:		
— term loans	15,689	15,228
— revolving credit	1,371	1,733
— overdrafts	536	1,071
— finance leases	1,742	1,514
— bankers' acceptances	389	373
— others	250	262
	19,977	20,181
Less: Interest capitalised *(Note 5)*	(9,690)	(9,770)
	10,287	10,411
Loss on changes in fair value of financial instruments	3,249	—
Unrealised foreign exchange loss	6,191	—
	19,727	10,411

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

13. FINANCE INCOME

	Six months ended 31 December	
	2011	**2010**
	RM'000	*RM'000*
Interest income	405	129
Gain on changes in fair value of financial instruments	—	7,215
Unrealised foreign exchange gains	—	13,662
Realised foreign exchange gains	6,823	370
	7,228	21,376

14. INCOME TAX EXPENSE

	Six months ended 31 December	
	2011	**2010**
	RM'000	*RM'000*
Current tax expense		
Malaysian		
— current period	10,027	12,163
— prior period	(1,126)	—
	8,901	12,163
Deferred tax expense		
Origination and reversal of temporary differences		
— current period	(6,228)	4,956
— prior period	1,266	—
	(4,962)	4,956
	3,939	17,119

Income tax expense is recognised based on management's calculation on the actual tax incurred for the 6 months ended 31 December 2011. The Group's consolidated effective tax rate for the six months ended 31 December 2011 was lower than the Malaysian statutory tax rate of 25% (Six months ended 31 December 2010: 25%) caused mainly by the following factors:

— Double-deduction of expenses related to freight charges

— Share of associate and jointly controlled entities' profit which is net of tax

— Utilisation of unrecognised deferred tax asset

15. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share for the six months ended 31 December 2011 was based on the profit attributable to owners of RM16,937,000 (Six months ended 31 December 2010: RM94,881,000) and the number of ordinary shares outstanding of 659,630,441 (Six months ended 31 December 2010: 659,630,441).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

16. DIVIDENDS

The following dividends were paid by the Group:

	Sen per share (net of tax)	Total amount *RM'000*	Date of payment
Six months ended 31 December 2011			
Final 2011 ordinary	1.50	9,894	16 December 2011
Six months ended 31 December 2010			
Final 2010 ordinary	0.75	4,947	20 December 2010

No dividend has been declared subsequent to 31 December 2011.

17. OPERATING SEGMENTS

The Group manages its business by divisions, which are organised by business line. In a manner consistent with the way in which information is reported internally to the chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments.

Logs	The sale of timber logs from concession and forest plantation area.
Plywood and veneer	The manufacture and sale of plywood and veneer.
Upstream support	The provision of supporting services such as tree-falling and barging.
Other timber operations	The manufacture and sale of timber related products such as doorskin, housing products and kitchen retail.
Other operations	Other operations include the manufacture and sale of granite aggregates, rubber compound and glue, logistic services, power generating facilities, property investment and investment companies.

Information about reportable segments

	Logs *RM'000*	Plywood and veneer *RM'000*	Upstream support *RM'000*	Other timber operations *RM'000*	Other operations *RM'000*	Total *RM'000*
For the six months ended 31 December 2011						
External revenue	305,920	307,745	294,596	5,695	17,945	931,901
Inter-segment revenue	18,504	17,379	92,871	—	6,899	135,653
Reportable segment revenue	324,424	325,124	387,467	5,695	24,844	1,067,554
Segment profit/(loss)	15,965*	8,335	4,758	(2,842)	1,165	27,381
Segment assets	984,869	699,846	340,145	23,161	106,657	2,154,678

* *included in reportable segment profit of logs segment is a loss from changes in fair value of biological assets less estimated point-of-sale costs of RM17,992,000.*

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17. OPERATING SEGMENTS *(Continued)*

	Logs	Plywood and veneer	Upstream support	Other timber operations	Other operations	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
For the six months ended 31 December 2010						
External revenue	275,000	282,378	203,219	8,893	19,647	789,137
Inter-segment revenue	26,136	17,007	82,539	—	7,115	132,797
Reportable segment revenue	301,136	299,385	285,758	8,893	26,762	921,934
Reportable segment profit/(loss)	78,116*	(8,814)	(13,301)	(716)	4,577	59,862
Reportable segment assets	1,042,514	675,071	347,472	9,392	108,324	2,182,773

* *included in reportable segment profit of logs segment is a gain from changes in fair value of biological assets less estimated point-of-sale costs of RM35,362,000.*

Reconciliations of reportable segment revenues, profit or loss and assets.

	Six months ended 31 December 2011	2010
	RM'000	*RM'000*
Revenue		
Reportable segment revenue	1,067,554	921,934
Elimination of inter-segment revenue	(135,653)	(132,797)
Consolidated revenue	931,901	789,137
Profits		
Reportable segment profit	27,381	59,862
Share of profit after tax and non-controlling interests of equity accounted associates and jointly-controlled entities	5,994	41,173
Net financing (costs)/income	(12,499)	10,965
Consolidated profit before tax	20,876	112,000
Assets		
Reportable segment assets	2,154,678	2,182,773
Investments in associates and jointly-controlled entities	432,424	362,527
Deferred tax assets	151	430
Current tax assets	5,915	15,971
Unallocated head office and corporate assets	55,523	6,244
Consolidated total assets	2,648,691	2,567,945

There are no differences in the basis of segmentation or in the basis of measurement of segment profit or loss for the six months ended 31 December 2011 as compared to the financial year ended 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

18. CONTINGENT LIABILITIES

Two of the Group's subsidiaries, Samling Plywood (Lawas) Sdn. Bhd. ("Samling Plywood Lawas") and Samling Plywood (Miri) Sdn. Bhd. ("Samling Plywood Miri") together with the Director of Forests, Sarawak and State of Government of Sarawak were being jointly sued by certain inhabitants of longhouses and settlements situated on timber concessions held by Samling Plywood Lawas and Samling Plywood Miri. The plaintiffs are claiming various orders, reliefs and damages including declarations that issuance of the forest timber licence by the Director of Forests, Sarawak to Samling Plywood Lawas and Samling Plywood Miri which overlap the plaintiffs' claimed areas are unlawful, unconstitutional, null and void.

As at 31 December 2011, the above proceedings remained pending before the court.

19. RELATED PARTIES

During the six months ended 31 December 2011 and 2010, transactions with 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 holding company of the Group.
Samling Global Limited, ("Samling Global"), its subsidiaries and associates ("Samling Global Group")	Samling Global is the intermediate holding company of the Group.
Glenealy Plantations (Malaya) Berhad ("Glenealy") and its subsidiaries ("Glenealy Group")	Glenealy is an associate company of the Group.
3D Network Sdn. Bhd. ("3D Networks")	3D Networks is controlled by Mr. Yaw Chee Ming, the managing director of the Company.
Meridian Magic Sdn. Bhd. ("Meridian Magic")	Meridian Magic is controlled by the brother of Mr. Yaw Chee Ming.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

19. RELATED PARTIES *(Continued)*

The significant related party transactions of the Group, other than key management personnel compensation are as follows:

	Six months ended 31 December 2011 *RM'000*	2010 *RM'000*
Agency commission payable:		
Samling Global Group	484	555
Purchase of property, plant and equipment:		
Samling Global Group	2,113	4,342
Yaw Holding Group	94	144
Insurance premium receivable:		
Yaw Holding Group	863	832
Samling Global Group	2,585	1,802
Lighterage income receivable:		
Samling Global Group	16,969	15,498
Glenealy Group	305	250
Timber logging contract fees payable:		
Samling Global Group	89,415	81,466
Timber logging contract fees receivable:		
Samling Global Group	159,951	85,364
Purchase of fuel, spare parts and other materials:		
Samling Global Group	3,825	2,233
Purchase of timber logs and plywood:		
Samling Global Group	96,018	81,828
Rental of equipment/premises payable:		
Yaw Holding Group	774	748
Samling Global Group	168	304
Rental of equipment/premises receivable:		
Samling Global Group	587	581
3D Networks	82	82
Yaw Holding Group	579	27
Meridian Magic	198	—
Repair and reconditioning payable:		
Samling Global Group	545	375
Construction of roads and trucking income:		
Samling Global Group	977	917
Construction of roads and trucking expenses:		
Samling Global Group	7,006	3,673
Sale of timber logs and plywood:		
Samling Global Group	21,285	26,808
Sale of fuel, spare parts and other materials:		
Samling Global Group	105,129	91,188

These transactions have been entered into on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

19. RELATED PARTIES *(Continued)*

Other significant related party transactions

Other significant related party transactions, in respect of related parties as defined in FRS 124, *Related Parties* but are not regarded as related parties under Chapter 10 Para 10.08 of the Listing Requirements of Bursa Malaysia Securities Berhad is with associates:

	Six months ended 31 December	
	2011	**2010**
	RM'000	*RM'000*
Associate		
Purchase of glue	13,236	10,938

20. FINANCIAL INSTRUMENTS

Financial risk management

There were no changes to the financial risk management and objectives and policies or to the nature of and extent to risks arising from financial instruments during the six months ended 31 December 2011, as compared to the financial year ended 30 June 2011.

21. STATUS OF CORPORATE PROPOSALS

The Board of Directors of Lingui Developments Berhad ("Board") had on 20 January 2012 received a letter dated 20 January 2012 from Samling Strategic Corporation Sdn. Bhd. ("SSC") ("Approach Letter") which was addressed to Samling Global Limited ("SGL"). The Approach Letter sets out SSC's interest to pursue a proposed privatisation of SGL ("SGL Privatisation") by SSC and in turn, a proposed privatisation of Lingui ("Lingui Privatisation") and Glenealy Plantations (Malaya) Berhad ("Glenealy Privatisation") by SGL (to be collectively referred to as "Proposal").

The Proposal is subject to a number of matters being satisfied and there is no guarantee that the Approach Letter will lead to a formal offer being made by SSC for SGL. If proposed and implemented, the Lingui Privatisation and the Glenealy Privatisation will be conditional upon the completion of the SGL Privatisation.

On 22 March 2012, the Board has received a formal offer letter from SGL in respect of the Proposal.

22. PRIOR YEAR ADJUSTMENT AND COMPARATIVE FIGURES

The Group equity accounts for its share of the profits of Glenealy, an associate of the Group, based on the information provided by that entity in accordance with the Group's accounting policy. The Group adopted IAS 41, *Agriculture*, with effect from 1 July 2010.

Glenealy has certain biological assets located in Malaysia. These biological assets were independently valued by HASB Consultants Sdn. Bhd. ("HASB"). During the course of preparing an investment circular in connection with the Proposal as disclosed in Note 21, it was brought to the Directors' attention that a formula error had been found in the calculations which supported the valuations of biological assets of Glenealy, and that these calculations were adopted by HASB in forming their conclusions on the fair values of the biological assets, which were included in the previously issued valuation reports on the fair value of the biological assets as at 31 December 2011, 30 June 2011, 31 December 2010 and 30 June 2010, dated 9 February 2012, 19 August 2011, 14 February 2011 and 27 August 2010, respectively ("original valuation reports").

On 12 April 2012, HASB re-issued the valuation reports on the biological assets of Glenealy as at 31 December 2011, 30 June 2011, 31 December 2010 and 30 June 2010 ("re-issued valuation reports") to replace the original valuation reports to correct the formula error and restate the fair values of the biological assets of Glenealy as at those dates. As the gain or loss from changes in fair value of biological assets less estimated point-of-sale costs would be recognised in the income statement of Glenealy under the same accounting policies adopted by the Group, any material changes in the fair value of Glenealy's biological assets would have a consequential impact on the share of profit less losses of associates and interests in associates recognised in the financial statements of the Group.

Specifically, based on the re-issued valuation reports, the Directors of the Company determined that the Group's investments in associates and jointly-controlled entities as at 30 June 2010 and 30 June 2011, and the profits for the year ended 30 June 2010 as reported in the Group's consolidated financial statements issued on 9 September 2011, should be reduced by RM15,878,000 in order to correct this error. This correction of an error had no material impact on profits reported for the year ended 30 June 2011 and the six months ended 31 December 2011.

The effect of the prior year adjustments for each financial statement line item is summarised as follows:

	As previously reported	**Prior period adjustments**	**As restated**
	RM'000	*RM'000*	*RM'000*
Condensed consolidated statement of financial position			
Non-current assets			
Investments in associates and jointly-controlled entities at 30 June 2011	447,101	(15,878)	431,223
Condensed consolidated statement of changes in equity			
Retained earnings at 1 July 2010	837,156	(15,878)	821,278
Retained earnings at 1 July 2011	1,023,922	(15,878)	1,008,044

INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE DIRECTORS OF LINGUI DEVELOPMENTS BERHAD ("LINGUI")

Introduction

We have reviewed the accompanying condensed interim financial information of Lingui, which comprise the condensed consolidated statement of financial position as at 31 December 2011 and the condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the six months ended 31 December 2011. Directors of the Company are responsible for the preparation and fair presentation of this condensed interim financial information in accordance with Financial Reporting Standards in Malaysia, including compliance with FRS 134 — *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 — *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Malaysian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 31 December 2011 is not prepared, in all material respects, in accordance with FRS 134 — *Interim Financial Reporting*.

Limitation of this report

This report is intended solely for the consumption of the Board of Directors in connection with the proposed acquisition of Lingui Developments Berhad by Samling Global Limited. It is not to be used, circulated, quoted or otherwise referred to for any purpose, nor is to be filed with, reproduced, copied, disclosed, or referred to in whole or in part in any document.

KPMG
Chartered Accountants
Firm Number: AF 0758

Petaling Jaya, Malaysia
Date: 30 April 2012

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Set out below are the audited financial statements of the Lingui Group for the year ended 30 June 2011 together with the relevant notes thereto as extracted from the annual report of Lingui for the year ended 30 June 2011.

These financial statements are prepared in accordance with the Financial Reporting Standards in Malaysia with the adoption of IAS 41, *Agriculture*, the comparative information has been restated in respect of the significant changes in accounting policies as explained in note 33 to these financial statements. However, these financial statements have not been restated for the correction of an error which was identified during the course of preparing this document as explained in note 22 to the unaudited condensed consolidated interim financial statements of the Lingui Group for the six months ended 31 December 2011 as set forth in section 2 of this Appendix.

All page references set out in this section refer to the corresponding pages of the annual report 2011 of Lingui. The annual report 2011 of Lingui is available free of charge, in read only, printable format on Lingui Group's website *http://www.lingui.com.my*.

In this section "Company" shall be constructed as Lingui and "Group" shall be constructed as Lingui Group.

Statements of Financial Position

As at 30 June 2011

		Group			Company	
		30.6.2011	**30.6.2010**	**1.7.2009**	**30.6.2011**	**30.6.2010**
	Note	*RM'000*	*RM'000* *(restated)*	*RM'000* *(restated)*	*RM'000*	*RM'000*
Assets						
Property, plant and equipment	*3*	696,002	709,329	735,869	16,101	15
Biological assets	*4*	786,984	715,628	680,996	—	—
Timber concession	*5*	23,994	30,529	37,064	—	—
Prepaid lease payments	*6*	45,770	47,051	48,332	—	—
Investment properties	*7*	37,804	19,327	19,616	1,729	1,825
Investments in subsidiaries	*8*	—	—	—	939,339	813,335
Investments in associates and jointly-controlled entities	*9*	447,101	341,775	312,684	71,924	62,550
Deferred tax assets	*10*	137	195	200	—	—
Trade and other receivables	*11*	—	—	—	—	460,844
Total non-current assets		2,037,792	1,863,834	1,834,761	1,029,093	1,338,569
Inventories	*12*	217,149	196,943	201,544	—	—
Current tax assets		11,651	22,474	33,813	5,598	8,291
Trade and other receivables	*11*	295,055	345,883	388,008	143,541	1,350
Dividend receivable		1,425	1,900	—	1,425	1,900
Cash and cash equivalents	*13*	104,280	69,017	130,996	19,939	68
Total current assets		629,560	636,217	754,361	170,503	11,609
Total assets		2,667,352	2,500,051	2,589,122	1,199,596	1,350,178
Equity						
Share capital	*14*	329,815	329,815	329,815	329,815	329,815
Reserves	*15*	1,330,641	1,124,324	1,035,706	488,273	486,535
Total equity attributable to owners of the Company		1,660,456	1,454,139	1,365,521	818,088	816,350
Liabilities						
Trade and other payables	*16*	—	—	—	—	250,609
Borrowings	*17*	442,925	479,674	594,878	180,036	219,922
Deferred tax liabilities	*10*	133,721	127,405	128,861	—	—
Total non-current liabilities		576,646	607,079	723,739	180,036	470,531
Trade and other payables	*16*	242,747	275,797	286,984	129,431	2,180
Borrowings	*17*	180,620	159,428	209,855	72,041	61,117
Current tax liabilities		6,883	3,608	3,023	—	—
Total current liabilities		430,250	438,833	499,862	201,472	63,297
Total liabilities		1,006,896	1,045,912	1,223,601	381,508	533,828
Total equity and liabilities		2,667,352	2,500,051	2,589,122	1,199,596	1,350,178

The notes on pages 57 to 130 are an integral part of these financial statements.

Income Statements
For the year ended 30 June 2011

		Group		Company	
		2011	2010	2011	2010
	Note	*RM'000*	*RM'000* *(restated)*	*RM'000*	*RM'000*
Revenue	*18*	1,651,043	1,441,977	22,424	23,425
Cost of sales		(1,515,450)	(1,358,699)	—	—
Gross profit		135,593	83,278	22,424	23,425
Other income		9,646	9,266	—	—
Distribution expenses		(14,672)	(15,235)	—	—
Administrative expenses		(50,087)	(42,218)	(5,140)	(4,805)
Other operating expenses		(5,625)	(560)	—	—
Gain from changes in fair value of biological assets less estimated point-of-sale costs	*4*	14,455	48,163	—	—
Results from operating activities	*19*	89,310	82,694	17,284	18,620
Finance costs	*21*	(20,337)	(18,087)	(15,538)	(16,489)
Finance income	*22*	35,587	12,102	10,898	6,865
Operating profit		104,560	76,709	12,644	8,996
Share of profit after tax and non-controlling interests of equity accounted associates and jointly-controlled entities		100,694	34,191	—	—
Profit before tax		205,254	110,900	12,644	8,996
Income tax expense	*23*	(13,541)	(8,772)	(4,725)	(2,369)
Profit attributable to owners of the Company		191,713	102,128	7,919	6,627
Basic earnings per ordinary share *(sen)*	*24*	29.06	15.48		

The notes on pages 57 to 130 are an integral part of these financial statements.

Statements of Comprehensive Income
For the year ended 30 June 2011

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Profit for the year	191,713	102,128	7,919	6,627
Foreign currency translation differences for foreign operations	51,536	(8,563)	—	—
Total comprehensive income for the year, attributable to the owners of the Company	243,249	93,565	7,919	6,627

The notes on pages 57 to 130 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2011

		Non-distributable				Distributable	
Group	*Note*	**Share capital** *RM'000*	**Share premium** *RM'000*	**Translation reserve** *RM'000*	**Fair value reserve** *RM'000*	**Retained earnings** *RM'000*	**Total** *RM'000*
At 1 July 2009							
— As previously stated		329,815	130,089	161,756	64,535	837,423	1,523,618
— Effect of changes in accounting policies	33	—	—	(42,323)	—	(115,774)	(158,097)
— Transfer from fair value reserve to retained earnings	15, 33	—	—	—	(50,311)	50,311	—
At 1 July 2009, restated		329,815	130,089	119,433	14,224	771,960	1,365,521
Profit for the year		—	—	—	—	102,128	102,128
Foreign currency translation differences for foreign operation		—	—	(8,563)	—	—	(8,563)
Total comprehensive income for the year, restated		—	—	(8,563)	—	102,128	93,565
Dividend to owners of the Company	25	—	—	—	—	(4,947)	(4,947)
At 30 June 2010, restated		329,815	130,089	110,870	14,224	869,141	1,454,139
At 1 July 2010							
— As previously stated		329,815	130,089	152,674	64,535	855,919	1,533,032
— Effect of changes in accounting policies	33	—	—	(41,804)	—	(37,089)	(78,893)
— Transfer from fair value reserve to retained earnings	15, 33	—	—	—	(50,311)	50,311	—
		329,815	130,089	110,870	14,224	869,141	1,454,139
— Effect of adopting FRS 139	33	—	—	—	—	(31,985)	(31,985)
At 1 July 2010, restated		329,815	130,089	110,870	14,224	837,156	1,422,154
Profit for the year		—	—	—	—	191,713	191,713
Foreign currency translation differences for foreign operation		—	—	51,536	—	—	51,536
Total comprehensive income for the year		—	—	51,536	—	191,713	243,249
Dividend to owners of the Company	25	—	—	—	—	(4,947)	(4,947)
At 30 June 2011		329,815	130,089	162,406	14,224	1,023,922	1,660,456
		Note 14	*Note 15*	*Note 15*	*Note 15*	*Note 15*	

The notes on pages 57 to 130 are an integral part of these financial statements.

Statement of Changes in Equity
For the year ended 30 June 2011

Company	Note	Share capital	Non-distributable: Share premium	Distributable: Retained earnings	Total
		RM'000	*RM'000*	*RM'000*	*RM'000*
At 1 July 2009		329,815	130,089	354,766	814,670
Total comprehensive income for the year		—	—	6,627	6,627
Dividend to owners of the Company	25	—	—	(4,947)	(4,947)
At 30 June 2010		329,815	130,089	356,446	816,350
At 1 July 2010					
— As previously stated		329,815	130,089	356,446	816,350
— Effect of adopting FRS 139	33	—	—	(1,234)	(1,234)
At 1 July 2010, restated		329,815	130,089	355,212	815,116
Total comprehensive income for the year		—	—	7,919	7,919
Dividend to owners of the Company	25	—	—	(4,947)	(4,947)
At 30 June 2011		329,815	130,089	358,184	818,088
		Note 14	*Note 15*	*Note 15*	

The notes on pages 57 to 130 are an integral part of these financial statements.

Statements of Cash Flows
For the year ended 30 June 2011

		Group		Company	
		2011	2010	2011	2010
	Note	*RM'000*	*RM'000 (restated)*	*RM'000*	*RM'000*
Cash flows from operating activities					
Profit before tax		205,254	110,900	12,644	8,996
Adjustments for:					
Amortisation of timber concession	5	6,535	6,535	—	—
Amortisation of prepaid lease payments	6	1,281	1,281	—	—
Depreciation of investment properties	7	934	289	96	47
Depreciation of property, plant and equipment	3	77,804	89,109	140	76
Harvested timber transferred to inventories	4	46,754	42,324	—	—
Gain from changes in fair value of biological assets less estimated point-of-sale costs	4	(14,455)	(48,163)	—	—
Dividend income	19	—	—	(21,900)	(22,901)
Finance costs	21	20,337	15,970	15,538	16,489
Gain on disposal of property, plant and equipment	19	(584)	(2,392)	—	—
Finance income	22	(32,519)	(12,102)	(10,691)	(6,865)
Property, plant and equipment written off		489	157	—	—
Impairment loss on investment in jointly-controlled entity	9	199	200	—	—
Share of profit after tax and non-controlling interest of equity accounted associates and jointly-controlled entities		(100,694)	(34,191)	—	—
Operating profit/(loss) before changes in working capital		211,335	169,917	(4,173)	(4,158)
Changes in working capital:					
Inventories		(20,026)	4,580	—	—
Trade and other payables		(45,664)	(13,846)	4,324	(31,982)
Trade and other receivables		42,717	40,081	(1,655)	(104)
Cash generated from/(used in) operations		188,362	200,732	(1,504)	(36,244)
Income tax (paid)/refunded		(6,723)	3,110	3,447	3,148
Net cash generated from/(used in) operating activities		181,639	203,842	1,943	(33,096)

Statements of Cash Flows *(Continued)*
For the year ended 30 June 2011

		Group		Company	
		2011	2010	2011	2010
	Note	*RM'000*	*RM'000 (restated)*	*RM'000*	*RM'000*
Cash flows from investing activities					
Additions of biological assets		(16,105)	(12,866)	—	—
Dividends received from subsidiaries		—	—	15,000	15,750
Dividends received from associates and other investments		5,016	3,116	1,900	1
Interest received		475	332	8,474	6,865
Purchase of property, plant and equipment (i)		(41,779)	(50,184)	(16,226)	(8)
Purchase of investment property	*7*	(6,456)	—	—	—
Proceeds from disposal of property, plant and equipment		1,397	6,713	—	—
Repayment from subsidiaries		—	—	318,883	68,126
Acquisition of shares in associate/jointly-controlled entity	*9*	(9,374)	(113)	(9,374)	—
Increase in investment in subsidiaries	*8*	—	—	(126,004)	(39,000)
Net cash (used in)/generated from investing activities		(66,826)	(53,002)	192,653	51,734
Cash flows from financing activities					
Pledged deposits received		20,801	80,523	—	68,000
Dividend paid		(4,947)	(4,947)	(4,947)	(4,947)
Repayment to subsidiaries		—	—	(125,330)	(10,512)
Proceeds from borrowings		129,297	61,642	12,155	17,500
Repayment of borrowings		(152,679)	(212,604)	(27,500)	(67,711)
Finance costs paid		(39,016)	(40,734)	(15,486)	(17,427)
Net cash used in financing activities		(46,544)	(116,120)	(161,108)	(15,097)
Net increase in cash and cash equivalents		68,269	34,720	33,488	3,541
Cash and cash equivalents at 1 July		19,372	(14,828)	(13,549)	(17,090)
Foreign exchange difference on opening balances		2,574	(520)	—	—
Cash and cash equivalents at 30 June (ii)		90,215	19,372	19,939	(13,549)

Statements of Cash Flows *(Continued)*
For the year ended 30 June 2011

(i) Purchase of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM67,697,000 and RM16,226,000 (2010: RM68,066,000 and RM8,000) respectively of which RM25,918,000 and nil (2010: RM17,882,000 and nil) respectively were acquired by means of finance leases.

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Cash and bank balances	*13*	7,432	44,766	277	68
Deposits with licensed banks	*13*	96,848	24,251	19,662	—
Bank overdrafts	*17*	(10,991)	(25,770)	—	(13,617)
		93,289	43,247	19,939	(13,549)
Less: Fixed deposits and bank balances pledged to the financial institutions	*13*	(3,074)	(23,875)	—	—
		90,215	19,372	19,939	(13,549)

The notes on pages 57 to 130 are an integral part of these financial statements.

Notes to the Financial Statements

Lingui Developments Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business and registered office of the Company is located at Level 42, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and jointly-controlled entities. The financial statements of the Company as at and for the year ended 30 June 2011 do not include other entities.

The Company is principally engaged in investment and property holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 8 to the financial statements.

The holding company during the financial year was Samling Malaysia Inc, a company incorporated in British Virgin Islands. The intermediate holding company during the financial year was Samling Global Limited, a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. The penultimate and ultimate holding companies during the financial year were Samling Strategic Corporation Sdn. Bhd. and Yaw Holding Sdn. Bhd. respectively. Both companies were incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors on 9 September 2011.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), accounting principles generally accepted and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Group and the Company have not applied the following new/revised accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, Group *Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

Notes to the Financial Statements *(Continued)*

1. BASIS OF PREPARATION *(Continued)*

(a) Statement of compliance *(Continued)*

The Group and the Company plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 July 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2011 and 1 July 2011, except for Amendments to FRS 2, IC Interpretation 18 and 19, which are not applicable to the Group and the Company.

- from the annual period beginning 1 July 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2012, except for IC Interpretation 15 which is not applicable to the Group and the Company.

Following the announcement by MASB on 1 August 2008, the Group and the Company's next set of financial statements will be prepared in accordance with the International Financial Reporting Standards ("IFRS") framework.

The management has yet to assess the impact of the adoption of the IFRS framework on the financial position and performance of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM'000), unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3 — Property, plant and equipment

- Note 4 — Biological assets

- Note 7 — Investment properties

- Note 9 — Investments in associates and jointly-controlled entities

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, other than disclosed in the following notes:

- Note 2(a) — Basis of consolidation
- Note 2(c) — Financial instruments
- Note 2(e) — Biological assets
- Note 2(h) — Investment properties
- Note 2(j) — Receivables
- Note 2(s) — Borrowing costs

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its 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. Subsidiaries are consolidated using the purchase method of accounting except for Samling Plywood (Bintulu) Sdn. Bhd. and Tamex Timber Sdn. Bhd. (business combinations prior to 1 January 2006) which are accounted for using the pooling-of-interests method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve or adjusted against any suitable reserve in the case of debit differences. The other components of equity of the acquired entities are added to the same components within the Group equity.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale. The cost of investments includes transaction costs.

(ii) *Accounting for business combinations*

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 July 2010 the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

(ii) *Accounting for business combinations* *(Continued)*

Acquisitions on or after 1 July 2010

For acquisitions on or after 1 July 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 July 2010

For acquisitions between 1 January 2006 and 1 July 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

(iii) *Accounting for acquisitions of non-controlling interests*

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) *Loss of control*

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non- controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale. The cost of investments includes transaction costs.

(vi) *Joint ventures*

Jointly-controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

(vi) *Joint ventures* *(Continued)*

Jointly-controlled entities (Continued)

When the Group's share of losses exceeds its interest in an equity accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Company's statement of financial position at cost less impairment losses.

(vii) *Non-controlling interests*

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non- controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where 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. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(viii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency *(Continued)*

(i) *Foreign currency transactions* *(Continued)*

Monetary assets and liabilities denominated in foreign currencies are retranslated to functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the profit or loss.

(ii) *Operations denominated in functional currencies other than Ringgit Malaysia ("RM")*

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in exchange reserve. On disposal, the accumulated exchange reserve is recognised in the consolidated income statement as part of the gain or loss on sale.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

(iii) *Net investment in foreign operations*

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated income statement upon disposal of the investment.

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement,* with effect from 1 July 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 July 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 33.

(i) *Initial recognition and measurement*

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Financial instruments *(Continued)*

(ii) ***Financial instrument categories and subsequent measurement***

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(n)(i)).

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Financial instruments *(Continued)*

(ii) *Financial instrument categories and subsequent measurement* *(Continued)*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) *Regular way purchase or sale of financial assets*

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) *Derecognition*

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

(i) ***Recognition and measurement***

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with Note 2(s).

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property, plant and equipment could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

(ii) ***Subsequent costs***

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) ***Reclassification to/from investment property***

When an item of property, plant and equipment is transferred to investment property following a change in its use, the item is reclassified to investment property at the carrying amount as the Group adopts the cost model for investment property.

(iv) ***Depreciation***

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

(iv) *Depreciation* *(Continued)*

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods 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, bridges and fences	Amortised by equal instalments over the remaining life of the concession
Machinery, furniture, equipment, river crafts and wharfs	5–20 years
Motor vehicles	5–10 years

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate at the end of reporting period.

(e) Biological assets

Prior to the adoption of the new accounting policy, plantation assets include freehold forest land and forest crops. Freehold forest land is not depreciated and forest crops are stated at cost less the timber assets harvested and less impairment, if any.

Under the new accounting policy, forest crops are measured on initial recognition and at subsequent reporting dates at fair value less estimated point-of-sale costs, with any changes in fair value of plantation assets during a period 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. Forest land is accounted for in accordance with FRS 116, *Property, plant and equipment.*

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

(f) Leased assets

(i) *Finance lease*

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leased assets *(Continued)*

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statements of financial position of the Group or the Company.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(g) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the profit or loss.

(ii) Timber concession

Timber concession is the cost of the rights conferred upon subsidiaries to extract timber, which is expiring in May 2013, August 2018 and May 2023.

The timber concession is amortised over the remaining life of the concession on the basis that the subsidiaries are allowed to extract approximately similar annual quantities of timber over the period of the licence in accordance with the State Government's sustainable timber management policy.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Notes to the Financial Statements *(Continued)*

2. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(h) **Investment properties**

(i) ***Recognition and measurement***

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost less any accumulated depreciation and any accumulated impairment loss.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

An investment property under construction before 1 July 2010 was classified as property, plant and equipment and measured at cost. Such property is measured at cost.

Following the amendment made to FRS 140, *Investment Property*, with effect from 1 July 2010, investment property under construction is classified as investment property.

(ii) ***Reclassification to/from investment property***

When an item of property, plant and equipment is transferred to investment property following a change in its use, the carrying amount of the item is reclassified to investment property as the Group adopts the cost model for investment property.

(iii) ***Depreciation***

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of investment property. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Investment property under construction is not depreciated until the assets are ready for their intended use.

The building is depreciated over 25 years.

(i) **Inventories**

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

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Inventories *(Continued)*

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.

Cost of timber logs, work-in-progress and manufactured inventories include raw material costs, direct labour and a proportion of manufacturing overheads where applicable. Cost of raw materials, stores and consumables includes all direct and indirect expenditure incurred in bringing the inventories to their present location and condition. Completed showroom units are accounted for as finished goods inventory as it is mainly held for trading.

(j) Receivables

Prior to 1 July 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

(k) 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. The Group does not hold or issue derivative financial instruments for trading purposes.

Prior to 1 July 2010, derivative financial derivatives used for hedging purposes are not revalued to fair value at the end of reporting period and gain and loss from the hedging activities is recognised in the profit or loss upon the realisation of the hedged transactions. Following adoption of FRS139, derivative financial instruments are categorised and measured as financial assets/liabilities at fair value through profit or loss, in accordance with Note 2(c).

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

(l) Amount due from/(to) contract customers

Amount due from/(to) contract customers represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from contract customers. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to contract customers.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c).

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment

(i) *Financial assets*

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, associates and jointly-controlled entities) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) *Other assets*

The carrying amounts of other assets (except for inventories, deferred tax asset and biological assets that are measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment *(Continued)*

(ii) *Other assets* *(Continued)*

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(o) Employee benefits

(i) *Short term employee benefits*

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) *State plans*

The Group's contributions to statutory pension funds are charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(q) Contingent liabilities

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.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Revenue and other income

(i) *Goods sold*

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) *Services rendered*

Revenue from services rendered is recognised in the profit or loss as and when the services are performed or rendered and on an accrual basis.

(iii) *Dividend income*

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) *Rental income*

Rental income from investment property is recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(v) *Construction contracts*

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(vi) *Interest income*

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(t) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(u) Earnings per ordinary share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Notes to the Financial Statements *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Land	Buildings	Roads, bridges and fences	Machinery, furniture, equipment, river crafts and wharfs	Motor vehicles	Construction work-in-progress	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Cost							
At 1 July 2009							
— As previously stated	1,515	294,567	230,860	1,210,946	32,414	23,944	1,794,246
— Effects of change in accounting policy	69,622	—	—	—	—	—	69,622
At 1 July 2009, restated	71,137	294,567	230,860	1,210,946	32,414	23,944	1,863,868
Additions	—	331	11,461	43,077	510	12,687	68,066
Disposals	—	—	—	(14,716)	—	—	(14,716)
Write off	—	(210)	—	(973)	—	—	(1,183)
Reclassification	—	65	—	(1,769)	1,704	—	—
Exchange differences	(820)	—	(646)	(100)	—	—	(1,566)
At 30 June 2010, restated/ 1 July 2010	70,317	294,753	241,675	1,236,465	34,628	36,631	1,914,469
Additions	—	2,306	12,851	48,600	2,011	1,929	67,697
Disposals	—	—	—	(2,926)	(351)	—	(3,277)
Write off	—	(724)	—	(1,329)	—	—	(2,053)
Reclassification	—	3,500	—	20,759	295	(24,554)	—
Transfer to investment properties	—	—	—	—	—	(12,955)	(12,955)
Exchange differences	6,818	—	6,252	847	—	—	13,917
At 30 June 2011	77,135	299,835	260,778	1,302,416	36,583	1,051	1,977,798

Notes to the Financial Statements *(Continued)*

3. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group	Land	Buildings	Roads, bridges and fences	Machinery, furniture, equipment, river crafts and wharfs	Motor vehicles	Construction work-in-progress	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Accumulated depreciation							
Accumulated depreciation, restated	—	88,518	130,169	881,092	28,100	—	1,127,879
Accumulated impairment loss	—	120	—	—	—	—	120
At 1 July 2009, restated	—	88,638	130,169	881,092	28,100	—	1,127,999
Depreciation for the year	—	7,707	16,545	62,901	1,956	—	89,109
Disposals	—	—	—	(10,395)	—	—	(10,395)
Write off	—	(84)	—	(942)	—	—	(1,026)
Reclassification	—	—	—	(1,533)	1,533	—	—
Exchange differences	—	—	(441)	(106)	—	—	(547)
Accumulated depreciation, restated	—	96,141	146,273	931,017	31,589	—	1,205,020
Accumulated impairment loss	—	120	—	—	—	—	120
At 30 June 2010, restated/ 1 July 2010	—	96,261	146,273	931,017	31,589	—	1,205,140
Depreciation for the year	—	6,513	16,816	53,038	1,437	—	77,804
Disposals	—	—	—	(2,136)	(328)	—	(2,464)
Write off	—	(403)	—	(1,161)	—	—	(1,564)
Exchange differences	—	—	2,198	682	—	—	2,880
Accumulated depreciation	—	102,251	165,287	981,440	32,698	—	1,281,676
Accumulated impairment loss	—	120	—	—	—	—	120
At 30 June 2011	—	102,371	165,287	981,440	32,698	—	1,281,796

Notes to the Financial Statements *(Continued)*

3. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group	Land	Buildings	Roads, bridges and fences	Machinery, furniture, equipment, river crafts and wharfs	Motor vehicles	Construction work-in-progress	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Carrying amounts							
At 1 July 2009, restated	71,137	205,929	100,691	329,854	4,314	23,944	735,869
At 30 June 2010, restated/ 1 July 2010	70,317	198,492	95,402	305,448	3,039	36,631	709,329
At 30 June 2011	77,135	197,464	95,491	320,976	3,885	1,051	696,002
Restatement of accumulated depreciation							
Accumulated depreciation							
At 1 July 2009							
— As previously stated	—	88,518	128,976	881,092	28,100	—	1,126,686
— Effect of change in accounting policy	—	—	1,193	—	—	—	1,193
At 1 July 2009, restated	—	88,518	130,169	881,092	28,100	—	1,127,879

Notes to the Financial Statements *(Continued)*

3. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company	Machinery, furniture and equipment *RM'000*	Motor vehicles *RM'000*	Total *RM'000*
Cost			
At 1 July 2009	809	495	1,304
Additions	8	—	8
At 30 June 2010/1 July 2010	817	495	1,312
Additions	16,226	—	16,226
Write off	(477)	—	(477)
At 30 June 2011	16,566	495	17,061
Accumulated depreciation			
At 1 July 2009	792	429	1,221
Depreciation for the year	10	66	76
At 30 June 2010/1 July 2010	802	495	1,297
Depreciation for the year	140	—	140
Write off	(477)	—	(477)
At 30 June 2011	465	495	960
Carrying amounts			
At 1 July 2009	17	66	83
At 30 June 2010/1 July 2010	15	—	15
At 30 June 2011	16,101	—	16,101

Security

Certain building and machineries of the Group with a total net book value of RM18,521,000 (2010: RM6,850,000) are charged to banks as security for borrowings. The Group is in the midst of applying for the release of certain assets of the abovementioned charge as the related borrowings have been fully settled.

Machinery of the Company with total net book value of RM16,077,000 (2010: Nil) are charged to bank as security for borrowing.

Leased plant and machinery and motor vehicles

At 30 June 2011, the net carrying amounts of leased plant and machinery and motor vehicles of the Group were RM73,416,000 and RM1,587,000 (2010: RM90,775,000 and RM898,000) respectively.

Notes to the Financial Statements *(Continued)*

3. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Impairment loss

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may no longer be recoverable. The land and buildings are usually appraised independently. The Group has secured the services of an independent firm of surveyors, HASB Consultants Sdn. Bhd., a registered Valuers and Estate Agents with Board of Valuers Appraisers and Estate Agents Malaysia to appraise the value of the land and buildings.

The values derived for land are based on the comparative method of valuation and the values derived for buildings are based on the combination of the comparative method and cost method of valuation methodologies. The comparative method entails critical analysis of the characteristics, benefits and restrictions of recent transacted prices of comparable land or buildings and making judicious adjustments for all relevant factors to arrive at the fair value for the subject properties.

The value of buildings and other improvements is determined by the gross current replacement cost of the buildings and other improvements from which appropriate deductions are made for age, condition, economic or functional obsolescence, environmental and other relevant factors to arrive at the depreciated replacement cost of the buildings and other improvements.

The significant assumptions to derive the value of the land are the comparative land sales transactions of neighbouring properties as well as compensation claims from the State Government and stamp duty valuations. The transacted prices of neighbouring properties may differ from the value of the land, due to the actual location and usage of the land. Compensation claims by the State Government and stamp duty valuations may also differ due to the actual location of the properties.

Under the cost method, factors such as age, condition, economic or functional obsolescence as well as environmental factors are amongst the most critical factors to arrive at the depreciated replacement cost of the buildings and other improvements, which reflect the fair value of the buildings.

The management has, based on the valuation report issued by the independent valuer, accepted the fair valuations and conclude that no additional impairment is required for the current financial year. However, any changes in the significant assumptions concerning the general market conditions, development in the locations or any other changes in the critical factors of which the properties are based may require changes in the analysis. This could result in significant changes in asset value and may lead to additional impairment in the future.

4. BIOLOGICAL ASSETS

Group	*Note*	**30.6.2011** *RM'000*	**30.6.2010** *RM'000* *(restated)*	**1.7.2009** *RM'000* *(restated)*
At 1 July, restated		715,628	680,996	719,817
Additions		35,549	36,808	38,363
Harvested timber transferred to inventories	*19*	(46,754)	(42,324)	(30,842)
Changes in fair value less estimated point-of-sale costs	*19*	14,455	48,163	13,144
Exchange differences		68,106	(8,015)	(59,486)
At 30 June		786,984	715,628	680,996

Included in additions to biological assets is interest capitalised of RM19,444,000 (2010: RM23,942,000).

A significant portion of biological assets in New Zealand is located on freehold forest and a small portion on leasehold forest with terms expiring in 2060.

The biological assets are charged to banks as security for borrowings (Note 17).

Notes to the Financial Statements *(Continued)*

4. BIOLOGICAL ASSETS *(Continued)*

Fair value accounting

The Group's biological assets in New Zealand was independently valued by Chandler Fraser Keating Limited ("CFK"). In view of the non- availability of market value for forest trees in New Zealand, CFK has applied the net present value approach whereby projected future net cash flows, based on their assessment of current timber log prices, were discounted at the rate of 7.25% (2010: 7.25%) for the year applied to pre-tax cash flows to provide a current market value of the biological assets.

The discount rate used in the valuation of biological assets in New Zealand as at end of reporting period was determined by reference to published discount rates, weighted average cost of capital analysis, internal rate of return analysis, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions mainly in New Zealand over a period of time, with more weight given to the implied discount rate.

The principal valuation methodology and assumptions adopted are as follows:

- A stand-based approach was employed whereby stands are scheduled to be harvested at or near their optimum economic rotation age.
- The cash flows are those arising from the current rotation of trees only. No account was taken of revenues or costs from re-establishment following harvest, or of land not yet planted.
- The cash flows do not take into account income tax and finance costs.
- The cash flows have been prepared in real terms and have not therefore included inflationary effects.
- The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account.
- Costs, including logging and transport costs, forest management cost and indirect costs, are current average costs. No allowance has been made for cost improvements in future operations.

The values assigned to the key assumptions represent management's assessment of current trends in the forest plantation in New Zealand and are based on both external and internal sources (historical data). Any changes in the market conditions or to subsequent decisions on the harvesting levels may have a material impact on the assets values as the future cash flow may differ from these estimates.

The above estimates are particularly sensitive in the following area:

- Discount rate

  A movement by 0.25% in discount rate would have increase/decrease the fair value by approximately RM16 million (before tax).

- Log prices

  A movement of log prices by 5% would have increase/decrease the fair value by approximately RM114 million (before tax).

Notes to the Financial Statements *(Continued)*

5. TIMBER CONCESSION

		Group	
	Note	**30.6.2011** *RM'000*	**30.6.2010** *RM'000*
Cost			
At 1 July/30 June		89,999	89,999
Accumulated amortisation			
At 1 July		59,470	52,935
Amortisation charge for the year	*19*	6,535	6,535
At 30 June		66,005	59,470
Carrying amount at 30 June		23,994	30,529

In the previous years, the Group acquired timber concession licences through the acquisition of three subsidiaries. The licenses are granted by the government of Malaysia. 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. The licences expire between 2013 and 2023. 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.

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

6. PREPAID LEASE PAYMENTS

Group	**Unexpired period less than 50 years** *RM'000*	**Unexpired period more than 50 years** *RM'000*	**Total** *RM'000*
Cost			
At 1 July 2009/30 June 2010/ 1 July 2010/30 June 2011	54,805	8,151	62,956
Accumulated amortisation			
At 1 July 2009	12,592	2,032	14,624
Amortisation for the year	1,106	175	1,281
At 30 June 2010/1 July 2010	13,698	2,207	15,905
Amortisation for the year	1,106	175	1,281
At 30 June 2011	14,804	2,382	17,186
Carrying amounts			
At 1 July 2009	42,213	6,119	48,332
At 30 June 2010/1 July 2010	41,107	5,944	47,051
At 30 June 2011	40,001	5,769	45,770

Notes to the Financial Statements *(Continued)*

7. INVESTMENT PROPERTIES

Group	Freehold land	Buildings	Total
	RM'000	*RM'000*	*RM'000*
Cost			
At 1 July 2009/30 June 2010/1 July 2010	9,051	18,218	27,269
Addition	—	6,456	6,456
Transfer from property, plant and equipment	—	12,955	12,955
At 30 June 2011	9,051	37,629	46,680
Accumulated depreciation			
At 1 July 2009	—	7,653	7,653
Depreciation for the year	—	289	289
At 30 June 2010/1 July 2010	—	7,942	7,942
Depreciation for the year	—	934	934
At 30 June 2011	—	8,876	8,876
Carrying amounts			
At 1 July 2009	9,051	10,565	19,616
At 30 June 2010/1 July 2010	9,051	10,276	19,327
At 30 June 2011	9,051	28,753	37,804
Fair value			
At 1 July 2009	35,060	14,608	49,668
At 30 June 2010/1 July 2010	39,442	17,150	56,592
At 30 June 2011	58,683	40,795	99,478

Security

Certain freehold land and buildings of the Group with a total net book value of RM28,065,000 (2010: Nil) are charged to banks as security for borrowings.

Notes to the Financial Statements *(Continued)*

7. INVESTMENT PROPERTIES *(Continued)*

Company	Building
	RM'000
Cost	
At 1 July 2009/30 June 2010/1 July 2010/30 June 2011	2,392
Accumulated depreciation	
At 1 July 2009	520
Depreciation for the year	47
At 30 June 2010/1 July 2010	567
Depreciation for the year	96
At 30 June 2011	663
Carrying amounts	
At 1 July 2009	1,872
At 30 June 2010/1 July 2010	1,825
At 30 June 2011	1,729
Fair value	
At 1 July 2009	3,575
At 30 June 2010/1 July 2010	3,637
At 30 June 2011	3,674

Fair value of investment properties are determined based on valuation reports prepared by an independent firm of surveyors, HASB Consultants Sdn. Bhd., a registered Valuers & Estate Agents with Board of Valuers, Appraisers and Estate Agents Malaysia.

The values derived are based on a combination of the comparative method and the cost method of valuation methodologies. The comparative method entails critical analysis of the characteristics, benefits and restrictions of recent transacted prices of comparable properties and making judicious adjustments for all relevant factors to arrive at the fair value for the subject properties. The cost method is the aggregate amount of the value of the land and the depreciated replacement cost of the buildings and other improvements.

The value of the land is arrived at by comparison with transacted prices of comparable lands. The value of buildings and other improvements is determined by the gross current replacement cost of the buildings and other improvements from which appropriate deductions are made for age, condition, economic or functional obsolescence, environmental and other relevant factors to arrive at the depreciated replacement cost of the buildings and other improvements.

The significant assumptions to derive the value of the land are the comparative land sales transactions of neighbouring properties as well as compensation claims from the State Government and stamp duty valuations. The transacted prices of neighbouring properties may differ from the value of the land, due to the actual location and usage of the land. Compensation claims from the State Government and stamp duty valuations may also differ due to the actual location of the properties.

Notes to the Financial Statements *(Continued)*

7. INVESTMENT PROPERTIES *(Continued)*

Under the cost method, factors such as age, condition, economic or functional obsolescence as well as environmental factors are amongst the most critical factors to arrive at the depreciated replacement cost of the buildings and other improvements, which reflect the fair value of the buildings.

The management has, based on the valuation report issued by the independent valuer accepted the fair valuations. However, any changes in the significant assumptions concerning the general market conditions, development in the locations or any other changes in the critical factors of which the properties are based may require changes in the analysis. This could result in significant changes in asset value in the future.

The following are recognised in the profit or loss in respect of investment properties:

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Rental income	*19*	2,787	1,215	165	165
Direct operating expenses:					
— Depreciation		934	289	96	47
— Others		184	117	43	41

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	30.6.2011	**30.6.2010**
	RM'000	*RM'000*
At cost:		
Unquoted shares at 1 July	814,935	775,935
Add: Subscription of shares	126,004	39,000
	940,939	814,935
Less: Accumulated impairment loss	(1,600)	(1,600)
	939,339	813,335

During the year, the Company subscribed to 1,160,038 Redeemable Preference Shares of RM1 each at RM100 per preference share for a total cash consideration of RM116,003,800 in its wholly-owned subsidiary, Alpenview Sdn. Bhd. The Company has also subscribed to the enlarged share capital of AinoFurnishing Sdn. Bhd. (formerly known as Ainokitchen (Malaysia) Sdn. Bhd.) for cash consideration of RM10,000,000.

Notes to the Financial Statements *(Continued)*

8. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Issued and paid up ordinary share capital	Effective ownership interest 2011	2010
			RM	*%*	*%*
Samling Plywood (Baramas) Sdn. Bhd.	Manufacture and sale of plywood and veneer, extraction and sale of timber logs	Malaysia	20,250,000	100	100
Samling Plywood (Lawas) Sdn. Bhd.	Extraction and sale of timber logs	Malaysia	3	100	100
TreeOne (Malaysia) Sdn. Bhd.	Investment holding	Malaysia	1,000,000	100	100
Samling Plywood (Bintulu) Sdn. Bhd.	Manufacture and sale of plywood and veneer, extraction and sale of timber logs	Malaysia	25,000,000	100	100
Tamex Timber Sdn. Bhd.	Contractor for timber extraction, riverine transportation services, spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services	Malaysia	1,001,000	100	100
Samling Power Sdn. Bhd.	Operation of power generating facilities	Malaysia	2,000,000	100	100
Ang Cheng Ho Quarry Sdn. Bhd.	Quarry licensee and operator	Malaysia	6,600,000	100	100
Stigang Resources Sdn. Bhd.	Quarry licensee and operator	Malaysia	6,121,530	100	100
Alpenview Sdn. Bhd.	Investment holding	Malaysia	1,000,000	100	100
Lingui Corporation Sdn. Bhd.	Provision of management services	Malaysia	2	100	100
Hock Lee Plantations Sdn. Bhd.	Investment holding	Malaysia	7,262,400	100	100

Notes to the Financial Statements *(Continued)*

8. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Principal activities	Country of incorporation	Issued and paid up ordinary share capital	Effective ownership interest 2011	2010
			RM	*%*	*%*
TreeOne Logistic Services Sdn. Bhd.	Provision of logistic services	Malaysia	300,000	97	97
Grand Paragon Sdn. Bhd.	Investment holding	Malaysia	2,000,000	100	100
Samling Plywood (Miri) Sdn. Bhd.	Manufacture and sale of plywood, extraction and sale of timber logs	Malaysia	40,000,000	100	100
AinoFurnishing Sdn. Bhd. (f.k.a Ainokitchen (Malaysia) Sdn. Bhd.)	Kitchen, cookware, dining ware retail and tendering of kitchen products in housing development projects	Malaysia	20,000,000	100	100
Subsidiaries of Tamex Timber Sdn. Bhd.					
Tinjar Transport Sdn. Bhd.	Riverine transportation services	Malaysia	2,476,000	100	100
Miri Parts Trading Sdn. Bhd.	Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services	Malaysia	200,000	100	100
Subsidiary of Ang Cheng Ho Quarry Sdn. Bhd.					
Bukit Pareh Quarry Sdn. Bhd.	Dormant	Malaysia	3	100	100
Subsidiary of TreeOne (Malaysia) Sdn. Bhd.					
TreeOne (NZ) Limited*	Investment holding	New Zealand	10,000	100	100
Subsidiary of TreeOne (NZ) Limited					
Hikurangi Forest Farms Limited*	Forest plantation	New Zealand	1,200,000	100	100

Notes to the Financial Statements *(Continued)*

8. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Principal activities	Country of incorporation	Issued and paid up ordinary share capital	Effective ownership interest 2011	Effective ownership interest 2010
			RM	*%*	*%*
Subsidiaries of Hikurangi Forest Farms Limited					
East Coast Forests Limited*	Non-trading	New Zealand	2,000	100	100
Tasman Forestry (Gisborne) Limited*	Non-trading	New Zealand	42,500,000	100	100
Subsidiaries of Hock Lee Plantations Sdn. Bhd.					
Hock Lee Rubber Products Sdn. Bhd.	Manufacture and sale of rubber rethread compounds	Malaysia	13,000,000	100	100
Hock Lee Enterprises (M) Sdn. Bhd.	Property investment and letting of industrial properties	Malaysia	13,700,000	100	100
Subsidiary of Samling Plywood (Miri) Sdn. Bhd.					
Fuji Milestone Sdn. Bhd.	Dormant	Malaysia	2	100	—
Subsidiary of Samling Plywood (Lawas) Sdn. Bhd.					
Propel Formula Sdn. Bhd.	Dormant	Malaysia	2	100	—
Subsidiary of Samling Plywood (Baramas) Sdn. Bhd.					
Prominent Target Sdn. Bhd.	Dormant	Malaysia	2	100	—
Subsidiary of Samling Plywood (Bintulu) Sdn. Bhd.					
Plenitude Spectrum Sdn. Bhd.	Dormant	Malaysia	2	100	—

* Audited by a member firm of KPMG International

All the subsidiaries are consolidated using the acquisition method of accounting except for Samling Plywood (Bintulu) Sdn. Bhd. and Tamex Timber Sdn. Bhd. which are consolidated using the pooling-of-interests of accounting.

Notes to the Financial Statements *(Continued)*

9. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

		Group			Company	
		30.6.2011	**30.6.2010**	**1.7.2009**	**30.6.2011**	**30.6.2010**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
			(restated)	*(restated)*		
At cost						
Quoted shares at 1 July		102,248	102,248	102,248	—	—
Acquisition of shares	*9.1*	9,374	—	—	9,374	—
At 30 June		111,622	102,248	102,248	9,374	—
Unquoted shares at 1 July		84,569	84,656	84,258	62,550	62,550
Acquisition of shares		—	113	398	—	—
Impairment losses	*19*	(199)	(200)	—	—	—
At 30 June		84,370	84,569	84,656	62,550	62,550
		195,992	186,817	186,904	71,924	62,550
Share of post-acquisition results						
Quoted shares	*9.2*	236,486	144,439	121,064	—	—
Unquoted shares		14,623	10,519	4,716	—	—
		251,109	154,958	125,780	—	—
		447,101	341,775	312,684	71,924	62,550
Market value of quoted shares		240,944	183,229	152,899	12,012	

The investments in unquoted shares of associates and jointly-controlled entities at cost comprise the following:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Ordinary shares — gross	60,824	60,824	38,605	38,605
RPS 'Class A'	12,150	12,150	12,150	12,150
RPS 'Class B1'	11,795	11,795	11,795	11,795
	84,769	84,769	62,550	62,550
Less: Accumulated impairment loss	(399)	(200)	—	—
	84,370	84,569	62,550	62,550

Conditions of Redeemable Preference Shares ("RPS")

a. As holders of the RPS 'Class A', the Group and the Company shall be entitled to dividends at a rate to be determined by the issuers' Directors. As holders of RPS 'Class B1' shall not be entitled to receive any dividends.

b. The Company shall, in winding up of the investees, be entitled to repayment in priority to ordinary shareholders.

c. As holders of the RPS 'Class A', the Company may redeem all or any of the RPS at the nominal value of the shares held or together with any premium which may be determined by the issuers' Directors at the time of redemption. As holders of RPS 'Class B1', the Company may redeem all or any of the RPS at the redemption price, which is the amount paid-up on that RPS.

Notes to the Financial Statements *(Continued)*

9. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

9.1 Acquisition of additional interest in quoted shares

On 23 March 2011, the Company acquired 2,180,000 quoted ordinary shares representing 1.91% equity interest in its associate at the purchase price of RM4.30 per share. Arising from the acquisition, the excess of the fair value of the identifiable net assets over the cost is included in the share of profit of associate in the profit or loss account during the year. The gain recognised amounted to RM12,635,000 and is included as part of share of associated companies profit for the year.

9.2 Share of post-acquisition results

Prior to the adoption of the accounting policy on biological assets as disclosed in Note 2(e), the plantation development expenditure of an associate company is capitalised at cost and amortised over the useful life of the rootstock (25 years) commencing from the date of maturity of the rootstock. With effect from 1 July 2010, the Group changed the accounting policy of its biological assets which include the forest assets of its subsidiary and oil palm plantation of its associate, in compliance with reference made to the International Accounting Standard ("IAS") 41, *Agriculture*.

In accordance with FRS 128, *Investment in Associates*, the same accounting policies as those of the investor should be applied when equity method is used to account for associates. As a result of the adoption of new accounting policy on biological assets, the financial statements of an associate involved in oil palm plantation where the biological assets stated at cost has been adjusted to reflect the new accounting policy.

Following the change in accounting policy, the biological assets of the associated company are now measured on initial recognition and at the end of each reporting period at its fair value less estimated point-of-sale costs. The biological assets were independently valued by HASB Consultants Sdn. Bhd. ("HASB"), a registered Valuers & Estate Agents with Board of Valuers, Appraisers and Estate Agents Malaysia. In view of the non-availability of market value, HASB has applied the net present value approach whereby projected future net cash flows, based on their assessment of current Fresh Fruit Bunch ("FFB") prices, were discounted at the rate of 12% (2010: 12%) for the year applied to pre-tax cash flows to provide a current market value of the plantation assets.

The rate adopted by the independent valuer for the valuation is 12%, who is of the view that the discount rate is generally accepted by the plantation industry, the valuation profession and the regulatory bodies in Malaysia.

The effect of the adoption of the accounting policy on biological assets on the share of post-acquisition profits in prior year is as follows:

	Note	**30.6.2010** *RM*	**1.7.2009** *RM*
Share of post-acquisition			
Results, as previously stated		66,370	58,648
Effect of change in accounting policy	*33*	78,069	62,416
As restated		144,439	121,064

The valuation of the oil palm plantations is on the following principles:

- Valuation of the existing 25-year cycle only;
- Adoption of the current FFB prices for the first 2 years and there after the 10-year average Malaysian Palm Oil Board ("MPOB") FFB price; and
- Adoption of the current/adjusted industry cost of production.

Notes to the Financial Statements *(Continued)*

9. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

9.2 Share of post-acquisition results *(Continued)*

The values assigned to the key assumptions represent management's assessment of current trends in the oil palm plantation and are based on both external and internal sources (historical data). Any changes in the market conditions or to subsequent decisions on the harvesting levels may have a material impact on the assets values as the future cash flow may differ from these estimates.

The above estimates are particularly sensitive in the following area:

- Discount rate

Discount rate generally employed by the rating agencies on oil palm plantation ranges between 12% - 15%. Should discount rate of 15% have been applied in the valuation model, the Group's interests in the associate would have contracted by approximately RM25,571,000.

- FFB prices

The adoption of current FFB prices throughout the cashflow model would have increase the Group's interests in the associate by RM121,490,000.

The associates and jointly-controlled entities of the Group are as follows:

	Country of incorporation	Effective equity interest 2011 %	2010 %	Principal activities
Associates				
Glenealy Plantations (Malaya) Berhad#	Malaysia	38.33	36.42	Investment holding, operation of oil palm plantations, oil mills and forest plantations
Samling DorFoHom Sdn. Bhd.*	Malaysia	35.00	35.00	Investment holding and sale of wood residual
Daiken Miri Sdn. Bhd.	Malaysia	30.00	30.00	Manufacture and sale of high and medium-density fibreboard
Sepangar Chemical Industry Sdn. Bhd.*	Malaysia	47.50	47.50	Manufacture and sale of formalin and various types of formaldehyde adhesive resins

Notes to the Financial Statements *(Continued)*

9. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

9.2 Share of post-acquisition results *(Continued)*

The associates and jointly-controlled entities of the Group are as follows:

	Country of incorporation	Effective equity interest 2011 %	2010 %	Principal activities
Jointly-controlled entities				
Foremost Crest Sdn. Bhd.	Malaysia	50.00	50.00	Manufacture and sale of doors units
Aino Tech Middle East FZCO	United Arab Emirates	40.00	40.00	Non-trading
Eastland Debarking Limited	New Zealand	50.00	50.00	Log debarking

 # 1.91% held by the Company

** Held by the Company*

Summary of financial information on associates and jointly-controlled entities:

	Revenue (100%) *RM'000*	Profit (100%) *RM'000*	Total assets (100%) *RM'000*	Total liabilities (100%) *RM'000*
2011	866,693	239,725	1,994,253	631,328
2010	711,799	92,608	1,679,786	487,089

Notes to the Financial Statements *(Continued)*

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
Group	**30.6.2011**	**30.6.2010**	**1.7.2009**	**30.6.2011**	**30.6.2010**	**1.7.2009**	**30.6.2011**	**30.6.2010**	**1.7.2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
					(restated)	*(restated)*		*(restated)*	*(restated)*
Property, plant and equipment	(130)	(188)	(193)	64,648	66,386	67,409	64,518	66,198	67,216
Biological assets									
— as previously stated	—	—	—	111,949	193,607	207,826	111,949	193,607	207,826
— effect of change in accounting policy	—	—	—	—	(96,390)	(114,854)	—	(96,390)	(114,854)
Biological assets, restated	—	—	—	111,949	97,217	92,972	111,949	97,217	92,972
Timber concession	—	—	—	5,962	7,596	9,183	5,962	7,596	9,183
Unabsorbed capital allowances	(48,713)	(43,669)	(39,736)	—	—	—	(48,713)	(43,669)	(39,736)
Unutilised tax losses	(125)	(125)	(967)	—	—	—	(125)	(125)	(967)
Provisions	(7)	(7)	(7)	—	—	—	(7)	(7)	(7)
Tax (assets)/liabilities	(48,975)	(43,989)	(40,903)	182,559	171,199	169,564	133,584	127,210	128,661
Set off	48,838	43,794	40,703	(48,838)	(43,794)	(40,703)	—	—	—
Net tax (assets)/liabilities	(137)	(195)	(200)	133,721	127,405	128,861	133,584	127,210	128,661

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

Unrecognised deferred tax assets

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

	Group	
	30.6.2011	**30.6.2010**
	RM'000	*RM'000*
Deductible temporary differences	(1,036)	(1,036)
Unabsorbed capital allowances	(95,365)	(89,119)
Unutilised tax losses	(267,064)	(338,219)
	(363,465)	(428,374)
Effect of foreign exchange on unutilised tax losses of a foreign subsidiary	(53,961)	(22,122)
	(417,426)	(450,496)

Notes to the Financial Statements *(Continued)*

10. DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

Unrecognised deferred tax assets *(Continued)*

Movement in temporary differences during the year are as follows:

	At 1 July 2009	(Credited)/ Charged to profit or loss *(Note 23)*	Exchange differences	At 30 June 2010	(Credited)/ Charged to profit or loss *(Note 23)*	Exchange differences	At 30 June 2011
	RM'000 *(restated)*	*RM'000*	*RM'000*	*RM'000* *(restated)*	*RM'000*	*RM'000*	*RM'000*
Group							
Property, plant and equipment	67,216	(1,018)	—	66,198	(1,680)	—	64,518
Biological assets	92,972	5,657	(1,412)	97,217	1,075	13,657	111,949
Timber concession	9,183	(1,587)	—	7,596	(1,634)	—	5,962
Unabsorbed capital allowances	(39,736)	(3,933)	—	(43,669)	(5,044)	—	(48,713)
Unutilised tax losses	(967)	842	—	(125)	—	—	(125)
Provisions	(7)	—	—	(7)	—	—	(7)
	128,661	(39)	(1,412)	127,210	(7,283)	13,657	133,584

11. TRADE AND OTHER RECEIVABLES

	Note	Group 30.6.2011	Group 30.6.2010	Company 30.6.2011	Company 30.6.2010
		RM'000	*RM'000*	*RM'000*	*RM'000*
Non-current					
Non-trade					
Subsidiaries	*a*	—	—	—	460,844
Current					
Trade					
Trade receivables	*b*	86,965	95,051	—	—
Less: Allowance for doubtful debts		(8,006)	(24,636)	—	—
		78,959	70,415	—	—
Amount due from contract customers	*c*	503	880	—	—
Amount due from related companies	*d*	183,419	244,840	—	—
		262,881	316,135	—	—
Non-trade					
Other receivables		9,175	9,559	573	560
Deposits		7,822	4,195	246	246
Prepayments		7,370	8,052	349	349
Amount due from related companies	*e*	7,737	6,901	412	195
Amount due from penultimate holding company	*e*	70	1,041	—	—
Subsidiaries	*a*	—	—	141,961	—
		32,174	29,748	143,541	1,350
		295,055	345,883	143,541	1,350

Notes to the Financial Statements *(Continued)*

11. TRADE AND OTHER RECEIVABLES *(Continued)*

Note a

The amount due from subsidiaries comprise advances which are unsecured, interest free except for advances amounting to RM56,488,000 (2010: RM287,963,000) which bear interest at rates ranging from 2.67% to 3.21% (2010: 2.13% to 2.59%). Upon adoption of FRS 139 on 1 July 2010, the management has reassessed intercompany balances and have reflected balances owing to be repayable on demand in the current year as its subsidiaries have the intention and the ability to repay the debts upon demand. In the previous financial year, the balances were not expected to be receivable within the next 12 months and hence classified as non-current receivables.

Note b

Included in trade receivables are amount due from related parties amounting to RM1,007,000 (2010: RM1,206,000) and amount due from associates amounting to RM2,671,000 (2010: RM1,684,000). The trade receivables due from related parties and associates are subject to the normal trade terms.

Note c

		Group	
		30.6.2011	**30.6.2010**
	Note	*RM'000*	*RM'000*
Construction contract costs incurred to date		11,949	4,387
Add: Attributable profits		4,388	1,701
		16,337	6,088
Less: Progress billings		(15,834)	(5,330)
		503	758
Amount due from contract customers		503	880
Amount due to contract customers	*16*	—	(122)
		503	758

Note d

The trade receivables due from related companies are subject to the normal trade terms.

Note e

The non-trade receivables due from related companies and penultimate holding company are unsecured, interest free and repayable on demand.

Notes to the Financial Statements *(Continued)*

12. INVENTORIES

	Group		
	30.6.2011	**30.6.2010**	**1.7.2009**
	RM'000	*RM'000*	*RM'000*
		(restated)	*(restated)*
Timber logs	49,129	49,341	56,099
Raw materials	1,146	1,110	933
Work-in-progress	30,473	26,956	30,554
Manufactured inventories	53,423	41,511	38,994
Stores and consumables	82,978	78,025	74,964
	217,149	196,943	201,544

The write down of inventories to net realisable value amounted to RM680,000 (2010: RM2,905,000) and is included in cost of sales.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	30.6.2011	**30.6.2010**	**30.6.2011**	**30.6.2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Deposits with licensed banks	96,848	24,251	19,662	—
Cash and bank balances	7,432	44,766	277	68
	104,280	69,017	19,939	68

Deposits with licensed banks of the Group amounting to RM3,074,000 (2010: RM23,875,000) have been pledged as security for bank borrowings (Note 17).

14. SHARE CAPITAL

	Group and Company			
	30.6.2011		30.6.2010	
	Amount	**Number of shares**	**Amount**	**Number of shares**
	RM'000	*'000*	*RM'000*	*'000*
Ordinary shares of RM0.50 each				
Authorised	500,000	1,000,000	500,000	1,000,000
Issued and fully paid				
As at 1 July/30 June	329,815	659,630	329,815	659,630

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 and rank equally with regard to the Company's residual assets.

Notes to the Financial Statements *(Continued)*

15. RESERVES

	Group			Company	
	30.6.2011	**30.6.2010**	**1.7.2009**	**30.6.2011**	**30.6.2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
		(restated)	*(restated)*		
Non-distributable					
Share premium	130,089	130,089	130,089	130,089	130,089
Translation reserve	162,406	110,870	119,433	—	—
Fair value reserve	14,224	14,224	14,224	—	—
	306,719	255,183	263,746	130,089	130,089
Distributable					
Retained earnings	1,023,922	869,141	771,960	358,184	356,446
	1,330,641	1,124,324	1,035,706	488,273	486,535

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

Fair value reserve

This is the Group's share of the write up to fair values of the net assets of a subsidiary sold to an associate as well as the net assets of two subsidiaries acquired from an associate attributable to the Group's interest in the associate in the previous years.

Following the adoption of IAS 41, *Agriculture*, the fair valuation reserve which arose from the share of gain in fair value adjustment in an associate in the previous years amounted to RM50,311,000 has been transferred to retained earnings to conform with the accounting treatment on gain on fair valuation of biological assets.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income to frank and distribute approximately RM177,020,000 (2010: RM186,685,000) of its distributable reserves at 30 June 2011 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 30 June 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

Notes to the Financial Statements *(Continued)*

16. TRADE AND OTHER PAYABLES

		Group		Company	
		30.6.2011	**30.6.2010**	**30.6.2011**	**30.6.2010**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Non-current					
Non-trade					
Subsidiaries	*a*	—	—	—	250,609
Current					
Trade					
Trade payables	*b*	139,918	151,849	—	—
Amount due to contract customers	*11*	—	122	—	—
Amount due to related companies	*c*	528	47,259	—	—
		140,446	199,230	—	—
Non-trade					
Other payables		16,043	23,243	168	168
Accrued expenses		66,950	50,523	2,339	2,012
Amount due to associates	*d*	1,393	2,801	2,628	—
Amount due to penultimate holding company		926	—	—	—
Derivative financial instruments	*e*	16,989	—	463	—
Subsidiaries	*a*	—	—	123,833	—
		242,747	275,797	129,431	2,180

Note a

The amount due to subsidiaries comprises advances which are unsecured and interest free. Upon adoption of FRS 139 on 1 July 2010, the management has reassessed intercompany balances and have reflected balances owing to be repayable on demand in the current year as the Company has the intention and the ability to repay the debts owing to its subsidiaries upon demand. In the previous financial year, the balances owing were not expected to be payable within the next 12 months and hence classified as non-current payables.

Note b

Included in trade payables are amount due to related parties amounting to RM519,000 (2010: RM540,000). The trade balances due to related parties are subject to the normal trade terms.

Note c

The amount due to related companies is subject to the normal trade terms.

Note d

The amount due to associates is unsecured, interest free and repayable on demand.

Note e

Derivative financial instruments arose from the interest rate swaps and forward contract agreements. Interest rate swaps have been entered into for loans exposed to changes in interest rates to ensure interest rates are fixed throughout the tenure of the loans (Note 32.6.2).

Notes to the Financial Statements *(Continued)*

17. BORROWINGS

		Group		Company	
		30.6.2011	**30.6.2010**	**30.6.2011**	**30.6.2010**
		RM'000	*RM'000*	*RM'000*	*RM'000*
Non-current					
Term loans	— secured	227,489	207,339	10,549	—
	— unsecured	182,580	241,153	169,487	219,922
Finance lease liabilities	— secured	32,856	31,182	—	—
		442,925	479,674	180,036	219,922
Current					
Overdrafts	— unsecured	10,991	25,770	—	13,617
Bankers' acceptances	— unsecured	31,509	25,619	—	—
Revolving credit	— unsecured	53,000	75,500	20,000	47,500
Term loans	— secured	4,203	—	1,312	—
	— unsecured	58,522	7,985	50,729	—
Finance lease liabilities	— secured	22,395	24,554	—	—
		180,620	159,428	72,041	61,117
		623,545	639,102	252,077	281,039

Bank overdrafts bear interest at 6.55% to 8.10% (2010: 6.55% to 7.55%) per annum. Bankers' acceptances are discounted at 3.87% to 5.65% (2010: 2.23% to 3.94%) per annum. Revolving credit bears interest at 3.16% to 5.65% (2010: 3.03% to 4.85%) per annum. Finance lease liabilities bear fixed interest rates ranging from 2.60% to 3.80% (2010: 2.78% to 4.15%) per annum.

The details of the outstanding secured term loans of the Group as at 30 June 2011 are as follows:

Outstanding balances at 30 June 2011	Repayment terms	Securities	Interest
USD46.4 million and NZD25.3 million equivalent to RM141.0 million and RM62.7 million (2010: USD46.4 million and NZD25.1 million equivalent to RM150.6 million and RM56.7 million respectively).	Fixed instalments on 31 December 2013, 30 June 2014 and a bullet repayment of NZD24.1 million and USD43.7 million respectively on 31 December 2014.	Mortgage over all interests in forest crop and land of the subsidiary and a fixed and floating charge over all assets of the subsidiary and its subsidiaries as well as all ordinary shares of the subsidiary (Note 4).	USD LIBOR +2.75% and Bill rate NZD +2.75% (2010: USD LIBOR + (1.35%–1.55%) and Bill rate NZD +(1.35%–1.55%)) per annum.

Notes to the Financial Statements *(Continued)*

17. BORROWINGS *(Continued)*

Outstanding balances at 30 June 2011	Repayment terms	Securities	Interest
USD3.9 million equivalent to RM11.9 million (2010: Nil)	The term loan is to be repaid by 17 equal quarterly principal instalment of USD216,000 and a final instalment of USD233,000. First principal instalment is due on 8 December 2011.	Mortgage over the Company's machinery. *(Note 3)*	USD Cost of Fund +1.5%
RM16.1million (2010: Nil)	The term loan is to be repaid by 131 equal monthly principal instalment of RM75,000 and a final instalment of RM6.3 million. First principal instalment is due on 25 May 2012.	First legal charge over freehold land and building of subsidiary. *(Note 7)*	RM Cost of Fund +1.75%

The repayment terms for the USD46.4 million and NZD25.3 million loans have been restructured in the previous year.

Significant covenants for the secured term loans include the following:

(i) Interest coverage ratio of that subsidiary shall not be less than 1.5 times at 30 June and 31 December in each year.

(ii) Loan to value ratio of that subsidiary shall not exceed 45% in 2011 and 40% thereafter.

(iii) Consolidated total net borrowing to consolidated shareholders' funds shall not be more than 0.90 times at 30 June and 31 December in each year.

The details of the outstanding unsecured term loans of the Group and of the Company as at 30 June 2011 are as follows:

Group

Outstanding balance at 30 June 2011	Repayment terms	Interest
RM241.1 million (2010: RM249.1 million)	Fixed instalments with maturity ranging between 2013 to 2016	2.25% to 7.85% (2010: 3.25% to 7.30%) per annum.

Company

Outstanding balance at 30 June 2011	Repayment terms	Interest
RM220.2 million (2010: RM219.9 million)	Fixed instalments with maturity ranging between 2013 to 2014	3.95% to 6.75% (2010: 3.35% to 6.75%) per annum.

Significant covenants for the unsecured term loans include the following:

(i) Gearing ratio of the Group shall not exceed 0.9 times at 30 June and 31 December in each year; and

(ii) Interest coverage ratio of the Group shall equal or exceed 1.5 times at 30 June and 31 December in each year.

Notes to the Financial Statements *(Continued)*

17. BORROWINGS *(Continued)*

Debt repayment schedule

		Total	Under 1 year	1–2 years	2–5 years	More than 5 years
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
2011						
Group						
Overdrafts	— unsecured	10,991	10,991	—	—	—
Bankers' acceptances	— unsecured	31,509	31,509	—	—	—
Revolving credit	— unsecured	53,000	53,000	—	—	—
Term loans	— unsecured	241,102	58,522	66,829	115,751	—
	— secured	231,692	4,203	3,524	211,540	12,425
Finance lease liabilities	— secured	55,251	22,395	11,673	21,183	—
		623,545	180,620	82,026	348,474	12,425
Company						
Revolving credit	— unsecured	20,000	20,000	—	—	—
Term loans	— unsecured	220,216	50,729	59,759	109,728	—
	— secured	11,861	1,312	2,624	7,925	—
		252,077	72,041	62,383	117,653	—
2010						
Group						
Overdrafts	— unsecured	25,770	25,770	—	—	—
Bankers' acceptances	— unsecured	25,619	25,619	—	—	—
Revolving credit	— unsecured	75,500	75,500	—	—	—
Term loans	— unsecured	249,138	7,985	58,422	182,731	—
	— secured	207,339	—	—	207,339	—
Finance lease liabilities	— secured	55,736	24,554	23,373	7,809	—
		639,102	159,428	81,795	397,879	—
Company						
Overdrafts	— unsecured	13,617	13,617	—	—	—
Revolving credit	— unsecured	47,500	47,500	—	—	—
Term loans	— unsecured	219,922	—	50,437	169,485	—
		281,039	61,117	50,437	169,485	—

Notes to the Financial Statements *(Continued)*

17. BORROWINGS *(Continued)*

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Gross 2011	Interest 2011	Principal 2011	Gross 2010	Interest 2010	Principal 2010
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Less than one year	24,934	2,539	22,395	27,085	2,531	24,554
Between one and five years	35,913	3,057	32,856	33,209	2,027	31,182
	60,847	5,596	55,251	60,294	4,558	55,736

18. REVENUE

	Group		Company	
	2011	2010	2011	2010
	RM'000	*RM'000*	*RM'000*	*RM'000*
Revenue				
— sale of goods	1,169,796	1,077,508	—	—
— trading and services	480,332	364,304	359	359
— gross dividend income	—	—	21,900	22,901
— rental income from investment properties	915	165	165	165
	1,651,043	1,441,977	22,424	23,425

19. RESULTS FROM OPERATING ACTIVITIES

		Group		Company	
		2011	2010	2011	2010
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Results from operating activities is arrived at after crediting:					
Gain from changes in fair value of biological assets less estimated point-of-sale costs	*4*	14,455	48,163	—	—
Gain on disposal of property, plant and equipment		584	2,392	—	—
Gross dividend income from:					
— Subsidiaries (unquoted)		—	—	20,000	21,000
— Associates (unquoted)		—	—	1,900	1,900
Rental income					
— equipment		348	674	—	—
— properties	*7*	2,787	1,215	165	165
— others		290	619	—	—
Reversal of doubtful debts					
— trade and other receivables		—	421	—	—

Notes to the Financial Statements *(Continued)*

19. RESULTS FROM OPERATING ACTIVITIES *(Continued)*

		Group		Company	
		2011	2010	2011	2010
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Results from operating activities is arrived at after charging:					
Allowance for doubtful debts					
— trade and other receivables		5,282	327	—	—
Amortisation of timber concession	*5*	6,535	6,535	—	—
Amortisation of prepaid lease payments	*6*	1,281	1,281	—	—
Auditors' remuneration					
— Audit fees					
KPMG Malaysia		479	433	100	75
Other KPMG offices		211	205	—	—
— Other service fees		545	605	456	453
Harvested timber transferred to inventories	*4*	46,754	42,324	—	—
Depreciation of investment properties	*7*	934	289	96	47
Depreciation of property, plant and equipment	*3*	77,804	89,109	140	76
Property, plant and equipment written off		489	157	—	—
Impairment loss:					
— investment in jointly-controlled entities	*9*	199	200	—	—
Inventories written down to net realisable value	*12*	680	2,905	—	—
Personnel expenses (including key management personnel):					
— contributions to Employees Provident Fund		7,116	6,735	202	206
— wages, salaries and others		135,537	122,133	2,014	1,740
Rental charges					
— equipment		2,369	1,873	—	—
— premises		2,436	2,645	355	314
— logging roads, land and log pond		2,032	1,173	—	—

Notes to the Financial Statements *(Continued)*

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Directors:				
— fees	398	445	398	445
— remuneration	1,357	1,574	576	820
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	102	110	84	86
Total short term employee benefits	1,857	2,129	1,058	1,351
Other key management personnel:				
— short term employee benefits	2,317	2,717	675	517
	4,174	4,846	1,733	1,868

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entity either directly or indirectly.

21. FINANCE COSTS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Interest expense of financial liabilities that are not at fair value through profit or loss:				
— term loans	30,052	31,370	12,876	14,202
— revolving credit	3,475	3,165	1,773	1,977
— overdrafts	2,053	927	889	310
— finance leases	2,897	3,303	—	—
— bankers' acceptances	766	603	—	—
— others	538	544	—	—
	39,781	39,912	15,538	16,489
Less: Interest capitalised *(Note 4)*	(19,444)	(23,942)	—	—
	20,337	15,970	15,538	16,489
Realised foreign exchange loss	—	2,117	—	—
	20,337	18,087	15,538	16,489

Notes to the Financial Statements *(Continued)*

22. FINANCE INCOME

	Group 2011	Group 2010	Company 2011	Company 2010
	RM'000	*RM'000*	*RM'000*	*RM'000*
Interest income	475	332	8,474	6,865
Gain on changes in fair value of financial instruments	11,567	—	771	—
Unrealised foreign exchange gains	20,477	11,770	1,446	—
	32,519	12,102	10,691	6,865
Realised foreign exchange gains	3,068	—	207	—
	35,587	12,102	10,898	6,865

23. INCOME TAX EXPENSE

	Group 2011	Group 2010	Company 2011	Company 2010
	RM'000	*RM'000*	*RM'000*	*RM'000*
Current tax expense				
Malaysian				
— current year	19,322	12,304	2,924	2,207
— prior year	1,502	(3,493)	1,801	162
	20,824	8,811	4,725	2,369
Deferred tax expense				
Origination and reversal of temporary differences				
— current year	(7,734)	(1,561)	—	—
— prior year	451	1,522	—	—
	(7,283)	(39)	—	—
	13,541	8,772	4,725	2,369
Reconciliation of effective tax expense				
Profit before tax	205,254	110,900	12,644	8,996
Tax at Malaysian tax rate of 25% (2010: 25%)	51,314	27,725	3,161	2,249
Non-deductible expenses	7,672	4,763	329	433
Double-deduction of expenses	(6,536)	(6,213)	—	—
Effect of changes in tax rate#	—	(7,428)	—	—
Current year losses for which no deferred tax asset was recognised	1,365	3,077	—	—
Other unrecognised temporary differences	1,603	5,358	—	—
Non-taxable income/tax accounted for net of share of associates and jointly-controlled entities' profit*	(23,979)	(9,024)	(606)	(475)
Utilisation of unrecognised deferred tax assets	(19,196)	(7,060)	—	—
Other items	(655)	(455)	40	—

Notes to the Financial Statements *(Continued)*

23. INCOME TAX EXPENSE *(Continued)*

	Group		Company	
	2011	2010	2011	2010
	RM'000	*RM'000*	*RM'000*	*RM'000*
Reconciliation of effective tax expense *(Continued)*				
	11,588	10,743	2,924	2,207
Under/(Over) provision of current tax in prior years	1,502	(3,493)	1,801	162
Under provision of deferred tax in prior years	451	1,522	—	—
Tax expense	13,541	8,772	4,725	2,369

\# *The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 30% (2010: 30%). No provision for New Zealand income tax has been made for the financial years ended 30 June 2011 and 30 June 2010 as the subsidiaries have utilised the tax losses to set-off against the taxable profits generated during the relevant years. In May 2010, the New Zealand Government announced a reduction in the income tax rate from 30% to 28% effective from year assessment of 2011/2012. Consequently, deferred tax liability is measured using the revised rate of 28%.*

* *Tax accounted for net of share of associates and jointly-controlled entities' profits amounted to RM25,174,000 (2010: RM8,548,000).*

24. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share at 30 June 2011 was based on the profit attributable to owners of RM191,713,000 (2010: RM102,128,000, restated) and the number of ordinary shares outstanding of 659,630,441 (2010: 659,630,441).

25. DIVIDENDS

Dividends recognised in the current and prior financial years by the Company are:

	Sen per share *(net of tax)*	Total amount *RM'000*	Date of payment
2011			
Final 2010 ordinary	0.75	4,947	20 December 2010
2010			
Final 2009 ordinary	0.75	4,947	11 December 2009

After the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share *(net of tax)*	Total amount *RM'000*
Final 2011 ordinary	1.50	9,894
Total amount		9,894

Notes to the Financial Statements *(Continued)*

26. OPERATING SEGMENTS

The Group manages its business by divisions, which are organised by business line. In a manner consistent with the way in which information is reported internally to the chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments.

Logs	The sale of timber logs from concession and forest plantation area.
Plywood and veneer	The manufacture and sale of plywood and veneer.
Upstream support	The provision of supporting services such as tree-falling and barging.
Other timber operations	The manufacture and sale of timber related products such as doorskin, housing products and kitchen retail.
Other operations	Other operations include the manufacture and sale of granite aggregates, rubber compound and glue, logistic services, power generating facilities, property investment and investment companies.

Segment results, assets and liabilities

In accordance with FRS 8, segment information disclosed in the financial report has been prepared in a manner consistent with the information used by the chief operating decision maker for the purposes of assessing segments performance and allocating resources between segments. In this regard, the chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of investment in associates and jointly-controlled entities, current tax assets, 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.

Notes to the Financial Statements *(Continued)*

26. OPERATING SEGMENTS *(Continued)*

Segment results, assets and liabilities *(Continued)*

Information regarding the Group's reportable segments as provided to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the financial year ended 30 June 2011 and 30 June 2010 are set out below:

	Logs	Plywood and veneer	Upstream support	Other timber operations	Other operations	Consolidated
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
2011						
Revenue from external customers	552,736	581,589	462,931	14,591	39,196	1,651,043
Inter-segment revenue	51,496	38,012	177,613	—	14,246	281,367
Reportable segment revenue	604,232	619,601	640,544	14,591	53,442	1,932,410
Reportable segment profit/(loss)	93,193	(3,958)	503	(5,731)	5,303	89,310
Included in the measure of segment profit are:						
Depreciation and amortisation	71,000	29,832	26,065	477	5,934	133,308
Gain from changes in fair value of biological assets less estimated point-of-sale costs	14,455	—	—	—	—	14,455
Reportable segment assets	1,033,320	664,508	341,572	18,064	107,770	2,165,234
Included in the measure of segment assets are:						
Additions to non-current segment assets during the year	50,687	5,786	25,669	1,718	25,842	109,702
Reportable segment liabilities	28,785	82,268	110,819	3,792	17,083	242,747
2010						
Revenue from external customers	450,537	593,783	355,710	10,384	31,563	1,441,977
Inter-segment revenue	60,248	51,943	144,316	—	8,472	264,979
Reportable segment revenue	510,785	645,726	500,026	10,384	40,035	1,706,956
Reportable segment profit/(loss)	100,900	(19,172)	939	(3,329)	3,356	82,694
Included in the measure of segment profit are:						
Depreciation and amortisation	66,134	37,994	31,464	410	3,536	139,538
Gain from changes in fair value of biological assets less estimated point-of-sale costs	48,163	—	—	—	—	48,163
Reportable segment assets	970,668	694,758	354,510	8,022	100,065	2,128,023
Included in the measure of segment assets are:						
Additions to non-current segment assets during the year	48,417	14,048	29,294	123	12,990	104,872
Reportable segment liabilities	13,210	103,331	145,949	4,149	9,158	275,797

Notes to the Financial Statements *(Continued)*

26. OPERATING SEGMENTS *(Continued)*

Segment results, assets and liabilities *(Continued)*

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2011	2010
	RM'000	*RM'000*
Revenue		
Reportable segment revenue	1,932,410	1,706,956
Elimination of inter-segment revenue	(281,367)	(264,979)
Consolidated revenue	1,651,043	1,441,977
Profit		
Reportable segment profit	89,310	82,694
Share of profit after tax and non-controlling interests of equity accounted associates and jointly-controlled entities	100,694	34,191
Net financing income/(costs)	15,250	(5,985)
Consolidated profit before tax	205,254	110,900
Assets		
Reportable segment assets	2,165,234	2,128,023
Investment in associates and jointly-controlled entities	447,101	341,775
Deferred tax assets	137	195
Current tax assets	11,651	22,474
Unallocated head office and corporate assets	43,229	7,584
Consolidated total assets	2,667,352	2,500,051
Liabilities		
Reportable segment liabilities	242,747	275,797
Current tax liabilities	6,883	3,608
Deferred tax liabilities	133,721	127,405
Borrowings	623,545	639,102
Consolidated total liabilities	1,006,896	1,045,912

Geographical segments

The Group segments are managed principally from Malaysia, but operate facilities in Malaysia and New Zealand.

In presenting information on the basis of geographical segments, segment revenue is based on geographical locations of customers. Segment assets are based on the geographical locations of the assets. The amounts of non-current assets do not include financial instruments (including investment in associates) and deferred tax assets.

Notes to the Financial Statements *(Continued)*

26. OPERATING SEGMENTS *(Continued)*

Geographical information

2011	**Revenue**	**Non-current asset**
	RM'000	*RM'000*
Malaysia	757,997	671,924
New Zealand	17,909	918,630
China	153,813	—
Japan	307,228	—
India	98,693	—
Other countries	315,403	—
	1,651,043	1,590,554

2010	**Revenue**	**Non-current assets**
	RM'000	*RM'000*
Malaysia	584,807	692,080
New Zealand	22,744	829,784
China	139,571	—
Japan	244,038	—
India	101,604	—
Other countries	349,213	—
	1,441,977	1,521,864

27. CAPITAL COMMITMENTS

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Capital expenditure commitments				
Property, plant and equipment				
Authorised but not contracted for	142,976	43,107	151	169
Contracted but not provided for	12,750	9,618	—	—
Investment properties				
Contracted but not provided for	—	4,934	—	—

Notes to the Financial Statements *(Continued)*

28. CONTINGENT LIABILITIES

Two of the Group's subsidiaries, Samling Plywood (Lawas) Sdn. Bhd. ("Samling Plywood Lawas") and Samling Plywood (Miri) Sdn. Bhd. ("Samling Plywood Miri") together with the Director of Forests, Sarawak and State of Government of Sarawak were being jointly sued by certain inhabitants of longhouses and settlements situated on timber concessions held by Samling Plywood Lawas and Samling Plywood Miri. The plaintiffs are claiming various orders, reliefs and damages including declarations that issuance of the forest timber licence by the Director of Forests, Sarawak to Samling Plywood Lawas and Samling Plywood Miri which overlap the plaintiffs' claimed areas are unlawful, unconstitutional, null and void.

As at 30 June 2011, the above proceedings remained pending before the court.

29. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Less than one year	1,880	2,360	355	355
Between one and five years	488	2,162	266	621
	2,368	4,522	621	976

The Group leases properties under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

Leases as lessor

The Group leases out its investment properties under operating leases (see Note 7). The future minimum lease receivables under non-cancellable leases are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Less than one year	1,782	272	165	123
Between one and five years	2,545	242	123	—
	4,327	514	288	123

Notes to the Financial Statements *(Continued)*

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

Details of the related party relationships, which are having related party transactions with the Group are as follows:

(a) ***Yaw Holding Sdn. Bhd. ("Yaw Holding"), its subsidiaries and associates ("Yaw Holding Group" or "companies of Yaw Holding Group") and Samling Global Limited ("Samling Global"), its subsidiaries and associates ("Samling Global Group" or "companies of Samling Global Group")***

Yaw Holding is a major shareholder of Samling Strategic Corporation Sdn. Bhd. ("Samling Strategic") (direct interest of 100%) and is deemed a major shareholder of Samling Global (indirect interest of 53.94%) by virtue of its substantial shareholding through Samling Strategic.

Samling Global is a major shareholder of the Company (indirect interest of 67.23%) by virtue of its substantial shareholding through Samling Malaysia Inc.

Tan Sri Datuk Yaw Teck Seng and Yaw Chee Ming are both deemed major shareholders of the Company by virtue of their substantial shareholdings through Yaw Holding and Samling Strategic in Samling Global (indirect interest of 67.23% collectively).

Yaw Chee Ming is the common Director of the Company and its holding companies. He is also a Director in certain subsidiaries of the Company and certain companies of Yaw Holding Group and Samling Global Group. He has indirect equity interest in the Company's intermediate holding company of 2,340,420,260 ordinary shares of USD0.10 each.

Yaw Chee Chik, a Director of Yaw Holding, is also a Director in certain subsidiaries of the Company and certain companies of Yaw Holding Group and Samling Global Group.

Tan Sri Datuk Yaw Teck Seng is the father of Yaw Chee Ming and Yaw Chee Chik. Hence, Tan Sri Datuk Yaw Teck Seng, Yaw Chee Ming and Yaw Chee Chik are persons connected to each other.

Chan Hua Eng is the common Chairman of the Company and its intermediate holding company. He has a direct and indirect equity interests in the Company of 58,333 and 4,236,290 ordinary shares of RM0.50 each respectively. He also has an indirect equity interest in the Company's intermediate holding company of 4,000,000 ordinary shares of USD0.10 each.

(b) ***3D Networks Sdn. Bhd. ("3D Networks")***

Yaw Chee Ming is deemed a major shareholder of 3D Networks by virtue of his substantial shareholding in Planet One Pte. Ltd. (direct and indirect interest of 15.06% and 84.94% respectively). Yaw Chee Siew is a director of Planet One Pte. Ltd. Yaw Chee Siew is the brother of Yaw Chee Ming. Hence, Yaw Chee Siew and Yaw Chee Ming are persons connected to each other.

Notes to the Financial Statements *(Continued)*

30. RELATED PARTIES *(Continued)*

Identity of related parties *(Continued)*

(c) *Glenealy Plantations (Malaya) Berhad ("Glenealy") and its subsidiaries ("Glenealy Group")*

Yaw Chee Ming is the Managing Director of Glenealy. Tan Sri Datuk Yaw Teck Seng and Yaw Chee Ming are deemed major shareholders of Glenealy (respective indirect interests of 53.68%) by virtue of their substantial shareholdings through Yaw Holding in Samling Strategic and the Company. Yaw Holding (indirect interest of 53.68%), Samling Strategic (direct and indirect interests of 15.35% and 38.33% respectively) and the Company (direct and indirect interest of 1.91% and 36.42% respectively) are major shareholders of Glenealy.

Chan Hua Eng is the common Chairman of the Company and Glenealy. He has an indirect equity interest in Glenealy of 131,900 ordinary shares of RM1.00 each.

Hiew Chung Chin, a Director of a subsidiary of the Company, owns 100,000 ordinary shares of RM1.00 each in Glenealy. He has a direct equity interest in the Company of 270,000 ordinary shares of RM0.50 each. Hiew Chung Chin is the brother of Tan Sri Datuk Yaw Teck Seng. Hence, Hiew Chung Chin and Tan Sri Datuk Yaw Teck Seng are persons connected to each other.

(d) *Meridian Magic Sdn. Bhd. ("Meridian Magic")*

Yaw Chee Yun, is a Director of Meridian Magic and a major shareholder of Meridian Magic (direct interest of 30%). Yaw Chee Yun is the brother of Yaw Chee Ming. Hence, Yaw Chee Yun and Yaw Chee Ming are persons connected to each other.

(e) *Sojitz Corporation ("Sojitz") and its subsidiaries*

Sojitz ceased to be a major shareholder of the Company (direct interest of 7.54%) during the previous financial year as it had disposed its entire shareholding interest of the Company.

The significant related party transactions of the Group and the Company, other than key management personnel compensation (Note 20), are as follows:

	Group	
	2011	**2010**
	RM'000	*RM'000*
Agency commission payable:		
Samling Global Group	905	1,095
Purchase of property, plant and equipment:		
Samling Global Group	10,417	12,442
Yaw Holding Group	220	—
Hotel accommodation charges:		
Yaw Holding Group	226	128
Insurance premium receivable:		
Yaw Holding Group	503	249
Samling Global Group	3,015	3,892
Samling Global Group and Sojitz Group	—	454
Insurance premium payable:		
Sojitz Group	—	10
Lighterage income receivable:		
Samling Global Group	31,102	24,102
Glenealy Group	484	769

Notes to the Financial Statements *(Continued)*

30. RELATED PARTIES *(Continued)*

The significant related party transactions of the Group and the Company, other than key management personnel compensation (Note 20), are as follows: *(Continued)*

	Group	
	2011	**2010**
	RM'000	*RM'000*
Timber logging contract fees payable:		
Samling Global Group	156,050	175,156
Timber logging contract fees receivable:		
Samling Global Group	221,457	148,330
Medical fees receivable:		
Samling Global Group	58	38
Samling Global Group and Sojitz Group	—	29
Purchase of air tickets:		
Yaw Holding Group	262	398
Purchase of fuel, spare parts and other materials:		
Yaw Holding Group	6	25
Samling Global Group	3,428	1,785
Samling Global Group and Sojitz Group	—	51
Purchase of timber logs and plywood:		
Samling Global Group	188,643	169,641
Plywood marketing fees payable:		
Samling Global Group	—	292
Sojitz Group	—	301
Rental of equipment/premises payable:		
Yaw Holding Group	1,469	1,440
Samling Global Group	954	819
Rental of equipment/premises receivable:		
Samling Global Group	1,180	586
Samling Global Group and Sojitz Group	—	564
3D Networks	165	165
Yaw Holding Group	606	—
Meridian Magic	198	—
Repair and reconditioning payable:		
Samling Global Group	3,607	6,906
Construction of roads and trucking income:		
Samling Global Group	1,474	1,962
Construction of roads and trucking expenses:		
Samling Global Group	9,675	10,738

Notes to the Financial Statements *(Continued)*

30. RELATED PARTIES *(Continued)*

The significant related party transactions of the Group and the Company, other than key management personnel compensation (Note 20), are as follows: *(Continued)*

	Group	
	2011	**2010**
	RM'000	*RM'000*
Sale of timber logs and plywood:		
Samling Global Group	52,940	29,891
Samling Global Group and Sojitz Group	—	3,815
Sojitz Group	—	82,926
Sale of fuel, spare parts and other materials:		
Samling Global Group	180,100	171,625
Samling Global Group and Sojitz Group	—	84
Glenealy Group	—	36

These transactions have been entered into on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

Other significant related party transactions

Other significant related party transactions, in respect of related parties as defined in FRS 124, Related Parties but are not regarded as related parties under Chapter 10 Para 10.08 of the Listing Requirements of Bursa Securities is with associates:

	Group	
	2011	**2010**
	RM'000	*RM'000*
Associate		
Purchase of glue	27,838	27,726

Significant transactions with subsidiaries, other than disclosed elsewhere in the financial statements, are as follows:

	Company	
	2011	**2010**
	RM'000	*RM'000*
Subsidiaries		
Management fees receivable	330	330
Interest receivable	8,287	6,684
Dividend receivable	20,000	21,000

Notes to the Financial Statements *(Continued)*

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

For the financial year ended 30 June 2011, the Group's strategy, which was unchanged from the financial year ended 30 June 2010, was to maintain a debt-to-equity ratio of not more than 50%. The debt-to-equity ratios at 30 June 2011 and at 30 June 2010 were as follows:

	Group	
	2011	**2010**
	RM'000	*RM'000*
Total borrowings *(Note 17)*	623,545	639,102
Less: Cash and cash equivalents *(Note 13)*	(104,280)	(69,017)
Net debt	519,265	570,085
Total equity	1,660,456	1,454,139
Debt-to-equity ratio	31%	39%

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM82,454,000. The Company has complied with this requirement.

32. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 30 June 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);

(b) Fair value through profit or loss (FVTPL):

— Derivatives designated as hedging instruments

(c) Other financial liabilities measured at amortised cost (OL).

Notes to the Financial Statements *(Continued)*

32. FINANCIAL INSTRUMENTS *(Continued)*

32.1 Categories of financial instruments *(Continued)*

	Carrying amount	L&R/(OL)	FVTPL
	RM'000	*RM'000*	*RM'000*
2011			
Financial assets			
Group			
Trade and other receivables (excluding prepayments)	287,685	287,685	—
Cash and cash equivalents	104,280	104,280	—
	391,965	391,965	—
Company			
Trade and other receivables (excluding prepayments)	143,192	143,192	—
Cash and cash equivalents	19,939	19,939	—
	163,131	163,131	—
Financial liabilities			
Group			
Trade and other payables	(242,747)	(225,758)	(16,989)
Borrowings	(623,545)	(623,545)	—
	(866,292)	(849,303)	(16,989)
Company			
Trade and other payables	(129,431)	(128,968)	(463)
Borrowings	(252,077)	(252,077)	—
	(381,508)	(381,045)	(463)

32.2 Net gains and losses arising from financial instruments

	Group 2011	Company 2011
	RM'000	*RM'000*
Net gains/(losses) arising on:		
Fair value through profit or loss:		
— Derivatives designated as hedging instruments	7,296	771
Loans and receivables	4,746	8,474
Financial liabilities measured at amortised cost	3,208	(13,885)
	15,250	(4,640)

Notes to the Financial Statements *(Continued)*

32. FINANCIAL INSTRUMENTS *(Continued)*

32.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Natural risk

32.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

The Group's credit risk arises from sales made on deferred terms whilst the Company's credit risk arises from advances to its wholly owned subsidiaries. Credit risks and exposures are controlled and monitored on an on-going basis by setting appropriate credit limits and terms after credit evaluations have been performed on customers on a case-by-case basis. Appropriate approval limits are set at different levels of credit limits and terms. In order to further minimise its exposure to credit risk, the Group, in some instances, requires Letters of Credits and Bank Guarantees from the customers.

The Group's diversified business base ensures that there are no significant concentration of credit risk for a particular customer, other than the amount due from related companies, constituting 65% (2010: 73%) of the Group's trade and other receivables and amount due from subsidiaries constituting 99% (2010: 99%) of the trade and other receivables of the Company. The maximum exposures to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

Notes to the Financial Statements *(Continued)*

32. FINANCIAL INSTRUMENTS *(Continued)*

32.4 Credit risk *(Continued)*

Impairment losses

The ageing of trade receivables (excluding related companies) as at the end of the reporting period was:

Group	Gross	Individual impairment	Collective impairment	Net
	RM'000	*RM'000*	*RM'000*	*RM'000*
2011				
Not past due	61,603	—	—	61,603
Past due 0–30 days	3,219	—	—	3,219
Past due 31–60 days	3,840	—	—	3,840
Past due 61–90 days	1,954	—	(27)	1,927
Past due more than 90 days	16,349	—	(7,979)	8,370
	86,965	—	(8,006)	78,959

The ageing of trade receivables due from related companies as at the end of the reporting period was:

Group	Gross	Individual impairment	Collective impairment	Net
	RM'000	*RM'000*	*RM'000*	*RM'000*
2011				
Not past due	111,902	—	—	111,902
Past due 0–30 days	35,893	—	—	35,893
Past due 31–60 days	35,624	—	—	35,624
	183,419	—	—	183,419

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group 2011
	RM'000
At 1 July	24,636
Impairment loss recognised	4,801
Impairment loss written off	(21,431)
At 30 June	8,006

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly. As at the reporting period, management has not impaired RM17,356,000 of receivables that were past due as there were positive repayment patterns from these debtors during the year and management is confident that the amounts are recoverable.

Notes to the Financial Statements *(Continued)*

32. FINANCIAL INSTRUMENTS *(Continued)*

32.4 Credit risk *(Continued)*

Receivables *(Continued)*

Impairment losses (Continued)

As at the end of the reporting period, the management has not impaired any amount owing by related companies as there is no indication that the receivables from related companies are not recoverable as there were positive repayment patterns.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, there were approximately 99% (2010: 99%) of receivables due from the Company's subsidiaries. The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the receivables from the Company's subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the receivables from it's subsidiaries.

32.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Notes to the Financial Statements *(Continued)*

32. FINANCIAL INSTRUMENTS *(Continued)*

32.5 Liquidity risk *(Continued)*

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount *RM'000*	Contractual interest rate/coupon	Contractual cash flows *RM'000*	Under 1 year *RM'000*	1–2 years *RM'000*	2–5 years *RM'000*	More than 5 years *RM'000*
2011							
Non-derivative financial liabilities							
Secured bank loans	231,692	2.45%–6.31%	271,306	13,482	12,571	229,735	15,518
Unsecured bank facility	336,602	2.25%–8.10%	364,364	165,778	75,092	123,494	—
Finance lease liabilities	55,251	2.60%–3.80%	60,847	24,934	13,215	22,698	—
Trade and other payables, excluding derivatives	225,758	—	225,758	225,758	—	—	—
	849,303		922,275	429,952	100,878	375,927	15,518
Derivative financial liabilities							
Derivative financial instruments (net settled)	16,989	—	16,989	16,989	—	—	—
	866,292		939,264	446,941	100,878	375,927	15,518

Notes to the Financial Statements *(Continued)*

32. FINANCIAL INSTRUMENTS *(Continued)*

32.5 Liquidity risk *(Continued)*

Maturity analysis *(Continued)*

Company	Carrying amount *RM'000*	Contractual interest rate/coupon	Contractual cash flows *RM'000*	Under 1 year *RM'000*	1–2 years *RM'000*	2–5 years *RM'000*
2011						
Non-derivative financial liabilities						
Secured bank loans	11,861	2.45%	12,800	1,603	2,883	8,314
Unsecured bank facility	240,216	3.16%–7.05%	265,033	81,073	67,092	116,868
Trade and other payables, excluding derivatives	128,968	—	128,968	128,968	—	—
	381,045		406,801	211,644	69,975	125,182
Derivative financial liabilities						
Derivative financial instrument (net settled)	463	—	463	463	—	—
	381,508		407,264	212,107	69,975	125,182

32.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

32.6.1 ***Currency risk***

The Group's main income from timber related business is mostly derived in United State Dollars ("USD"). The movement of USD against Ringgit Malaysia ("RM") and New Zealand Dollars ("NZD") 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 biological 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 NZD against USD.

The following table details the Group's and the Company's exposure at the end of the reporting period 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 RM, 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.

Notes to the Financial Statements *(Continued)*

32. FINANCIAL INSTRUMENTS *(Continued)*

32.6 Market risk *(Continued)*

32.6.1 *Currency risk* *(Continued)*

Group	Denominated in USD	JPY	AUD
	RM'000	*RM'000*	*RM'000*
2011			
Trade and other receivables	17,811	13,895	20,126
Bank loans	(157,950)	—	—
Trade and other payables	(307)	—	—
Derivative financial instruments	(14,483)	(73)	—
Net exposure	(154,929)	13,822	20,126

Currency risk sensitivity analysis

Results of the analysis as presented in the below 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 Ringgit Malaysia at the exchange rate ruling at the end of the reporting period 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 end of the reporting period. The analysis excludes difference that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

A 10% strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group	Equity	Profit or loss
	RM'000	*RM'000*
2011		
Ringgit		
USD	(58)	(58)
JPY	(1,037)	(1,037)
AUD	(1,510)	(1,510)

A 10% weakening of the Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Notes to the Financial Statements *(Continued)*

32. FINANCIAL INSTRUMENTS *(Continued)*

32.6 Market risk *(Continued)*

32.6.1 ***Currency risk*** *(Continued)*

Currency risk sensitivity analysis (Continued)

A 10% strengthening of the New Zealand Dollar against the following currency at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group	**Equity**	**Profit or loss**
	RM'000	*RM'000*
2011		
New Zealand Dollar		
USD	9,909	9,909

A 10% weakening of the New Zealand Dollar against the above currency at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Foreign exchange contract

The Group has entered into forward exchange contracts for United States Dollars and Japanese Yen with a notional contract of USD16,366,000 and JPY274,000,000 respectively as at 30 June 2011 to manage the Group's exposure to transactions in these foreign currencies.

The foreign exchange contracts mature within the next twelve months. The fair value of the forward exchange contracts entered by the Group was a receivable of RM2,899,000. These amounts are recognised as derivative financial instruments and are included within "trade and other payables" (Note 16) at 30 June 2011.

32.6.2 ***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.

Notes to the Financial Statements *(Continued)*

32. FINANCIAL INSTRUMENTS *(Continued)*

32.6 Market risk *(Continued)*

32.6.2 *Interest rate risk* *(Continued)*

Hedging

Interest rate swap

Interest rate swap agreements have been entered into for loans with a notional contract amount of USD43,000,000, NZD13,000,000 and RM34,500,000 respectively (2010: USD43,000,000, NZD13,000,000 and RM34,500,000), as at 30 June 2011 to ensure that the exposure to changes in interest rates are fixed for the respective tranches throughout the tenure of the loans with swap rate between 4.65% to 7.31% (2010: 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 2011 was a payable of RM19,888,000 and RM463,000 respectively. These amounts are recognised as derivative financial instruments and are included within "trade and other payables" (Note 16) at 30 June 2011.

Interest rate profile

The interest rate profile of the Group's and the Company's significant interest—bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Fixed rate instruments				
Financial liabilities	438,355	444,588	220,216	219,922
Floating rate instruments				
Financial liabilities	185,190	194,514	31,861	61,117

Interest rate risk sensitivity analysis

At 30 June 2011, it is estimated that a general increase/decrease of 100 basis points (bp) in interest rates, with all other variables held constant, would decrease/increase the Group's and Company's profit for the year and retained earnings by approximately RM1,193,000 and RM150,000 (2010: RM1,459,000 and RM458,000) respectively. 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 and Company'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 end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit or loss for the year (and retained earnings) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

Notes to the Financial Statements *(Continued)*

32. FINANCIAL INSTRUMENTS *(Continued)*

32.7 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 disaster. Weather conditions such as flood, drought, cyclones and windstorms and natural disasters such as earthquake, 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 adverse effect on the Group's ability to produce the product in sufficient quantities and in a timely manner.

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

32.8 Fair values of financial instruments

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It is not practical to estimate the fair value of the Group's investment in unquoted shares in associates due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

Group	2011 Carrying amount *RM'000*	2011 Fair value *RM'000*	2010 Carrying amount *RM'000*	2010 Fair value *RM'000*
Financial asset				
Quoted shares	348,108	240,944	246,687	183,229
Financial liabilities				
Term loans	410,069	385,124	448,492	414,689
Finance lease	32,856	27,417	31,182	27,073
Company				
Financial asset				
Quoted shares	9,374	12,012	—	—
Financial liabilities				
Term loans	180,036	155,091	219,922	186,119

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Notes to the Financial Statements *(Continued)*

32. FINANCIAL INSTRUMENTS *(Continued)*

32.8 Fair values of financial instruments *(Continued)*

Investments in equity and debt securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Derivative financial instrument

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, 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 end of the reporting period. When other pricing models are used, inputs are based on market related data at the end of the reporting period.

Non-derivative financial liabilities

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

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2011	2010
Loans and borrowings	5.75%	5.45%
Finance leases	6.30%	6.50%

Notes to the Financial Statements *(Continued)*

33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

Group

	At 30 June, as previously stated	Change in accounting policies for biological assets	Transfer from fair value reserve to retained earnings	At 30 June, as restated	Adoption of FRS 139: Remea-surement of receivables and payables	Adoption of FRS 139: Recognition of derivative financial instruments	At 1 July
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
2010							
Property, plant and equipment	641,894	67,435	—	709,329	—	—	709,329
Biological assets	1,037,670	(322,042)	—	715,628	—	—	715,628
Investment in associates and jointly-controlled entities	263,706	78,069	—	341,775	—	—	341,775
Inventories	195,688	1,255	—	196,943	—	—	196,943
Trade and other receivables	345,883	—	—	345,883	(13,700)	—	332,183
Retained earnings	855,919	(37,089)	50,311	869,141	(7,700)	(24,285)	837,156
Translation reserves	152,674	(41,804)	—	110,870	—	—	110,870
Trade and other payables	275,797	—	—	275,797	(6,000)	—	269,797
Derivative financial instruments	—	—	—	—	—	24,285	24,285
Deferred tax liabilities	223,795	(96,390)	—	127,405	—	—	127,405
2009							
Property, plant and equipment	667,440	68,429	—	735,869	—	—	735,869
Biological assets	1,086,152	(405,156)	—	680,996	—	—	680,996
Investment in associates and jointly-controlled entities	250,268	62,416	—	312,684	—	—	312,684
Inventories	200,184	1,360	—	201,544	—	—	201,544
Retained earnings	837,423	(115,774)	50,311	771,960	—	—	771,960
Translation reserves	161,756	(42,323)	—	119,433	—	—	119,433
Deferred tax liabilities	243,715	(114,854)	—	128,861	—	—	128,861

Notes to the Financial Statements *(Continued)*

33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES *(Continued)*

Company	Adoption of FRS 139 At 1 July, as previously stated	Recognition of derivative financial instruments	At 1 July, as restated
	RM'000	*RM'000*	*RM'000*
2010			
Derivative financial instrument	—	1,234	1,234
Retained earnings	356,446	(1,234)	355,212

33.1 FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Investments in equity securities

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries and associates were measured at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries and associates are now categorised and measured as fair value through profit or loss, or as available-for-sale as detailed in Note 2(c).

Prior to the adoption of FRS 139, current investments were carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments. With the adoption of FRS 139, current investments are now categorised and measured as fair value through profit or loss as detailed in Note 2(c).

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in profit or loss.

Inter-company loans

Prior to the adoption of FRS 139, inter-company loans were recorded at cost. With the adoption of FRS 139, inter-company loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Finance income and costs are recognised in profit or loss using the effective interest method.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Notes to the Financial Statements *(Continued)*

33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES *(Continued)*

33.1 FRS 139, *Financial Instruments: Recognition and Measurement* *(Continued)*

Impairment of trade and other receivables *(Continued)*

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance to the transitional provisions of FRS 139 for first—time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of retained earnings or another appropriate reserve. Comparatives are not adjusted.

Consequently, the adoption of FRS 139 does not affect the basic and diluted earnings per ordinary share for prior periods. It is not practicable to estimate the impact arising from the adoption of FRS 139 to the current year's basic and diluted earnings per share.

33.2 FRS 123, *Borrowing Costs* (revised)

With the adoption of FRS 123, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset as part of the cost of the asset for which the commencement date of capitalisation is on or after 1 July 2010.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of the revised FRS123.

Hence, the adoption of the revised FRS 123 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current year's basic and diluted earnings per ordinary share.

33.3 FRS 140, *Investment Property*

An investment property under construction before 1 July 2010, was classified as property, plant and equipment and upon completion of construction or development, it would be reclassified as investment property. Following the amendment made to FRS 140, *Investment Property*, with effect from 1 July 2010, investment property under construction is classified as investment property.

The change in accounting policy has been made prospectively in accordance with the transitional provisions of FRS 140.

Hence, the adoption of FRS 140 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current year's basic and diluted earnings per ordinary share.

33.4 FRS 101, *Presentation of Financial Statements* (revised)

The Group applies FRS 101 (revised) which became effective as of 1 July 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

Notes to the Financial Statements *(Continued)*

33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES *(Continued)*

33.5 Accounting policy for biological assets

With effect from 1 July 2010, the Group changed the accounting policy of its biological assets which include the forest assets of its subsidiary and oil palm plantation assets of its associate, to be coterminous with the accounting policies of its holding company. The accounting policy of its holding company for biological assets complies with that of International Accounting Standard ("IAS") 41, *Agriculture*.

Prior to the adoption of the new accounting policy, biological assets include freehold and leasehold forest land and forest crops. Freehold forest land is not depreciated and forest crops are stated at cost less the timber assets harvested and less impairment, if any. Under the new accounting policy, forest crops are measured on initial recognition and at subsequent reporting dates at fair value less estimated point-of-sale costs, with any changes in fair value of plantation assets during a period 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. Forest land is accounted for in accordance with FRS 116, *Property, plant and equipment*.

In accordance with FRS 128, *Investment in Associates*, the same accounting policies as those of the investor should be applied when equity method is used to account for associates. As a result of the adoption of new accounting policy on biological assets, the financial statements of an associate involved in oil palm plantation where the biological assets stated at cost has been adjusted to reflect the new accounting policy.

The effect to income statement in prior year is as follows:

	For the year ended 30 June 2010
	RM'000
Income statement	
As previously stated	23,443
Increase in profit for the year before share of profit of associates, net of tax	63,032
Increase in share of profit of associates, net of tax	15,653
As restated	102,128

34. COMPARATIVE FIGURES

FRS 101, *Presentation of Financial Statements* (revised)

Arising from the adoption of FRS 101 (revised), income statements for the year ended 30 June 2010 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

Notes to the Financial Statements *(Continued)*

35. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.33 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profit or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 30 June 2011, into realised and unrealised profits, pursuant to the directive, are as follows:

	Group	**Company**
	30.6.2011	**30.6.2011**
	RM'000	*RM'000*
Total retained earnings of the Company and its subsidiaries:		
Realised	920,681	356,738
Unrealised	(11,609)	1,446
	909,072	358,184
Total share of retained earnings from associates and jointly-controlled entities:		
Realised	96,137	—
Unrealised	133,908	—
	1,139,117	358,184
Less: Consolidated adjustments	(115,195)	—
Total retained earnings	1,023,922	358,184

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS
pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 49 to 130 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company at 30 June 2011 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 35 on page 131 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Chan Hua Eng

Yaw Chee Ming

Kuala Lumpur, Malaysia
Date: 9 September 2011

STATUTORY DECLARATION
pursuant to Section 169(16) of the Companies Act, 1965

I, **Goh York Pooi**, the officer primarily responsible for the financial management of Lingui Developments Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 130 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur, Malaysia on 9 September 2011.

Goh York Pooi

Before me:
Tuan Haji Shafie B. Daud
(No. W350)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
to the members of Lingui Developments Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Lingui Developments Berhad, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the income statements, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 49 to 130.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the 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 financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 35 on page 131 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Loh Kam Hian
Approval Number: 2941/09/12(J)
Chartered Accountant

Petaling Jaya, Malaysia
Date: 9 September 2011

4. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Set out below the audited financial statements of the Lingui Group for the year ended 30 June 2010 together with the relevant notes thereto as extracted from the annual report of Lingui for the year ended 30 June 2010. These financial statements are prepared in accordance with Financial Reporting Standards in Malaysia.

All page references set out in this section refer to the corresponding pages of the annual report 2010 of Lingui. The annual report 2010 of Lingui is available free of charge, in read only, printable format on Lingui Group's website *http://www.lingui.com.my*.

In this section "Company" shall be constructed as Lingui and "Group" shall be constructed as Lingui Group.

STATEMENT BY DIRECTORS
pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 50 to 113 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 30 June 2010 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Chan Hua Eng

Yaw Chee Ming

Kuala Lumpur,
Date: 24 August 2010

STATUTORY DECLARATION
pursuant to Section 169(16) of the Companies Act, 1965

I, **Goh York Pooi**, the officer primarily responsible for the financial management of Lingui Developments Berhad, do solemnly and sincerely declare that the financial statements set out on pages 50 to 113 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 24 August 2010.

Goh York Pooi

Before me:
Tuan Haji Shafie B. Daud
(No. W350)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
To the members of Lingui Developments Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Lingui Developments Berhad, which comprise the balance sheets as at 30 June 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flows statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 50 to 113.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation 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 Company'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 financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Ng Kim Tuck
Partner
Approval Number: 1150/03/12(J/PH)

Petaling Jaya, Malaysia
Date: 24 August 2010

BALANCE SHEETS
At 30 June 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Assets					
Property, plant and equipment	*3*	641,894	667,440	15	83
Forest assets	*4*	1,037,670	1,086,152	—	—
Timber concession	*5*	30,529	37,064	—	—
Prepaid lease payments	*6*	47,051	48,332	—	—
Investment properties	*7*	19,327	19,616	1,825	1,872
Investments in subsidiaries	*8*	—	—	813,335	774,335
Investments in associates and jointly-controlled entities	*9*	263,706	250,268	62,550	62,550
Deferred tax assets	*10*	195	200	—	—
Receivables, deposits and prepayments	*11*	—	—	460,844	528,970
Total non-current assets		2,040,372	2,109,072	1,338,569	1,367,810
Inventories	*12*	195,688	200,184	—	—
Receivables, deposits and prepayments	*11*	345,883	388,008	1,350	1,246
Dividend receivable		1,900	—	1,900	—
Current tax assets		22,474	33,813	8,291	8,558
Cash and cash equivalents	*13*	69,017	130,996	68	68,057
Total current assets		634,962	753,001	11,609	77,861
Total assets		2,675,334	2,862,073	1,350,178	1,445,671
Equity					
Share capital	*14*	329,815	329,815	329,815	329,815
Reserves	*15*	1,203,217	1,193,803	486,535	484,855
Total equity attributable to equity holders of the Company		1,533,032	1,523,618	816,350	814,670
Liabilities					
Payables and accruals	*16*	—	—	250,609	261,121
Borrowings	*17*	479,674	594,878	219,922	253,923
Deferred tax liabilities	*10*	223,795	243,715	—	—
Total non-current liabilities		703,469	838,593	470,531	515,044

BALANCE SHEETS *(Continued)*
At 30 June 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Payables and accruals	*16*	275,797	286,984	2,180	35,100
Borrowings	*17*	159,428	209,855	61,117	80,857
Current tax liabilities		3,608	3,023	—	—
Total current liabilities		438,833	499,862	63,297	115,957
Total liabilities		1,142,302	1,338,455	533,828	631,001
Total equity and liabilities		2,675,334	2,862,073	1,350,178	1,445,671

The notes on pages 58 to 113 are an integral part of these financial statements.

INCOME STATEMENTS
For the year ended 30 June 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Continuing operations					
Revenue	*18*	1,441,977	1,292,792	23,425	21,752
Cost of sales		(1,366,787)	(1,246,214)	—	—
Gross profit		75,190	46,578	23,425	21,752
Other income		9,266	10,954	—	—
Distribution expenses		(15,235)	(14,033)	—	—
Administrative expenses		(42,545)	(50,613)	(4,805)	(4,236)
Other expenses		(233)	(313)	—	—
Results from operating activities	*19*	26,443	(7,427)	18,620	17,516
Finance costs	*21*	(30,259)	(69,396)	(16,489)	(20,723)
Interest income		332	222	6,865	9,386
Operating (loss)/profit		(3,484)	(76,601)	8,996	6,179
Share of profit after tax and minority interest of equity accounted associates		18,542	876	—	—
Profit/(Loss) before taxation		15,058	(75,725)	8,996	6,179
Taxation	*22*	8,385	(8,527)	(2,369)	(1,815)
Profit/(Loss) attributable to equity holders of the Company		23,443	(84,252)	6,627	4,364
Basic earnings per ordinary share *(sen)*	*23*	3.55	(12.77)		

The notes on pages 58 to 113 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2010

		Non-distributable				Distributable	
Group		**Share capital**	**Share premium**	**Translation reserve**	**Fair value reserve**	**Retained profits**	**Total**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
At 1 July 2008		329,815	130,089	230,109	64,535	931,569	1,686,117
Net loss recognised directly in equity							
— Currency translation differences		—	—	(68,353)	—	—	(68,353)
Loss for the year		—	—	—	—	(84,252)	(84,252)
Dividend paid	24	—	—	—	—	(9,894)	(9,894)
At 30 June 2009/1 July 2009		329,815	130,089	161,756	64,535	837,423	1,523,618
Net loss recognised directly in equity							
— Currency translation differences		—	—	(9,082)	—	—	(9,082)
Profit for the year		—	—	—	—	23,443	23,443
Dividend paid	24	—	—	—	—	(4,947)	(4,947)
At 30 June 2010		329,815	130,089	152,674	64,535	855,919	1,533,032
		Note 14	*Note 15*	*Note 15*	*Note 15*	*Note 15*	

The notes on pages 58 to 113 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2010

Company	Note	Share capital	Non-distributable Share premium	Distributable Retained profits	Total
		RM'000	*RM'000*	*RM'000*	*RM'000*
At 1 July 2008		329,815	130,089	360,296	820,200
Profit for the year		—	—	4,364	4,364
Dividend paid	*24*	—	—	(9,894)	(9,894)
At 30 June 2009/1 July 2009		329,815	130,089	354,766	814,670
Profit for the year		—	—	6,627	6,627
Dividend paid	*24*	—	—	(4,947)	(4,947)
At 30 June 2010		329,815	130,089	356,446	816,350
		Note 14	*Note 15*	*Note 15*	

The notes on pages 58 to 113 are an integral part of these financial statements.

CASH FLOW STATEMENTS
For the year ended 30 June 2010

		Group		Company	
		2010	2009	2010	2009
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Cash flows from operating activities					
Profit/(Loss) before taxation		15,058	(75,725)	8,996	6,179
Adjustments for:					
Amortisation of timber concession	5	6,535	6,535	—	—
Amortisation of prepaid lease payments	6	1,281	1,228	—	—
Depreciation of investment properties	7	289	444	47	47
Depreciation of property, plant and equipment	3	88,211	92,689	76	110
Depletion of forest crops	4	50,692	32,040	—	—
Dividend income	18	—	—	(22,901)	(21,228)
Finance costs	21	30,259	69,396	16,489	20,723
Gain on disposal of property, plant and equipment		(2,392)	(729)	—	—
Interest income		(332)	(222)	(6,865)	(9,386)
Investment property written off		—	5,172	—	—
Impairment loss on property, plant and equipment		—	120	—	—
Property, plant and equipment written off		157	100	—	—
Impairment loss on investment in jointly-controlled entity	9	200	—	—	—
Share of profit after tax and minority interest of equity accounted associates		(18,542)	(876)	—	—
Operating profit/(loss) before changes in working capital		171,416	130,172	(4,158)	(3,555)
Changes in working capital:					
Inventories		4,474	23,972	—	—
Payables and accruals		(13,846)	(60,693)	(31,982)	4,855
Receivables, deposits and prepayments		37,964	117,738	(104)	33
Cash generated from/(used in) operations		200,008	211,189	(36,244)	1,333
Taxes refunded/(paid)		3,110	(7,378)	3,148	2,661
Net cash generated from/(used in) operating activities		203,118	203,811	(33,096)	3,994

CASH FLOW STATEMENTS *(Continued)*
For the year ended 30 June 2010

		Group		Company	
		2010	2009	2010	2009
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Cash flows from investing activities					
Additions of forest assets		(12,142)	(11,443)	—	—
Dividends received from subsidiaries		—	—	15,750	15,750
Dividends received from associates and other investments		3,116	7,660	1	1,428
Interest received		332	222	6,865	9,386
Pledged deposits received/(paid)		80,523	(80,617)	68,000	(68,000)
Purchase of property, plant and equipment	*(i)*	(50,184)	(59,935)	(8)	(5)
Proceeds from disposal of property, plant and equipment		6,713	6,468	—	—
Refund from purchase price adjustment on prepaid lease payment		—	2,244	—	—
Repayment from subsidiaries		—	—	68,126	86,311
Subscription of shares in jointly-controlled entity/associate	*9*	(113)	(398)	—	—
Increase in investment in subsidiaries	*8*	—	—	(39,000)	—
Net cash generated from/(used in) investing activities		28,245	(135,799)	119,734	44,870
Cash flows from financing activities					
Dividend paid		(4,947)	(9,894)	(4,947)	(9,894)
Repayment to subsidiaries		—	—	(10,512)	(11,075)
Net repayment of borrowings		(114,429)	(57,396)	(50,211)	(63,683)
Net repayment of finance lease liabilities		(36,533)	(37,122)	—	—
Finance costs paid		(40,734)	(48,912)	(17,427)	(20,579)
Net cash used in financing activities		(196,643)	(153,324)	(83,097)	(105,231)
Net increase/(decrease) in cash and cash equivalents		34,720	(85,312)	3,541	(56,367)
Cash and cash equivalents at 1 July		(14,828)	74,054	(17,090)	39,277
Foreign exchange difference on opening balances		(520)	(3,570)	—	—
Cash and cash equivalents at 30 June	*(ii)*	19,372	(14,828)	(13,549)	(17,090)

CASH FLOW STATEMENTS *(Continued)*
For the year ended 30 June 2010

(i) PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM68,066,000 and RM8,000 (2009 -RM73,220,000 and RM5,000) respectively of which RM17,882,000 and nil (2009 -RM13,285,000 and nil) respectively were acquired by means of finance leases.

(ii) CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Cash and bank balances	*13*	44,766	26,229	68	57
Deposits	*13*	24,251	104,767	—	68,000
Bank overdrafts	*17*	(25,770)	(41,426)	(13,617)	(17,147)
		43,247	89,570	(13,549)	50,910
Less: Fixed deposits and bank balances pledged to the financial institutions	*13*	(23,875)	(104,398)	—	(68,000)
		19,372	(14,828)	(13,549)	(17,090)

The notes on pages 58 to 113 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Lingui Developments Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business and registered office of the Company is located at Level 42, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

The consolidated financial statements as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and jointly-controlled entities. The financial statements of the Company as at and for the year ended 30 June 2010 do not include other entities.

The Company is principally engaged in investment and property holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 8 to the financial statements.

The holding company during the financial year was Samling Malaysia Inc, a company incorporated in British Virgin Islands. The intermediate holding company during the financial year was Samling Global Limited, a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. The penultimate and ultimate holding companies during the financial year were Samling Strategic Corporation Sdn. Bhd. and Yaw Holding Sdn. Bhd. respectively. Both companies were incorporated in Malaysia.

The financial statements were approved by the Board of Directors on 24 August 2010.

1. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), accounting principles generally accepted and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Group and the Company have not applied the following new/revised accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  - — *Puttable Financial Instruments and Obligations Arising on Liquidation*
  - — *Separation of Compound Instruments*

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION *(Continued)*

(a) Statement of compliance *(Continued)*

- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
  - — *Reclassification of Financial Assets*
  - — *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, *FRS 2 — Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation — Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - — *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - — *Additional Exemptions for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION *(Continued)*

(a) Statement of compliance *(Continued)*

The Group and Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 July 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2010, 1 March 2010 and 1 July 2010 except for FRS 4, IC Interpretation 12, IC Interpretation 13, IC Interpretation 14 and IC Interpretation 15 which are not applicable to the Group and to the Company; and

- from the annual period beginning 1 July 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2011.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impact to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Material impacts of initial applications of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

Improvements to FRSs (2009)

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. Amendments that have material impact are:

- FRS 117, Leases

  The amendment clarifies that the classification of lease of land will require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment.

  The adoption of this amendment will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand (RM'000), unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION *(Continued)*

(d) Use of estimates and judgements *(Continued)*

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 and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3 Property, Plant and Equipment
- Note 4 Forest Assets
- Note 7 Investment Properties

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its 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. Subsidiaries are consolidated using the purchase method of accounting except for Samling Plywood (Bintulu) Sdn. Bhd. and Tamex Timber Sdn. Bhd. (business combinations prior to 1 January 2006) which are accounted for using the pooling-of-interests method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve or adjusted against any suitable reserve in the case of debit differences. The other components of equity of the acquired entities are added to the same components within Group equity.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

(ii) ***Associates*** *(Continued)*

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) ***Joint ventures***

Jointly-controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iv) ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) ***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency *(Continued)*

(i) *Foreign currency transactions* (Continued)

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(ii) *Operations denominated in functional currencies other than Ringgit Malaysia ("RM")*

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in exchange reserve. On disposal, the accumulated exchange reserve is recognised in the consolidated income statement as part of the gain or loss on sale.

(iii) *Net investment in foreign operations*

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated income statement upon disposal of the investment.

(c) Derivative financial instruments

The Group uses derivative financial instruments, including interest rate swaps and forward foreign exchange contracts, to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments used for hedging purposes are not revalued to fair value at balance sheet date and gain or loss from the hedging activities is recognised in the income statements upon the realisation of the hedged transactions.

(d) Property, plant and equipment

(i) *Recognition and measurement*

Freehold land is stated at cost. Other items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

(i) *Recognition and measurement* *(Continued)*

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property, plant and equipment is the estimated amount for which a property, plant and equipment could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements.

(ii) *Reclassification of investment property*

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is reclassified as investment property.

(iii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iv) *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods 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, bridges and fences	Amortised by equal instalments over the remaining life of the concession
Machinery, furniture, equipment, river crafts and wharfs	5–20 years
Motor vehicles	5–10 years

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

(iv) *Depreciation* *(Continued)*

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(e) Forest assets

Forest assets include forest land and forest crops.

Freehold forest land is not depreciated. Forest crops are stated at cost less the timber assets harvested and less impairment, if any. All costs, including borrowing costs, are capitalised to each stand of growing timber until the first substantial harvest of that stand. Cost capitalisation commences or recommences when preparation for forestry activity is initiated. A stand is defined generally as a continuous block of trees of the same age, species and silviculture regime. A forest is the sum of all stands within geographically related areas.

Income from harvesting operations offset by the direct costs of production is taken to earnings when realised. The related capitalised costs of timber harvested are written off as depletion.

(f) Leased assets

(i) *Finance lease*

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) *Operating lease*

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, the leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

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

(g) Intangible asset

(i) *Goodwill*

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible asset *(Continued)*

(i) *Goodwill* *(Continued)*

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

(ii) *Timber concession*

Timber concession is the cost of the rights conferred upon subsidiaries to extract timber, which is expiring in May 2013, August 2018 and May 2023.

The timber concession is amortised over the remaining life of the concession on the basis that the subsidiaries are allowed to extract approximately similar annual quantities of timber over the period of the licence in accordance with the State Government's sustainable timber management policy.

(iii) *Subsequent expenditure*

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(h) Investment properties

(i) *Recognition and measurement*

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Depreciation is charged to the income statements on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

(ii) *Reclassification to/from investment property*

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statements. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Investment properties *(Continued)*

(ii) *Reclassification to/from investment property* *(Continued)*

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(iii) *Determination of fair value*

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflects, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Company and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increase, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 7.

(i) Inventories

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

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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.

Cost of timber logs, work-in-progress and manufactured inventories include raw material costs, direct labour and a proportion of manufacturing overheads where applicable. Cost of raw materials, stores and consumables includes all direct and indirect expenditure incurred in bringing the inventories to their present location and condition. Completed showroom units are accounted for as finished goods inventory as it is mainly held for trading.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(k) Amount due from/(to) contract customers

Amount due from/(to) contract customers represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from contract customers. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to contract customers.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(m) Impairment of assets

The carrying amount of assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.

(n) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

(o) Employee benefits

Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(q) Contingent liabilities

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

(r) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue

(i) *Goods sold*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) *Services rendered*

Revenue from services rendered is recognised in the income statements as and when the services are performed or rendered and on an accrual basis.

(iii) *Dividend income*

Dividend income is recognised in income statement on the date that the Group or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) *Rental income*

Rental income from investment property is recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(v) *Construction contracts*

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable that it will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(t) Interest income and borrowing costs

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

All interests and other costs incurred in connection with borrowings, other than that incurred in relation to the development of forest assets, are recognised in the income statements using the effective interest method, in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Interest income and borrowing costs *(Continued)*

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

(u) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(v) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(w) Operating segments

In the previous year, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which was subjected to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings	Roads, bridges and fences	Machinery, furniture, equipment, river crafts and wharfs	Motor vehicles	Construction work-in-progress	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Cost							
At 1 July 2008	1,515	288,846	218,625	1,189,816	35,551	—	1,734,353
Additions	—	3,375	16,043	29,141	717	23,944	73,220
Transfer from investment properties	—	2,410	—	—	—	—	2,410
Disposals	—	—	—	(7,053)	(3,854)	—	(10,907)
Write off	—	(64)	—	(92)	—	—	(156)
Exchange differences	—	—	(3,808)	(866)	—	—	(4,674)
At 30 June 2009/1 July 2009	1,515	294,567	230,860	1,210,946	32,414	23,944	1,794,246
Additions	—	331	11,461	43,077	510	12,687	68,066
Disposals	—	—	—	(14,716)	—	—	(14,716)
Write off	—	(210)	—	(973)	—	—	(1,183)
Reclassification	—	65	—	(1,769)	1,704	—	—
Exchange differences	—	—	(646)	(100)	—	—	(746)
At 30 June 2010	1,515	294,753	241,675	1,236,465	34,628	36,631	1,845,667
Accumulated depreciation							
At 1 July 2008	—	79,710	114,156	815,300	29,124	—	1,038,290
Depreciation for the year	—	7,829	15,233	67,986	2,529	—	93,577
Impairment loss	—	120	—	—	—	—	120
Transfer from investment properties	—	982	—	—	—	—	982
Disposals	—	—	—	(1,752)	(3,553)	—	(5,305)
Write off	—	(3)	—	(53)	—	—	(56)
Exchange differences	—	—	(413)	(389)	—	—	(802)
Accumulated depreciation	—	88,518	128,976	881,092	28,100	—	1,126,686
Accumulated impairment loss	—	120	—	—	—	—	120

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group	Freehold land	Buildings	Roads, bridges and fences	Machinery, furniture, equipment, river crafts and wharfs	Motor vehicles	Construction work-in-progress	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
At 30 June 2009/1 July 2009	—	88,638	128,976	881,092	28,100	—	1,126,806
Depreciation for the year	—	7,707	16,371	62,901	1,956	—	88,935
Disposals	—	—	—	(10,395)	—	—	(10,395)
Write off	—	(84)	—	(942)	—	—	(1,026)
Reclassification	—	—	—	(1,533)	1,533	—	—
Exchange differences	—	—	(441)	(106)	—	—	(547)
Accumulated depreciation	—	96,141	144,906	931,017	31,589	—	1,203,653
Accumulated impairment loss	—	120	—	—	—	—	120
At 30 June 2010	—	96,261	144,906	931,017	31,589	—	1,203,773
Carrying amounts							
At 1 July 2008	1,515	209,136	104,469	374,516	6,427	—	696,063
At 30 June 2009/1 July 2009	1,515	205,929	101,884	329,854	4,314	23,944	667,440
At 30 June 2010	1,515	198,492	96,769	305,448	3,039	36,631	641,894

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company	Furniture and equipment	Motor vehicles	Total
	RM'000	*RM'000*	*RM'000*
Cost			
At 1 July 2008	804	495	1,299
Additions	5	—	5
At 30 June 2009/1 July 2009	809	495	1,304
Additions	8	—	8
At 30 June 2010	817	495	1,312
Accumulated depreciation			
At 1 July 2008	781	330	1,111
Depreciation for the year	11	99	110
At 30 June 2009/1 July 2009	792	429	1,221
Depreciation for the year	10	66	76
At 30 June 2010	802	495	1,297
Carrying amounts			
At 1 July 2008	23	165	188
At 30 June 2009/1 July 2009	17	66	83
At 30 June 2010	15	—	15

Depreciation charge for the year is allocated as follows:

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Income statement	*19*	88,211	92,689	76	110
Forest assets	*4*	724	888	—	—
		88,935	93,577	76	110

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Security

Certain freehold land, building and machinery of the Group with a total net book value of RM6,850,000 (2009: RM7,698,000) are charged to banks as security for borrowings. The Group is in the midst of applying for the release of certain assets of the abovementioned charge as the related borrowings have been fully settled.

Leased plant and machinery and motor vehicles

At 30 June 2010, the net carrying amounts of leased plant and machinery and motor vehicles of the Group were RM90,775,000 and RM898,000 (2009: RM109,376,000 and RM1,626,000) respectively.

Impairment loss

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may no longer be recoverable. The land and buildings are usually appraised independently. The Group has secured the services of an independent firm of surveyors, HASB Consultants Sdn. Bhd., a registered Valuers and Estate Agents with Board of Valuers Appraisers and Estate Agents Malaysia to appraise the value of the land and buildings.

The values derived for land are based on the comparative method of valuation and values derived for buildings are based on the combination of the comparative method and cost method of valuation methodologies.

The comparative method entails critical analysis of the characteristics, benefits and restrictions of recent transacted prices of comparable land or building and making judicious adjustments for all relevant factors to arrive at the fair value for the subject properties.

The value of buildings and other improvements is determined by the gross current replacement cost of the buildings and other improvements from which appropriate deductions are made for age, condition, economic or functional obsolescence, environmental and other relevant factors to arrive at the depreciated replacement cost of the buildings and other improvements.

The significant assumptions to derive the value of the land are the comparative land sales transactions of neighbouring properties as well as compensation claims from the State Government and stamp duty valuations. The transacted prices of neighbouring properties may differ from the value of the land, due to the actual location and usage of the land. Compensation claims by the State Government and stamp duty valuations may also differ due to the actual location of the properties.

Under the cost method, factors such as age, condition, economic or functional obsolescence as well as environmental factors are amongst the most critical factors to arrive at the depreciated replacement cost of the buildings and other improvements, which reflect the fair value of the buildings.

The management has, based on the valuation report issued by the independent valuer, accepted the fair valuations and conclude that no additional impairment is required for the current financial year. However, any changes in the significant assumptions concerning the general market conditions, development in the locations or any other changes in the critical factors of which the properties are based may require changes in the analysis. This could result in significant changes in asset value and may lead to additional impairment in the future.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4. FOREST ASSETS

Group	*Note*	Forest land *RM'000*	Forest crops *RM'000*	Total 2010 *RM'000*	2009 *RM'000*
At 1 July		69,622	1,016,530	1,086,152	1,210,691
Additions		—	12,866	12,866	12,331
Depletion	*19*	—	(50,692)	(50,692)	(32,040)
Disposal		—	—	—	(137)
Exchange differences		(819)	(9,837)	(10,656)	(104,693)
At 30 June		68,803	968,867	1,037,670	1,086,152

Included in additions to forest assets is depreciation of property, plant and equipment of RM724,000 (2009: RM888,000) (Note 3) and staff costs of RM3,853,000 (2009: RM3,401,000).

The forest assets are charged to banks as security for borrowings (Note 17).

For the purpose of impairment testing, the recoverable amount is based on its value in use and was determined with the assistance of an independent valuer. Value in use was determined by discounting the future pre-tax cash flows generated from the continuing use of the forest assets and has been prepared based on the following key assumptions:

- Harvest levels are based on maintaining a minimum clearfell age of 27 years;
- Log prices are calculated using current market prices for two years and forecasted long term prices thereafter;
- Logging costs are calculated using actual average costs incurred and regional industry average;
- Transport as well as harvesting and marketing indirect costs are calculated using actual average costs incurred;
- Forest management costs are based on the actual costs incurred;
- Indirect costs are based on the actual costs incurred; and
- Discount rate of 6.18%.

The values assigned to the key assumptions represent management's assessment of future trends in the forest plantation in New Zealand and are based on both external and internal sources (historical data). Any changes in the market conditions or to subsequent decisions on the harvesting levels may have a material impact on the assets values and impairment in the future as the future cash flow may differ from these estimates.

As the valuation determined is higher than the carrying amount of the forest assets, no impairment loss is required.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

5. TIMBER CONCESSION

		Group	
		2010	2009
	Note	*RM'000*	*RM'000*
Cost			
At 1 July/30 June		89,999	89,999
Accumulated amortisation			
At 1 July		52,935	46,400
Amortisation charge for the year	*19*	6,535	6,535
At 30 June		59,470	52,935
Carrying amount at 30 June		30,529	37,064

6. PREPAID LEASE PAYMENTS

Group	Unexpired period less than 50 years	Unexpired period more than 50 years	Total
	RM'000	*RM'000*	*RM'000*
Cost			
At 1 July 2008	58,451	6,749	65,200
Purchase price adjustment	—	(2,244)	(2,244)
Reclassification	(3,646)	3,646	—
At 30 June 2009/1 July 2009/30 June 2010	54,805	8,151	62,956
Accumulated amortisation			
At 1 July 2008	12,628	768	13,396
Amortisation for the year	1,053	175	1,228
Reclassification	(1,089)	1,089	—
At 30 June 2009/1 July 2009	12,592	2,032	14,624
Amortisation for the year	1,106	175	1,281
At 30 June 2010	13,698	2,207	15,905
Carrying amounts			
At 1 July 2008	45,823	5,981	51,804
At 30 June 2009/1 July 2009	42,213	6,119	48,332
At 30 June 2010	41,107	5,944	47,051

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. INVESTMENT PROPERTIES

Group	Freehold land *RM'000*	Buildings *RM'000*	Total *RM'000*
Cost			
At 1 July 2008	9,801	27,812	37,613
Write off	—	(7,934)	(7,934)
Reclassification	(750)	750	—
Transfer to property, plant and equipment	—	(2,410)	(2,410)
At 30 June 2009/1 July 2009/30 June 2010	9,051	18,218	27,269
Accumulated depreciation			
At 1 July 2008	—	10,953	10,953
Depreciation for the year	—	444	444
Write off	—	(2,762)	(2,762)
Transfer to property, plant and equipment	—	(982)	(982)
At 30 June 2009/1 July 2009	—	7,653	7,653
Depreciation for the year	—	289	289
At 30 June 2010	—	7,942	7,942
Carrying amounts			
At 1 July 2008	9,801	16,859	26,660
At 30 June 2009/1 July 2009	9,051	10,565	19,616
At 30 June 2010	9,051	10,276	19,327
Fair value			
At 1 July 2008	35,060	15,626	50,686
At 30 June 2009/1 July 2009	35,060	14,608	49,668
At 30 June 2010	39,442	17,150	56,592

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. INVESTMENT PROPERTIES *(Continued)*

Company	Building
	RM'000
Cost	
At 1 July 2008/30 June 2009/1 July 2009/30 June 2010	2,392
Accumulated depreciation	
At 1 July 2008	473
Depreciation for the year	47
At 30 June 2009/1 July 2009	520
Depreciation for the year	47
At 30 June 2010	567
Carrying amounts	
At 1 July 2008	1,919
At 30 June 2009/1 July 2009	1,872
At 30 June 2010	1,825
Fair value	
At 1 July 2008	2,643
At 30 June 2009/1 July 2009	3,575
At 30 June 2010	3,637

Fair value of investment properties are determined based on valuation reports prepared by an independent firm of surveyors, HASB Consultants Sdn. Bhd., a registered Valuers & Estate Agents with Board of Valuers, Appraisers and Estate Agents Malaysia.

The values derived are based on a combination of the comparative method and the cost method of valuation methodologies. The comparative method entails critical analysis of the characteristics, benefits and restrictions of recent transacted prices of comparable properties and making judicious adjustments for all relevant factors to arrive at the fair value for the subject properties. The cost method is the aggregate amount of the value of the land and the depreciated replacement cost of the buildings and other improvements.

The value of the land is arrived at by comparison with transacted prices of comparable lands. The value of buildings and other improvements is determined by the gross current replacement cost of the buildings and other improvements from which appropriate deductions are made for age, condition, economic or functional obsolescence, environmental and other relevant factors to arrive at the depreciated replacement cost of the buildings and other improvements.

The significant assumptions to derive the value of the land are the comparative land sales transactions of neighbouring properties as well as compensation claims from the State Government and stamp duty valuations. The transacted prices of neighbouring properties may differ from the value of the land, due to the actual location and usage of the land. Compensation claims from the State Government and stamp duty valuations may also differ due to the actual location of the properties.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. INVESTMENT PROPERTIES *(Continued)*

Under the cost method, factors such as age, condition, economic or functional obsolescence as well as environmental factors are amongst the most critical factors to arrive at the depreciated replacement cost of the buildings and other improvements, which reflect the fair value of the buildings.

The management has, based on the valuation report issued by the independent valuer accepted the fair valuations. However, any changes in the significant assumptions concerning the general market conditions, development in the locations or any other changes in the critical factors of which the properties are based may require changes in the analysis. This could result in significant changes in asset value in the future.

The following are recognised in the income statements in respect of investment properties:

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Rental income	1,215	1,280	165	165
Direct operating expenses:				
— income generating investment properties	406	705	41	41

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	**2009**
	RM'000	*RM'000*
At cost:		
Unquoted shares at 1 July	775,935	775,935
Add: Subscription of shares	39,000	—
Less: Accumulated impairment loss	(1,600)	(1,600)
	813,335	774,335

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

8. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The principal activities of the companies in the Group, their places of incorporation and the interest of Lingui Developments Berhad are as follows:

Name of company	Principal activities	Country of incorporation	Issued and paid up ordinary share capital	Effective ownership interest 2010	2009
			RM	*%*	*%*
Samling Plywood (Baramas) Sdn. Bhd.	Manufacture and sale of plywood and veneer, extraction and sale of timber logs	Malaysia	20,250,000	100	100
Samling Plywood (Lawas) Sdn. Bhd.	Extraction and sale of timber logs	Malaysia	3	100	100
TreeOne (Malaysia) Sdn. Bhd.	Investment holding	Malaysia	1,000,000	100	100
Samling Plywood (Bintulu) Sdn. Bhd.	Manufacture and sale of plywood and veneer, extraction and sale of timber logs	Malaysia	25,000,000	100	100
Tamex Timber Sdn. Bhd.	Contractor for timber extraction	Malaysia	1,001,000	100	100
Samling Power Sdn. Bhd.	Operation of power generating facilities	Malaysia	2,000,000	100	100
Ang Cheng Ho Quarry Sdn. Bhd.	Quarry licensee and operator	Malaysia	6,600,000	100	100
Stigang Resources Sdn. Bhd.	Quarry licensee and operator	Malaysia	6,121,530	100	100
Alpenview Sdn. Bhd.	Investment holding	Malaysia	1,000,000	100	100
Lingui Corporation Sdn. Bhd.	Provision of management services	Malaysia	2	100	100
Hock Lee Plantations Sdn. Bhd.	Investment holding	Malaysia	7,262,400	100	100
TreeOne Logistic Services Sdn. Bhd.	Provision of logistic	Malaysia	300,000	97	97
Grand Paragon Sdn. Bhd.	Investment holding	Malaysia	2,000,000	100	100

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

8. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Principal activities	Country of incorporation	Issued and paid up ordinary share capital	Effective ownership interest 2010	2009
			RM	*%*	*%*
Samling Plywood (Miri) Sdn. Bhd.	Manufacture and sale of plywood, extraction and sale of timber logs	Malaysia	40,000,000	100	100
AinoKitchen (Malaysia) Sdn. Bhd.	Kitchen retail, tendering of kitchen products in housing development projects	Malaysia	10,000,000	100	100
Subsidiaries of Tamex Timber Sdn. Bhd.					
Tinjar Transport Sdn. Bhd.	Riverine transportation services	Malaysia	2,476,000	100	100
Miri Parts Trading Sdn. Bhd.	Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services	Malaysia	200,000	100	100
Subsidiary of Ang Cheng Ho Quarry Sdn. Bhd.					
Bukit Pareh Quarry Sdn. Bhd.	Dormant	Malaysia	3	100	100
Subsidiary of TreeOne (Malaysia) Sdn. Bhd.					
TreeOne (NZ) Limited*	Investment holding	New Zealand	10,000	100	100
Subsidiary of TreeOne (NZ) Limited					
Hikurangi Forest Farms Limited*	Forest plantation	New Zealand	1,200,000	100	100
Subsidiaries of Hikurangi Forest Farms Limited					
East Coast Forests Limited*	Non-trading	New Zealand	2,000	100	100
Tasman Forestry (Gisborne) Limited*	Non-trading	New Zealand	42,500,000	100	100

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

8. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Principal activities	Country of incorporation	Issued and paid up ordinary share capital	Effective ownership interest 2010	2009
			RM	*%*	*%*
Subsidiaries of Hock Lee Plantations Sdn. Bhd.					
Hock Lee Rubber Products Sdn. Bhd.	Manufacture and sale of rubber retread compounds	Malaysia	13,000,000	100	100
Hock Lee Enterprises (M) Sdn. Bhd.	Property investment and letting of industrial properties	Malaysia	13,700,000	100	100

* *Audited by a member firm of KPMG International*

All the subsidiaries are consolidated using the acquisition method of accounting except for Samling Plywood (Bintulu) Sdn. Bhd. and Tamex Timber Sdn. Bhd. which are consolidated using the pooling-of-interests of accounting.

9. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

	Group 2010	2009	Company 2010	2009
	RM'000	*RM'000*	*RM'000*	*RM'000*
At cost				
Quoted shares	102,248	102,248	—	—
Unquoted shares at 1 July	84,656	84,258	62,550	62,550
Subscription of shares	113	398	—	—
Impairment losses	(200)	—	—	—
At 30 June	84,569	84,656	62,550	62,550
	186,817	186,904	62,550	62,550
Share of post acquisition results	76,889	63,364	—	—
	263,706	250,268	62,550	62,550
Market value of quoted shares	183,229	152,899		

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

9. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

The investments in unquoted shares of associates and jointly-controlled entities at cost comprise the following:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Ordinary shares	60,624	60,711	38,605	38,605
RPS 'Class A'	12,150	12,150	12,150	12,150
RPS 'Class B1'	11,795	11,795	11,795	11,795
	84,569	84,656	62,550	62,550

Conditions of Redeemable Preference Shares ("RPS")

a. The holders of the RPS 'Class A' shall be entitled to dividends at a rate to be determined by the issuers' Directors. The holders of RPS 'Class B1' shall not be entitled to receive dividends.

b. The RPS holders shall, in winding up, be entitled to repayment in priority to ordinary shareholders.

c. The holders of the RPS 'Class A' may redeem all or any of the RPS at the nominal value of the shares held or together with any premium which may be determined by the issuers' Directors at the time of redemption. The holders of RPS 'Class B1' may redeem all or any of the RPS at the redemption price, which is the amount paid-up on that RPS.

The associates and jointly-controlled entities of the Group are as follows:

	Country of incorporation	Effective equity interest 2010 %	2009 %	Principal activities
Associates				
Glenealy Plantations (Malaya) Berhad	Malaysia	36.42	36.42	Investment holding, operation of oil palm plantations, oil mills and forest plantations
Samling DorFoHom Sdn. Bhd.*	Malaysia	35.00	35.00	Investment holding and sale of wood residual
Daiken Miri Sdn. Bhd.	Malaysia	30.00	30.00	Manufacture and sale of high and medium-density fibreboard
Sepangar Chemical Industry Sdn. Bhd.*	Malaysia	47.50	47.50	Manufacture and sale of formalin and various types of formaldehyde adhesive resins

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

9. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES *(Continued)*

	Country of incorporation	Effective equity interest 2010 %	2009 %	Principal activities
Jointly-controlled entities				
Foremost Crest Sdn. Bhd.	Malaysia	50.00	50.00	Manufacture and sale of doors units
Aino Tech Middle East FZCO	United Arab Emirates	40.00	40.00	Sales and distribution of kitchen products
Eastland Debarking Limited	New Zealand	50.00	—	Log debarking services

* *Held by the Company*

Summary of financial information on associates and jointly-controlled entities:

	Revenue (100%) *RM'000*	Profit/(Loss) (100%) *RM'000*	Total assets (100%) *RM'000*	Total liabilities (100%) *RM'000*
2010	711,799	49,632	1,343,616	364,933
2009	678,691	(1,422)	1,354,851	418,393

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2010 *RM'000*	Assets 2009 *RM'000*	Liabilities 2010 *RM'000*	Liabilities 2009 *RM'000*	Net 2010 *RM'000*	Net 2009 *RM'000*
Property, plant and equipment	(188)	(193)	66,386	67,409	66,198	67,216
Forest assets	—	—	193,607	207,826	193,607	207,826
Timber concession	—	—	7,596	9,183	7,596	9,183
Unabsorbed capital allowances	(43,669)	(39,736)	—	—	(43,669)	(39,736)
Unutilised tax losses	(125)	(967)	—	—	(125)	(967)
Provisions	(7)	(7)	—	—	(7)	(7)
Tax (assets)/liabilities	(43,989)	(40,903)	267,589	284,418	223,600	243,515
Set off	43,794	40,703	(43,794)	(40,703)	—	—
Net tax (assets)/liabilities	(195)	(200)	223,795	243,715	223,600	243,515

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

10. DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

Recognised deferred tax assets and liabilities *(Continued)*

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

Unrecognised deferred tax assets

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

	Group 2010	Group 2009
	RM'000	*RM'000*
Deductible temporary differences	(1,036)	(1,052)
Unabsorbed capital allowances	(91,416)	(70,361)
Unutilised tax losses	(337,472)	(325,165)
	(429,924)	(396,578)
Effect of foreign exchange on unutilised tax losses of a foreign subsidiary	(22,122)	(25,832)
	(452,046)	(422,410)

Movement in temporary differences during the year are as follows:

	At 1 July 2008	Charged/ (Credited) to Income Statement *(Note 22)*	Exchange differences	At 30 June 2009	(Credited) Charged/ to Income Statement *(Note 22)*	Exchange differences	At 30 June 2010
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Group							
Property, plant and equipment	53,903	13,313	—	67,216	(1,018)	—	66,198
Forest assets	228,623	—	(20,797)	207,826	(11,500)	(2,719)	193,607
Timber concession	10,770	(1,587)	—	9,183	(1,587)	—	7,596
Unabsorbed capital allowances	(27,152)	(12,584)	—	(39,736)	(3,933)	—	(43,669)
Unutilised tax losses	(1,622)	655	—	(967)	842	—	(125)
Provisions	(7)	—	—	(7)	—	—	(7)
	264,515	(203)	(20,797)	243,515	(17,196)	(2,719)	223,600

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Non-current					
Non-trade					
Subsidiaries	*a*	—	—	460,844	528,970
Current					
Trade					
Trade receivables	*b*	95,051	86,492	—	—
Less: Allowance for doubtful debts		(24,636)	(24,655)	—	—
		70,415	61,837	—	—
Amount due from contract customers	*c*	880	—	—	—
Amount due from related companies	*d*	244,840	295,701	—	—
		316,135	357,538	—	—
Non-trade					
Other receivables		9,559	5,696	560	525
Deposits	*e*	4,195	1,457	246	207
Prepayments		8,052	6,138	349	349
Amount due from related companies		6,901	14,800	195	165
Amount due from penultimate holding company	*f*	1,041	2,379	—	—
		29,748	30,470	1,350	1,246
		345,883	388,008	1,350	1,246

Note a

The amount due from subsidiaries comprise advances which are unsecured, interest free except for advances amounting to RM287,963,000 (2009: RM291,412,000) which bear interest at rates ranging from 2.13% to 2.59% (2009: 2.09% to 3.61%) and are not expected to be receivable within the next twelve months.

Note b

Trade receivables denominated in currencies other than Ringgit Malaysia comprise of the following:

	2010	**2009**
	RM'000	*RM'000*
US Dollar ("USD")	34,726	28,004
Japanese Yen ("JPY")	2,928	2,016
New Zealand Dollar ("NZD")	2,961	2,110
	40,615	32,130

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Included in trade receivables are amount due from related parties amounting to RM1,206,000 (2009: RM7,467,000) and amount due from associates amounting to RM1,684,000 (2009: RM4,203,000). The trade receivables due from related parties and associates are subject to the normal trade terms.

Note c

		Group
		2010
	Note	*RM*
Construction contract costs incurred to date		4,387
Add: Attributable profits		1,701
		6,088
Less: Progress billings		(5,330)
		758
Amount due from contract customers		880
Amount due to contract customers	*16*	(122)
		758

Note d

The trade receivables due from related companies are subject to the normal trade terms.

Note e

Deposit includes a deposit sum of USD700,000 (equivalent to RM2,240,000) for a time-sharing agreement for usage of an aircraft for the period of five (5) years.

Note f

Amount due from penultimate holding company include advances which are unsecured, interest free and repayable on demand.

12. INVENTORIES

	Group	
	2010	2009
	RM'000	*RM'000*
Timber logs	48,086	54,739
Raw materials	1,110	933
Work-in-progress	26,956	30,554
Manufactured inventories	41,511	38,994
Stores and consumables	78,025	74,964
	195,688	200,184

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

12. INVENTORIES *(Continued)*

The write down of inventories to net realisable value amounted to RM2,905,000 (2009: RM4,974,000) and is included in cost of sales.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	2010	2009
	RM'000	*RM'000*	*RM'000*	*RM'000*
Deposits with licensed banks	24,251	104,767	—	68,000
Cash and bank balances	44,766	26,229	68	57
	69,017	130,996	68	68,057

Deposits with licensed banks of the Group amounting to RM23,875,000 (2009: RM36,398,000) have been pledged as security for bank borrowings (Note 17). In the previous year, deposits with licensed bank of the Group and the Company amounting to RM68,000,000 had been pledged to a bank for the early settlement of certain banking facilities.

14. SHARE CAPITAL GROUP AND COMPANY

	Group and Company			
	2010		2009	
	Amount	Number of shares	Amount	Number of shares
	RM'000	*'000*	*RM'000*	*'000*
Ordinary shares of RM0.50 each				
Authorised	500,000	1,000,000	500,000	1,000,000
Issued and fully paid				
As at 1 July/30 June	329,815	659,630	329,815	659,630

15. RESERVES

	Group		Company	
	2010	2009	2010	2009
	RM'000	*RM'000*	*RM'000*	*RM'000*
Non-distributable				
Share premium	130,089	130,089	130,089	130,089
Translation reserve	152,674	161,756	—	—
Fair value reserve	64,535	64,535	—	—
	347,298	356,380	130,089	130,089
Distributable				
Retained profits	855,919	837,423	356,446	354,766
	1,203,217	1,193,803	486,535	484,855

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

15. RESERVES *(Continued)*

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of Group entities with functional currency other than RM.

Fair value reserve

This is the Group share of the write up to fair values of the net assets of a subsidiary sold to an associate as well as the net assets of two subsidiaries acquired from an associate attributable to the Group's interest in the associate.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income to frank and distribute approximately RM181,965,000 (2009: RM186,685,000) of its distributable reserves at 30 June 2010 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2007. As such, the remaining Section 108 tax credit as at 30 June 2010 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

16. PAYABLES AND ACCRUALS

		Group		Company	
		2010	2009	2010	2009
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Non-current					
Non-trade					
Subsidiaries	*a*	—	—	250,609	261,121
Current					
Trade					
Trade payables	*b*	151,849	135,856	—	—
Amount due to contract customers	*11*	122	—	—	—
Amount due to related companies	*c*	47,259	49,762	—	—
		199,230	185,618	—	—
Non-trade					
Other payables		23,243	19,811	168	157
Accrued expenses		50,523	47,805	2,012	2,946
Amount due to associates	*d*	2,801	33,750	—	31,997
		275,797	286,984	2,180	35,100

Note a

The amount due to subsidiaries comprises advances which are unsecured, interest free and are not expected to be repayable within the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

16. PAYABLES AND ACCRUALS *(Continued)*

Note b

Trade payables denominated in currencies other than Ringgit Malaysia comprise of the following:

	2010 *RM'000*	2009 *RM'000*
US Dollar ("USD")	1,288	—
Japanese Yen ("JPY")	1,384	—
New Zealand Dollar ("NZD")	4,242	7,357
	6,914	7,357

Included in trade payables are amount due to related parties amounting to RM540,000 (2009 -RM596,000). The trade balances due to related parties are subject to the normal trade terms.

Note c

The amount due to related companies is subject to the normal trade terms.

Note d

The amount due to associates include advances amounting to nil (2009 -RM31,997,000) which are unsecured, interest free and repayable on demand.

17. BORROWINGS

		Group		Company	
		2010 *RM'000*	2009 *RM'000*	2010 *RM'000*	2009 *RM'000*
Non-current					
Term loans	— secured	207,339	270,529	—	—
	— unsecured	241,153	283,388	219,922	253,923
Finance lease liabilities	— secured	31,182	40,961	—	—
		479,674	594,878	219,922	253,923
Current					
Overdrafts	— unsecured	25,770	41,426	13,617	17,147
Bankers' acceptances	— unsecured	25,619	25,765	—	—
Revolving credit	— unsecured	75,500	62,000	47,500	30,000
Term loans	— secured	—	4,743	—	—
	— unsecured	7,985	42,498	—	33,710
Finance lease liabilities	— secured	24,554	33,423	—	—
		159,428	209,855	61,117	80,857
		639,102	804,733	281,039	334,780

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17. BORROWINGS *(Continued)*

Bank overdrafts bear interest at 6.55% to 7.55% (2009: 6.55% to 8.25%) per annum. Bankers' acceptances are discounted at 2.23% to 3.94% (2009: 2.10% to 5.00%) per annum. Revolving credit bears interest at 3.03% to 4.85% (2009: 2.98% to 6.05%) per annum. Finance lease liabilities bear fixed interest rates ranging from 2.78% to 4.15% (2009: 2.78% to 4.15%) per annum.

The details of the outstanding secured term loans of the Group as at 30 June 2010 are as follows:

Outstanding balances at 30 June 2010	**Repayment terms**	**Securities**	**Interest**
USD46.4 million and NZD25.1 million equivalent to RM150.6 million and RM56.7 million (2009: USD46.8 million and NZD30.5 million equivalent to RM164.8 million and RM69.7 million respectively, and accrued interest of NZD17.8 million equivalent to RM40.7 million)	Fixed instalments on 31 December 2013, 30 June 2014 and a bullet repayment of NZD24.1 million and USD43.7 million respectively on 31 December 2014 (2009: Fixed semi annual instalments commencing 30 June 2010 and a bullet repayment of NZD24.0 million and USD43.0 million respectively on 31 December 2014)	Mortgage over all interests in forest crop and land of the subsidiary and a fixed and floating charge over all assets of the subsidiary and its subsidiaries as well as all ordinary shares of the subsidiary (Note 4)	USD LIBOR +2.75% and Bill rate NZD +2.75% (2009: USD LIBOR + (1.35%–1.55%) and Bill rate NZD + (1.35%–1.55%)) per annum

The repayment terms of the secured term loans has been restructured during the year.

Significant covenants for the secured term loans of a subsidiary are as follows:

(i) Interest coverage ratio of that subsidiary shall not less than 1.5 times at 30 June and 31 December in each year.

(ii) Loan to value ratio of that subsidiary shall not exceed 45% in 2010 and 2011, and 40% thereafter.

The details of the outstanding unsecured term loans of the Group and of the Company as at 30 June 2010 are as follows:

Group

Outstanding balance at 30 June 2010	**Repayment terms**	**Interest**
RM249.1 million (2009: RM325.8 million)	Fixed instalments with maturity ranging between 2013 to 2016	2.25% to 7.30% (2009: 3.35% to 8.00%) per annum

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17. BORROWINGS *(Continued)*

Company

Outstanding balance at 30 June 2010	Repayment terms	Interest
RM219.9 million (2009: RM287.6 million)	Fixed instalments with maturity ranging between 2013 to 2014	3.35% to 6.75% (2009: 3.35% to 6.75%) per annum

Significant covenants for the unsecured term loans of the Group and of the Company are as follows:

(i) Gearing ratio of the Group shall not exceed 0.9 times during each of the financial years ending on 30 June; and

(ii) Interest coverage ratio of the Group shall equal or exceed 1.5 times at all times.

There is no significant covenant for the unsecured term loans of the subsidiaries.

Debt repayment schedule

2010		Total	Under 1 year	1–2 years	2–5 years	More than 5 years
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Group						
Overdrafts	— unsecured	25,770	25,770	—	—	—
Bankers' acceptances	— unsecured	25,619	25,619	—	—	—
Revolving credit	— unsecured	75,500	75,500	—	—	—
Term loans	— unsecured	249,138	7,985	58,422	182,731	—
	— secured	207,339	—	—	207,339	—
Finance lease liabilities	— secured	55,736	24,554	23,373	7,809	—
		639,102	159,428	81,795	397,879	—
Company						
Overdrafts	— unsecured	13,617	13,617	—	—	—
Revolving credit	— unsecured	47,500	47,500	—	—	—
Term loans	— unsecured	219,922	—	50,437	169,485	—
		281,039	61,117	50,437	169,485	—

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17. BORROWINGS *(Continued)*

2009		Total	Under 1 year	1–2 years	2–5 years	More than 5 years
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Group						
Overdrafts	— unsecured	41,426	41,426	—	—	—
Bankers' acceptances	— unsecured	25,765	25,765	—	—	—
Revolving credit	— unsecured	62,000	62,000	—	—	—
Term loans	— unsecured	325,886	42,498	41,999	162,397	78,992
	— secured	275,272	4,743	20,417	44,725	205,387
Finance lease liabilities	— secured	74,384	33,423	22,752	18,209	—
		804,733	209,855	85,168	225,331	284,379
Company						
Overdrafts	— unsecured	17,147	17,147	—	—	—
Revolving credit	— unsecured	30,000	30,000	—	—	—
Term loans	— unsecured	287,633	33,710	33,708	142,291	77,924
		334,780	80,857	33,708	142,291	77,924

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Gross 2010	Interest 2010	Principal 2010	Gross 2009	Interest 2009	Principal 2009
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Less than one year	27,085	2,531	24,554	36,906	3,483	33,423
Between one and five years	33,209	2,027	31,182	43,287	2,326	40,961
	60,294	4,558	55,736	80,193	5,809	74,384

18. REVENUE

	Group		Company	
	2010	2009	2010	2009
	RM'000	*RM'000*	*RM'000*	*RM'000*
Revenue				
— sale of goods	1,077,508	944,605	—	—
— trading and services	364,304	347,968	359	359
— gross dividend income	—	—	22,901	21,228
— rental income from investment properties	165	219	165	165
	1,441,977	1,292,792	23,425	21,752

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

19. RESULTS FROM OPERATING ACTIVITIES

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Results from operating activities is arrived at after crediting:					
Gain on disposal of property, plant and equipment		2,392	729	—	—
Gross dividend income from subsidiaries		—	—	21,000	21,000
Gross dividend income from unquoted shares		—	—	1,901	228
Rental income					
— equipment		674	240	—	—
— properties	*7*	1,215	1,280	165	165
— others		619	553	—	—
Reversal of doubtful debts					
— trade and other receivables		421	—	—	—
and after charging:					
Allowance for doubtful debts					
— trade and other receivables		327	4,076	—	—
Amortisation of timber concession	*5*	6,535	6,535	—	—
Amortisation of prepaid lease payments	*6*	1,281	1,228	—	—
Auditors' remuneration					
— audit fees		638	596	75	75
— other service fees		605	1,093	453	841
Bad debts written off		—	22	—	—
Depletion of forest crops	*4*	50,692	32,040	—	—
Depreciation of investment properties	*7*	289	444	47	47
Depreciation of property, plant and equipment	*3*	88,211	92,689	76	110
Property, plant and equipment written off		157	100	—	—
Impairment loss:					
— property, plant and equipment		—	120	—	—
— investment in jointly-controlled entity	*9*	200	—	—	—
Investment property written off		—	5,172	—	—
Personnel expenses (including key management personnel):					
— contributions to Employees Provident Fund		6,735	6,199	206	186
— wages, salaries and others		122,133	112,663	1,740	1,581
Rental charges					
— equipment		1,873	1,658	—	—
— premises		2,645	2,887	314	294
— logging roads, land and log pond		1,173	1,144	—	—

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Directors				
— fees	445	325	445	325
— remuneration	1,574	829	820	829
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	110	90	86	90
Total short-term employee benefits	2,129	1,244	1,351	1,244
Other key management personnel:				
— short-term employee benefits	2,717	3,540	517	528
	4,846	4,784	1,868	1,772

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

21. FINANCE COSTS

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Interest payable				
— term loans	31,370	38,282	14,202	18,002
— revolving credit	3,165	3,798	1,977	2,187
— overdrafts	927	1,659	310	534
— finance leases	3,303	5,353	—	—
— bankers' acceptances	603	723	—	—
— others	544	433	—	—
	39,912	50,248	16,489	20,723
Realised foreign exchange losses/(gains)	2,117	(5,899)	—	—
	42,029	44,349	16,489	20,723
Unrealised foreign exchange (gains)/losses	(11,770)	25,047	—	—
	30,259	69,396	16,489	20,723

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

22. TAXATION

	Group 2010	Group 2009	Company 2010	Company 2009
	RM'000	*RM'000*	*RM'000*	*RM'000*
Current tax expense				
Malaysian				
— current	12,304	8,809	2,207	1,641
— prior year	(3,493)	(79)	162	174
	8,811	8,730	2,369	1,815
Deferred tax expense				
Origination and reversal of temporary differences				
— current	(7,218)	(10,090)	—	—
— prior year	1,522	(2,443)	—	—
Reversal of deferred tax assets recognised in prior year	—	12,330	—	—
Effect of changes in tax rate				
— overseas*	(11,500)	—	—	—
	(17,196)	(203)	—	—
	(8,385)	8,527	2,369	1,815
Reconciliation of tax expense				
Profit/(Loss) before taxation	15,058	(75,725)	8,996	6,179
Tax at Malaysian tax rate of 25% (2009: 25%)	3,765	(18,931)	2,249	1,545
Non-deductible expenses	4,763	5,172	433	397
Double-deduction of expenses	(6,213)	(9,980)	—	—
Reversal of deferred tax assets recognised in prior year	—	12,330	—	—
Current year losses for which no deferred tax asset was recognised	3,077	18,882	—	—
Effect of changes in tax rate*	(11,500)	—	—	—
Other unrecognised temporary differences	5,358	4,007	—	—
Non-taxable income**	(5,111)	(57)	(475)	(57)
Utilisation of unrecognised deferred tax assets	(98)	—	—	—
Other items	(455)	(374)	—	(244)
	(6,414)	11,049	2,207	1,641
(Over)/Under provision of current tax in prior years	(3,493)	(79)	162	174
Under/(Over) provision of deferred tax in prior years	1,522	(2,443)	—	—
Tax (credit)/expense	(8,385)	8,527	2,369	1,815

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

22. TAXATION *(Continued)*

* 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 did not have assessable profits subject to New Zealand income tax during the years ended 2010 and 2009. In May 2010, the New Zealand Government announced a reduction in the income tax rate from 30% to 28% effective from year assessment 2011/2012. Consequently, deferred tax liability is measured using the revised rate of 28%.

** Non-taxable income mainly comprises share of profits of associates.

23. EARNINGS PER ORDINARY SHARE — GROUP

The calculation of basic earnings per share is based on the net profit attributable to shareholders of RM23,443,000 (2009: net loss: RM84,252,000) and the number of ordinary shares outstanding as at 30 June 2010 of 659,630,441 (2009: 659,630,441).

24. DIVIDEND

Dividends recognised in the current and prior years by the Company are:

	Sen per share (net of tax)	**Total amount** *RM'000*	**Date of payment**
2010			
Final 2009 ordinary	0.75	4,947	11 December 2009
Total amount		4,947	
2009			
Final 2008 ordinary	1.50	9,894	11 December 2008
Total amount		9,894	

After the balance sheet date, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share (net of tax)	**Total amount** *RM'000*
Final 2010 ordinary	0.75	4,947
Total amount		4,947

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

25. OPERATING SEGMENTS

The Group manages its business by divisions, which are organised by business line. On first time adoption of FRS 8, *Operating Segments* and in a manner consistent with the way in which information is reported internally to the chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following six reportable segments.

Logs	The sale of timber logs from concession and forest plantation area.
Plywood and veneer	The manufacture and sale of plywood and veneer.
Upstream support	The provision of supporting services such as tree-falling and barging.
Other timber operations	The manufacture and sale of timber related products such as doorskin and housing products.
Other operations	Other operations include the manufacture and sale of granite aggregates, rubber compound and glue, logistic services, power generating facilities, property investment and investment companies.
Plantation	Operation of oil palm plantations and oil mills derived from the Group's investment in an associate.

Segment results, assets and liabilities

In accordance with FRS 8, segment information disclosed in the financial report has been prepared in a manner consistent with the information used by the chief operating decision maker for the purposes of assessing segments performance and allocating resources between segments. In this regards, the chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible assets and current assets. Segment liabilities include provisions, trade payables, accruals and borrowings.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

25. OPERATING SEGMENTS *(Continued)*

Segment results, assets and liabilities *(Continued)*

Information regarding the Group's reportable segments as provided to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the financial year are set out below:

	Logs	Plywood and veneer	Upstream support	Other timber operations	Plantation	Other operations	Consolidated
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
2010							
Revenue from external customers	450,537	593,783	355,710	10,384	—	31,563	1,441,977
Inter-segment revenue	60,248	51,943	255,427	—	—	8,472	376,090
Reportable segment revenue	510,785	645,726	611,137	10,384	—	40,035	1,818,067
Reportable segment profit/(loss)	44,649	(19,172)	939	(3,329)	—	3,356	26,443
Reportable segment assets	1,224,020	704,222	359,160	78,444	168,618	140,870	2,675,334
Reportable segment liabilities	425,099	177,807	221,518	4,149	—	313,729	1,142,302
2009							
Revenue from external customers	331,189	588,369	339,463	3,106	—	30,665	1,292,792
Inter-segment revenue	81,711	38,753	194,644	—	—	8,319	323,427
Reportable segment revenue	412,900	627,122	534,107	3,106	—	38,984	1,616,219
Reportable segment profit/(loss)	45,932	(31,101)	(13,588)	(4,442)	—	(4,228)	(7,427)
Reportable segment assets	1,298,185	720,171	418,276	70,507	160,895	194,039	2,862,073
Reportable segment liabilities	516,652	186,688	224,931	3,859	—	406,325	1,338,455

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

25. OPERATING SEGMENTS *(Continued)*

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

	2010	**2009**
	RM'000	*RM'000*
Revenue		
Reportable segment revenue	1,818,067	1,616,219
Elimination of inter-segment revenue	(376,090)	(323,427)
Consolidated turnover	1,441,977	1,292,792
Profit/(Loss)		
Reportable segment profit/(loss)	26,443	(7,427)
Share of profits after tax and minority interest of equity accounted associates	18,542	876
Net financing costs	(29,927)	(69,174)
Consolidated profit/(loss) before taxation	15,058	(75,725)
Assets		
Reportable segment assets	2,675,334	2,862,073
Liabilities		
Reportable segment liabilities	1,142,302	1,338,455

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. COMMITMENTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Capital commitments:				
Property, plant and equipment				
Authorised but not contracted for	43,107	46,907	169	166
Contracted but not provided for	9,618	4,993	—	—
Investment property				
Contracted but not provided for	4,934	13,973	—	—

27. CONTINGENT LIABILITY

One of the Company's wholly owned subsidiary, Samling Plywood Lawas Sdn. Bhd. has been served with the following two (2) writs of summons on 15 December 2009:

(a) Samling Plywood Lawas Sdn. Bhd. together with the Director of Forests, Sarawak 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 forest timber licence by the Director of Forests, Sarawak to Samling Plywood Lawas Sdn. Bhd. which overlap Plaintiff A's claimed areas are unlawful, unconstitutional, null and void.

(b) Samling Plywood Lawas Sdn. Bhd. together with the Director of Forests, Sarawak 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 forest timber licence by the Director of Forests, Sarawak to Samling Plywood Lawas Sdn. Bhd. which overlap Plaintiff B's claimed areas are unlawful, unconstitutional, null and void.

The timber licence held by Samling Plywood Lawas Sdn. Bhd. has been issued by the governmental authorities in Sarawak. The areas claimed by Plaintiff A and Plaintiff B which form part of the Forest Timber Licence area issued to Samling Plywood Lawas Sdn. Bhd. are currently not being operated on. As such, there will not be any financial impact on the Company. The Company's Board of Directors have made applications to strike out the two (2) writs of summons and awaiting for hearing and decision from the court.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

28. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Less than one year	2,360	2,587	355	221
Between one and five years	2,162	3,396	621	—
	4,522	5,983	976	221

The Group leases properties under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

Leases as lessor

The Group leases out its investment property under operating leases (see note 7). The future minimum lease payments under non-cancellable leases are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Less than one year	272	269	123	165
Between one and five years	242	170	—	123
	514	439	123	288

29. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

29. RELATED PARTIES *(Continued)*

Details of the related party relationships, which are having related party transactions with the Group are as follows:

(a) Yaw Holding Sdn. Bhd. ("Yaw Holding"), its subsidiaries and associates ("Yaw Holding Group" or "companies of Yaw Holding Group") and Samling Global, its subsidiaries and associates ("Samling Global Group" or "companies of Samling Global Group")

Yaw Holding is a major shareholder of Samling Strategic Corporation Sdn. Bhd. (''Samling Strategic'') (direct interest of 100%) and is deemed a major shareholder of Samling Global Limited (''Samling Global'') (indirect interest of 53.94%) by virtue of its substantial shareholding through Samling Strategic.

Samling Global is a major shareholder of the Company (indirect interest of 67.23%) by virtue of its substantial shareholding through Samling Malaysia Inc.

Tan Sri Yaw Teck Seng and Yaw Chee Ming are both deemed major shareholders of the Company by virtue of their substantial shareholdings through Yaw Holding, Samling Strategic in Samling Global and through Plieran Sdn. Bhd. (indirect interest of 68.11% collectively).

Yaw Chee Ming is the common Director of the Company and its holding companies. He is also a Director in certain subsidiaries of the Company and certain companies of Yaw Holding Group and Samling Global Group. He has indirect equity interest in its intermediate holding company of 2,340,420,260 ordinary shares of USD0.10 each.

Yaw Chee Chik, a Director of Yaw Holding, is also a Director in certain subsidiaries of the Company and certain companies of Yaw Holding Group and Samling Global Group.

Tan Sri Yaw Teck Seng is the father of Yaw Chee Ming and Yaw Chee Chik. Hence, Tan Sri Yaw Teck Seng, Yaw Chee Ming and Yaw Chee Chik are persons connected to each other.

Chan Hua Eng is the common Chairman of the Company and its intermediate holding company. He has a direct and indirect equity interests in the Company of 58,333 and 4,236,290 ordinary shares of RM0.50 each respectively. He also has an indirect equity interest in its intermediate holding company of 4,000,000 ordinary shares of USD0.10 each.

Cheam Dow Toon is the common Director of the Company and its intermediate holding company. He is also a Director in certain subsidiaries of the Company. He owns 29,030 ordinary shares of RM0.50 each in the Company and 2,104,000 ordinary shares of USD0.10 each in its intermediate holding company.

Tan Seng Hock is a Director of certain subsidiaries of the Company and certain companies of Samling Global Group.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

29. RELATED PARTIES *(Continued)*

(b) 3D Networks Sdn. Bhd. ("3D Networks")

Yaw Chee Ming is deemed a major shareholder of 3D Networks by virtue of his substantial shareholding in Planet One Pte. Ltd. (direct and indirect interest of 15.06% and 84.94% respectively). Yaw Chee Siew is a director of Planet One Pte Ltd. Yaw Chee Siew is the brother of Yaw Chee Ming. Hence, Yaw Chee Siew and Yaw Chee Ming are persons connected to each other.

(c) Glenealy Plantations (Malaya) Berhad ("Glenealy") and its subsidiaries ("Glenealy Group")

Yaw Chee Ming is the Managing Director of Glenealy. Tan Sri Yaw Teck Seng and Yaw Chee Ming are deemed major shareholders of Glenealy (respective indirect interests of 51.77%) by virtue of their substantial shareholdings through Yaw Holding in Samling Strategic and Alpenview Sdn. Bhd. ("Alpenview"). Yaw Holding (indirect interest of 51.77%), Samling Strategic (direct and indirect interests of 6.59% and 45.18% respectively) and Alpenview (direct interest of 36.42%) are major shareholders of Glenealy.

Chan Hua Eng is the common Chairman of the Company and Glenealy. He has an indirect equity interest in Glenealy of131,900 ordinary shares of RM1.00 each.

Cheam Dow Toon is the common Director of the Company and Glenealy. He also owns 14,000 ordinary shares of RM1.00 each in Glenealy.

Hiew Chung Chin owns 100,000 ordinary shares of RM1.00 each in Glenealy. He has a direct equity interest in the Company of 391,000 ordinary shares of RM0.50 each. Hiew Chung Chin is the brother of Tan Sri Yaw Teck Seng. Hence, Hiew Chung Chin and Tan Sri Yaw Teck Seng are deemed persons connected to each other.

(d) Sojitz Corporation ("Sojitz") and its subsidiaries

Sojitz is a major shareholder of Samling Housing Products Sdn. Bhd. (indirect interest of 14.9%). Sojitz ceased to be a major shareholder of the Company (direct interest of 7.54%) during the year as it had disposed its entire shareholding interest in the Company.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

29. RELATED PARTIES *(Continued)*

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

	Group 2010	Group 2009
	RM'000	*RM'000*
Agency commission payable:		
Samling Global Group	1,095	829
Purchase of property, plant and equipment:		
Samling Global Group	12,442	2,478
Hotel accommodation charges:		
Yaw Holding Group	128	114
Insurance premium receivable:		
Yaw Holding Group	249	270
Samling Global Group	3,892	5,363
Samling Global Group and Sojitz Group	454	353
Insurance premium payable:		
Sojitz Group	10	10
Lighterage income receivable:		
Samling Global Group	24,102	18,337
Glenealy Group	769	—
Timber logging contract fees payable:		
Samling Global Group	175,156	161,811
Timber logging contract fees receivable:		
Samling Global Group	148,330	142,470
Medical fees receivable:		
Samling Global Group	38	50
Samling Global Group and Sojitz Group	29	29
Purchase of air tickets:		
Yaw Holding Group	398	368
Purchase of fuel, spare parts and other materials:		
Yaw Holding Group	25	121
Samling Global Group	1,785	2,465
Samling Global Group and Sojitz Group	51	452

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

29. RELATED PARTIES *(Continued)*

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows: *(Continued)*

	Group 2010	Group 2009
	RM'000	*RM'000*
Purchase of timber logs and plywood:		
Samling Global Group	169,641	145,148
Plywood marketing fees payable:		
Samling Global Group	292	463
Sojitz Group	301	174
Rental of equipment/premises payable:		
Yaw Holding Group	1,440	1,419
Samling Global Group	819	1,084
Rental of equipment/premises receivable:		
Samling Global Group	586	741
Samling Global Group and Sojitz Group	564	541
3D Networks	165	165
Repair and reconditioning payable:		
Samling Global Group	6,906	4,593
Construction of roads and trucking income:		
Samling Global Group	1,962	1,855
Construction of roads and trucking expenses:		
Samling Global Group	10,738	8,857
Sale of timber logs and plywood:		
Yaw Holding Group	—	200
Samling Global Group	29,891	34,756
Sojitz Group	82,926	74,059
Samling Global Group and Sojitz Group	3,815	5,309
Sale of fuel, spare parts and other materials:		
Samling Global Group	171,625	162,981
Samling Global Group and Sojitz Group	84	212
Glenealy Group	36	—
Food, ration and consumable expenses:		
Yaw Holding Group	1	1

These transactions have been entered into on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

29. RELATED PARTIES *(Continued)*

Other significant related party transactions

Other significant related party transactions, in respect of related parties as defined in FRS 124, Related Parties but are not regarded as related parties under Chapter10 Para10.08 of the Listing Requirements of Bursa Securities is with associates:

	Group	
	2010	**2009**
	RM'000	*RM'000*
Associate		
Purchase of glue	27,726	42,312

Significant transactions with subsidiaries, other than disclosed elsewhere in the financial statements, are as follows:

	Company	
	2010	**2009**
	RM'000	*RM'000*
Subsidiaries		
Management fees receivable	330	330
Interest receivable	6,684	9,274
Dividend receivable	21,000	21,000

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

(a) 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;

(b) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

(c) ensuring that credit risks on sales to customers on deferred terms are properly managed.

Action taken by management to address significant financial risks are reviewed and approved by the Board of Directors before implementation.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

30. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk

The Group's credit risk arises from sales made on deferred terms whilst the Company's credit risk arises from advances to its wholly owned subsidiaries. Credit risks and exposures are controlled and monitored on an on-going basis by setting appropriate credit limits and terms after credit evaluations have been performed on customers on a case-by-case basis. Appropriate approval limits are set at different levels of credit limits and terms. In order to further minimise its exposure to credit risk, the Group, in some instances, requires Letters of Credits and Bank Guarantees from the customers.

As at balance sheet date, other than the amount due from related companies, constituting 73% (2009: 80%) of the Group and amount due from subsidiaries constituting 99% (2009: 99%) of the trade and other receivables of the Company, there were no other significant concentrations of credit risk. The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

Interest rate risk

The Group borrows both fixed and floating interest rate loans. Exposure to floating interest rate presents the Group with a certain element of risk when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are appropriately fixed when necessary.

Management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the market situation and the outlook prevailing then. In addition, interest rate swap has been entered for loans of USD47,000,000 and NZD26,000,000, and RM59,250,000 (2009: USD46,800,000, NZD24,400,000 and RM59,250,000) to ensure that the exposure to changes in interest rate 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 respectively over the loan period. The Group's short term deposits are placed at fixed rates and management endeavours to obtain the best rate available in the market.

Foreign currency exchange risk

The Group's main income from timber related business is mostly derived in US Dollar. The movements of US Dollar against Ringgit Malaysia will affect the revenue and costs of some production materials, spare parts and equipment purchases. The Group's exposure to currency risk results from transactions entered into by the Company and its subsidiaries in currencies other than Ringgit Malaysia. The Group primarily enters into forward foreign currency exchange contracts to limit the exposure on foreign currency trade receivables and payables.

The Group's investment in a New Zealand subsidiary, which is holding the forest assets, may also expose the Group to foreign currency exchange risk. Future sales derived from the forest assets are expected to be made in the international markets and generally would be denominated in US Dollar. The Group is exposed to a certain degree of risk resulting from the fluctuation in NZ Dollar against US Dollar.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

30. FINANCIAL INSTRUMENTS *(Continued)*

Liquidity and cash flow risk

The Group maintains sufficient cash and bank funding lines to enable it to meet its short term and long term cash flow requirements. The Group's policy is to finance long term assets with long term funding and short term assets with short term funding. Short term bridging finance may be used when an urgent need arises to complete an acquisition of a long term asset. In such cases, action will be taken immediately after the completion of such acquisition to re-arrange the short term bridging finance into a longer term funding structure which matches the cash flows of the long term asset.

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 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.

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

Effective interest rates and repricing analysis

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

Group	Note	Average effective interest rate	Total	Less than 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
	Note	*%*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
2010									
Fixed rate instruments									
Deposits with financial institutions	*13*	2.15–2.50	24,251	24,251	—	—	—	—	—
Unsecured term loans	*17*	4.65–6.75	185,423	—	33,937	41,759	31,803	77,924	—
Finance lease liabilities	*17*	5.28–7.68	55,736	24,554	23,373	5,682	2,127	—	—
Floating rate instruments									
Secured term loans	*17*	1.93–4.40	207,339	207,339	—	—	—	—	—
Unsecured term loans	*17*	2.25–7.30	63,715	63,715	—	—	—	—	—
Unsecured overdrafts	*17*	6.80–7.55	25,770	25,770	—	—	—	—	—
Unsecured bankers' acceptances	*17*	2.66–3.94	25,619	25,619	—	—	—	—	—
Unsecured revolving credits	*17*	3.35–4.85	75,500	75,500	—	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

30. FINANCIAL INSTRUMENTS *(Continued)*

Effective interest rates and repricing analysis *(Continued)*

Group	*Note*	**Average effective interest rate** *%*	**Total** *RM'000*	**Less than 1 year** *RM'000*	**1–2 years** *RM'000*	**2–3 years** *RM'000*	**3–4 years** *RM'000*	**4–5 years** *RM'000*	**More than 5 years** *RM'000*
2009									
Fixed rate instruments									
Deposits with financial institutions	*13*	1.95–3.70	104,767	104,767	—	—	—	—	—
Unsecured term loans	*17*	4.65–6.75	235,133	24,710	24,707	34,230	41,759	31,803	77,924
Finance lease liabilities	*17*	5.49–7.88	74,384	33,423	22,752	18,209	—	—	—
Floating rate instruments									
Secured term loans	*17*	2.77–4.97	275,272	275,272	—	—	—	—	—
Unsecured term loans	*17*	3.35–6.80	90,753	90,753	—	—	—	—	—
Unsecured overdrafts	*17*	6.55–8.25	41,426	41,426	—	—	—	—	—
Unsecured bankers' acceptances	*17*	2.10–3.68	25,765	25,765	—	—	—	—	—
Unsecured revolving credits	*17*	3.02–5.25	62,000	62,000	—	—	—	—	—

Company	*Note*	**Average effective interest rate** *%*	**Total** *RM'000*	**Less than 1 year** *RM'000*	**1–2 years** *RM'000*	**2–3 years** *RM'000*	**3–4 years** *RM'000*	**4–5 years** *RM'000*	**More than 5 years** *RM'000*
2010									
Fixed rate instruments									
Unsecured term loans	*17*	4.65–6.75	185,423	—	33,937	41,759	31,803	77,924	—
Floating rate instruments									
Unsecured overdraft	*17*	7.05	13,617	13,617	—	—	—	—	—
Unsecured revolving credits	*17*	3.72–4.20	47,500	47,500	—	—	—	—	—
Unsecured term loans	*17*	3.95	34,499	34,499	—	—	—	—	—
Amount due from subsidiaries	*11*	2.13–2.59	287,963	287,963	—	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

30. FINANCIAL INSTRUMENTS *(Continued)*

Effective interest rates and repricing analysis *(Continued)*

Company	Note	Average effective interest rate	Total	Less than 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
		%	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
2009									
Fixed rate instruments									
Deposits with financial institutions	*13*	1.95–2.00	68,000	68,000	—	—	—	—	—
Unsecured term loans	*17*	4.65–6.75	235,133	24,710	24,707	34,230	41,759	31,803	77,924
Floating rate instruments									
Unsecured overdraft	*17*	6.55	17,147	17,147	—	—	—	—	—
Unsecured revolving credits	*17*	3.23–3.80	30,000	30,000	—	—	—	—	—
Unsecured term loans	*17*	3.35–3.95	52,500	52,500	—	—	—	—	—
Amount due from subsidiaries	*11*	2.09–3.61	291,412	291,412	—	—	—	—	—

Fair values

Recognised financial instruments

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

It is not practical to estimate the fair value of the Company's investment in unquoted shares in an associate due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

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

Group	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
	RM'000	*RM'000*	*RM'000*	*RM'000*
Financial liabilities				
Term loans	448,492	414,689	553,917	508,711
Company				
Financial asset				
Amount due from subsidiaries	490,844	*	528,970	*

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

30. FINANCIAL INSTRUMENTS *(Continued)*

Fair values *(Continued)*

Recognised financial instruments *(Continued)*

Company	2010 Carrying amount *RM'000*	2010 Fair value *RM'000*	2009 Carrying amount *RM'000*	2009 Fair value *RM'000*
Financial liabilities				
Amount due to subsidiaries	250,609	*	261,121	*
Term loans	219,922	186,116	253,923	208,717

* In respect of amount due to and from subsidiaries which are long term in nature, it is not practicable to estimate their fair value as they are repayable after twelve months but without fixed repayment date. The Directors do not anticipate that the carrying amount at the balance sheet date to be significantly different from the value that would eventually be settled.

Unrecognised financial instruments

Financial derivative instruments are used to hedge foreign exchange and interest rate risks associated with certain sale and purchase transactions and certain long term foreign currency borrowings. The contracted principal amounts of the derivatives and the corresponding fair value not recognised in the balance sheet as at 30 June are analysed below:

	Contracted amount *RM'000*	Fair value favourable/ (unfavourable) *RM'000*
Group		
2010		
Forward foreign exchange sales contracts	13,661	236
Interest rate swap agreements	329,275	(24,520)
2009		
Forward foreign exchange sales contracts	5,857	1,196
Interest rate swap agreements	412,933	(23,375)
Company		
2010		
Interest rate swap agreements	43,500	(1,234)
2009		
Interest rate swap agreements	52,500	(2,167)

5. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Set out below are the audited financial statements of the Lingui Group for the year ended 30 June 2009 together with the relevant notes thereto as extracted from the annual report of Lingui for the year ended 30 June 2009. These financial statements are prepared in accordance with Financial Reporting Standards in Malaysia.

All page references set out in this section refer to the corresponding pages of the annual report 2009 of Lingui. The annual report 2009 of Lingui is available free of charge, in read only, printable format on Lingui Group's website *http://www.lingui.com.my*.

In this section "Company" shall be constructed as Lingui and "Group" shall be constructed as Lingui Group.

STATEMENT BY DIRECTORS
pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 44 to 93 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 30 June 2009 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Chan Hua Eng

Yaw Chee Ming

Kuala Lumpur,
Date: 18 August 2009

STATUTORY DECLARATION
pursuant to Section 169(16) of the Companies Act, 1965

I, **Cheam Dow Toon**, the Director primarily responsible for the financial management of Lingui Developments Berhad, do solemnly and sincerely declare that the financial statements set out on pages 44 to 93 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 18 August 2009.

Cheam Dow Toon

Before me:
Tuan Haji Shafie B. Daud
(No. W350)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
To the members of Lingui Developments Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Lingui Developments Berhad, which comprise the balance sheets as at 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 44 to 93.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation 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 Company'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 financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2009 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountant

Ng Kim Tuck
Approval Number: 1150/03/10(J/PH)
Chartered Accountants

Petaling Jaya,
Date: 18 August 2009

BALANCE SHEETS
At 30 June 2009

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Assets					
Property, plant and equipment	*3*	667,440	696,063	83	188
Forest assets	*4*	1,086,152	1,210,691	—	—
Timber concession	*5*	37,064	43,599	—	—
Prepaid lease payments	*6*	48,332	51,804	—	—
Investment properties	*7*	19,616	26,660	1,872	1,919
Investments in subsidiaries	*8*	—	—	774,335	774,335
Investments in associates and jointly-controlled entity	*9*	250,268	254,653	62,550	62,550
Deferred tax assets	*10*	200	12,588	—	—
Receivables, deposits and prepayments	*11*	—	—	528,970	615,281
Total non-current assets		2,109,072	2,296,058	1,367,810	1,454,273
Inventories	*12*	200,184	224,437	—	—
Receivables, deposits and prepayments	*11*	388,008	499,108	1,246	1,279
Dividend receivable		—	1,200	—	1,200
Current tax assets		33,813	32,610	8,558	7,783
Cash and cash equivalents	*13*	130,996	126,703	68,057	39,277
Total current assets		753,001	884,058	77,861	49,539
Total assets		2,862,073	3,180,116	1,445,671	1,503,812
Equity					
Share capital	*14*	329,815	329,815	329,815	329,815
Reserves	*15*	1,193,803	1,356,302	484,855	490,385
Total equity attributable to equity holders of the Company		1,523,618	1,686,117	814,670	820,200
Liabilities					
Payables and accruals	*16*	—	—	261,121	272,196
Borrowings	*17*	594,878	630,853	253,923	287,633
Deferred tax liabilities	*10*	243,715	277,103	—	—
Total non-current liabilities		838,593	907,956	515,044	559,829
Payables and accruals	*16*	286,984	350,196	35,100	30,101
Borrowings	*17*	209,855	235,383	80,857	93,682
Current tax liabilities		3,023	464	—	—
Total current liabilities		499,862	586,043	115,957	123,783
Total liabilities		1,338,455	1,493,999	631,001	683,612
Total equity and liabilities		2,862,073	3,180,116	1,445,671	1,503,812

The notes on pages 50 to 93 are an integral part of these financial statements.

INCOME STATEMENTS
For the year ended 30 June 2009

		Group		Company	
		2009	2008	2009	2008
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Continuing operations					
Revenue	*18*	1,292,792	1,489,363	21,752	29,725
Results from operating activities	*18*	(7,427)	72,226	17,516	20,271
Financing costs	*20*	(69,396)	(60,333)	(20,723)	(23,313)
Interest income		222	435	9,386	14,012
Operating (loss)/profit		(76,601)	12,328	6,179	10,970
Share of profit after tax and minority interest of equity accounted associates		876	41,089	—	—
(Loss)/Profit before taxation		(75,725)	53,417	6,179	10,970
Taxation	*21*	(8,527)	29,878	(1,815)	(4,397)
(Loss)/Profit attributable to equity holders of the Company		(84,252)	83,295	4,364	6,573
Basic earnings per ordinary share *(sen)*	*22*	(12.77)	12.63		
Proposed dividend per ordinary share-net *(sen)*		0.75	1.50	0.75	1.50

The notes on pages 50 to 93 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2009

			Non-distributable			Distributable	
Group		**Share capital**	**Share premium**	**Exchange reserve**	**Fair valuation reserve**	**Retained profits**	**Total**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
At 1 July 2007		329,815	130,089	282,843	64,535	867,535	1,674,817
Net loss recognised directly in equity — Currency translation differences		—	—	(52,734)	—	—	(52,734)
Profit for the year		—	—	—	—	83,295	83,295
Dividend paid	23	—	—	—	—	(19,261)	(19,261)
At 30 June 2008/1 July 2008		329,815	130,089	230,109	64,535	931,569	1,686,117
Net loss recognised directly in equity — Currency translation differences		—	—	(68,353)	—	—	(68,353)
Loss for the year		—	—	—	—	(84,252)	(84,252)
Dividend paid	23	—	—	—	—	(9,894)	(9,894)
At 30 June 2009		329,815	130,089	161,756	64,535	837,423	1,523,618
		Note 14	*Note 15*	*Note 15*	*Note 15*	*Note 15*	

The notes on pages 50 to 93 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2009

Company	Note	Share capital	Non-distributable Share premium	Distributable Retained profits	Total
		RM'000	*RM'000*	*RM'000*	*RM'000*
At 1 July 2007		329,815	130,089	372,984	832,888
Profit for the year		—	—	6,573	6,573
Dividend paid	*23*	—	—	(19,261)	(19,261)
At 30 June 2008/1 July 2008		329,815	130,089	360,296	820,200
Profit for the year		—	—	4,364	4,364
Dividend paid	*23*	—	—	(9,894)	(9,894)
At 30 June 2009		329,815	130,089	354,766	814,670
		Note 14	*Note 15*	*Note 15*	

The notes on pages 50 to 93 are an integral part of these financial statements.

CASH FLOW STATEM1ENTS
For the year ended 30 June 2009

		Group		Company	
		2009	2008	2009	2008
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Cash flows from operating activities					
(Loss)/Profit before taxation		(75,725)	53,417	6,179	10,970
Adjustments for:					
Amortisation of timber concession	*5*	6,535	6,535	—	—
Amortisation of prepaid lease payments	*6*	1,228	1,242	—	—
Depreciation of investment properties	*7*	444	491	47	47
Depreciation of property, plant and equipment	*3*	92,689	93,591	110	110
Depletion of forest crops	*4*	32,040	11,073	—	—
Dividend income	*18*	—	—	(21,228)	(29,200)
Financing costs	*20*	44,349	58,686	20,723	23,313
Gain on disposal of property, plant and equipment		(729)	(302)	—	—
Interest income		(222)	(435)	(9,386)	(14,012)
Investment property written off		5,172	—	—	—
Impairment loss on property, plant and equipment		120	—	—	—
Property, plant and equipment written off		100	68	—	—
Share of profit after tax and minority interest of equity accounted associates		(876)	(41,089)	—	—
Unrealised foreign exchange losses	*20*	25,047	1,647	—	—
Operating profit/(loss) before working capital changes		130,172	184,924	(3,555)	(8,772)
Changes in working capital:					
Inventories		23,972	(37,218)	—	—
Payables and accruals		(60,693)	69,854	4,855	7,843
Receivables, deposits and prepayments		117,738	40,261	33	53
Cash generated from/(used in) operations		211,189	257,821	1,333	(876)
Taxes (paid)/refunded		(7,378)	(27,851)	2,661	4,106
Net cash generated from operating activities		203,811	229,970	3,994	3,230
Cash flows from investing activities					
Additions of forest assets		(11,443)	(12,600)	—	—
Interest received		222	435	9,386	14,012
Dividends received from subsidiaries		—	—	15,750	20,720
Dividends received from associates and other investments		7,660	7,307	1,428	1,200
Pledged deposits (paid)/received		(80,617)	7,839	(68,000)	7,580
Purchase of property, plant and equipment (i)		(59,935)	(60,923)	(5)	(10)
Proceeds from disposal of property, plant and equipment		6,468	1,457	—	—
Refund from purchase price adjustment on prepaid lease payment		2,244	—	—	—
Repayment from subsidiaries		—	—	86,311	31,656
Subscription of shares in an associate	*9*	(398)	(4,320)	—	(4,320)
Net cash (used in)/generated from investing activities		(135,799)	(60,805)	44,870	70,838

CASH FLOW STATEM1ENTS *(Continued)*
For the year ended 30 June 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Cash flows from financing activities					
Dividend paid to shareholders		(9,894)	(32,454)	(9,894)	(32,454)
Repayment to subsidiaries		—	—	(11,075)	(34,316)
Net (repayment)/drawdown of borrowings		(57,396)	39,326	(63,683)	60,315
Net repayment of finance lease liabilities		(37,122)	(34,242)	—	—
Financing costs paid		(48,912)	(60,929)	(20,579)	(25,295)
Net cash used in financing activities		(153,324)	(88,299)	(105,231)	(31,750)
Net (decrease)/increase in cash and cash equivalents		(85,312)	80,866	(56,367)	42,318
Cash and cash equivalents at 1 July		74,054	(5,177)	39,277	(3,041)
Foreign exchange difference on opening balances		(3,570)	(1,635)	—	—
Cash and cash equivalents at 30 June (ii)		(14,828)	74,054	(17,090)	39,277

(i) Purchase of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM73,220,000 and RM5,000 (2008: RM92,937,000 and RM10,000) respectively of which RM13,285,000 and nil (2008: RM32,014,000 and nil) respectively were acquired by means of finance leases.

(ii) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Cash and bank balances	13	26,229	97,525	57	34,277
Deposits	13	104,767	29,178	68,000	5,000
Bank overdrafts	17	(41,426)	(28,868)	(17,147)	—
		89,570	97,835	50,910	39,277
Less: Fixed deposits and bank balances pledged to the financial institutions	13	(104,398)	(23,781)	(68,000)	—
		(14,828)	74,054	(17,090)	39,277

The notes on pages 50 to 93 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Lingui Developments Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business and registered office of the Company is located at Level 42, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

The consolidated financial statements as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and jointly-controlled entity. The financial statements of the Company as at and for the year ended 30 June 2009 do not include other entities.

The Company is principally engaged in investment and property holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 8 to the financial statements.

The immediate holding company during the financial year was Samling Malaysia Inc, a company incorporated in British Virgin Islands. The intermediate holding company during the financial year was Samling Global Limited, a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. The penultimate and ultimate holding companies during the financial year were Samling Strategic Corporation Sdn. Bhd. and Yaw Holding Sdn. Bhd. respectively. Both companies were incorporated in Malaysia.

The financial statements were approved by the Board of Directors on 18 August 2009.

1. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs/Interpretations	Effective date
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segments	1 July 2009
FRS 123, Borrowing Costs	1 January 2010
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11, FRS 2 — Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13, Customer Loyalty Programmes	1 January 2010
IC Interpretation 14, FRS 119 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	1 January 2010

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION *(Continued)*

(a) Statement of compliance *(Continued)*

The Group plans to apply FRS 8 from the annual period beginning 1 July 2009. The Group and the Company plan to apply the other standards, amendments and interpretations from the annual period beginning 1 July 2010.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the other standards, amendments and interpretations is not expected to have any material impact on the financial statements or any material change in accounting policy except as follows:

FRS 8, Operating Segments

FRS 8 will become effective for financial statements of the Group for the year ending 30 June 2010. FRS 8, which replaces FRS 114 2004, *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segments and to assess their performance. Currently, the Group presents segment information in respect of business and geographical segments (see note 24). Under FRS 8, the Group will present segment information in respect of its operating segments: (logs, plywood and veneer, upstream support, other timber operations and other operations).

FRS 123, Borrowing Costs

FRS 123 will become effective for the financial statements of the Group and the Company for the financial year ending 30 June 2011. FRS 123 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. On adoption of FRS 123, the Group and the Company will have to change their current accounting policy of expensing borrowing costs in the period in which they are incurred. In accordance with the transitional provisions, the Group and the Company will apply FRS 123 to borrowing costs related to qualifying assets for which the commencement date of capitalisation is on or after 1 January 2010. The change in accounting policy will not have any impact on the financial statements before 1 January 2010.

IC Interpretation 10, Interim Financial Reporting and Impairment

IC Interpretation 10 will become effective for the financial statements of the Group and the Company for the financial year ending 30 June 2011. IC Interpretation 10 prohibits the reversal of an impairment loss that has been recognised in an interim period during a financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. In accordance with the transitional provisions, the Group and the Company will apply IC Interpretation 10 to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group and the Company first applied the measurement criteria of FRS 136, *Impairment of Assets* and FRS 139, *Financial Instruments: Recognition and Measurement* respectively.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand (RM'000), unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION *(Continued)*

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 and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the followings notes:

- Note 3 Property, plant and equipment
- Note 4 Forest Assets
- Note 7 Investment Properties

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its 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. Subsidiaries are consolidated using the purchase method of accounting except for Samling Plywood (Bintulu) Sdn. Bhd. and Tamex Timber Sdn. Bhd. (business combinations prior to 1 January 2006) which are accounted for using the pooling-of-interests method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve or adjusted against any suitable reserve in the case of debit differences. The other components of equity of the acquired entities are added to the same components within Group equity.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

(ii) *Associates (Continued)*

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) *Joint ventures*

Jointly-controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iv) *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(ii) *Operations denominated in functional currencies other than Ringgit Malaysia ("RM")*

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency *(Continued)*

(ii) *Operations denominated in functional currencies other than Ringgit Malaysia ("RM")* (Continued)

Foreign currency differences are recognised in exchange reserve. On disposal, the accumulated exchange reserve is recognised in the consolidated income statement as part of the gain or loss on sale.

(iii) *Net investment in foreign operations*

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated income statement upon disposal of the investment.

(c) Property, plant and equipment

(i) *Recognition and measurement*

Freehold land is stated at cost. Other items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property, plant and equipment is the estimated amount for which a property, plant and equipment could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements.

(ii) *Reclassification of investment property*

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is reclassified as investment property.

(iii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

(iv) *Depreciation*

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land and construction work in progress are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	Shorter of the lease term or the useful lives of 50 years except wharf and worker's quarters that are depreciated over 10 years
Roads, bridges and fences	Amortised by equal instalments over the remaining life of the concession
Machinery, furniture, equipment, river crafts and wharfs	5–20 years
Motor vehicles	5–10 years

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(d) Forest assets

Forest assets include forest land and forest crops.

Freehold forest land is not depreciated. Forest crops are stated at cost less the timber assets harvested and less impairment, if any. All costs, including borrowing costs, are capitalised to each stand of growing timber until the first substantial harvest of that stand. Cost capitalisation commences or recommences when preparation for forestry activity is initiated. A stand is defined generally as a continuous block of trees of the same age, species and silviculture regime. A forest is the sum of all stands within geographically related areas.

Income from harvesting operations offset by the direct costs of production are taken to earnings when realised. The related capitalised costs of timber harvested are written off as depletion.

(e) Finance lease

(i) *Finance lease*

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Finance lease *(Continued)*

(ii) Operating lease

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

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

(f) Intangible asset

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3, *Business Combinations*, beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

(ii) Timber concession

Timber concession is the cost of the rights conferred upon subsidiaries to extract timber, which is expiring in May 2013, August 2018 and May 2023.

The timber concession is amortised over the remaining life of the concession on the basis that the subsidiaries are allowed to extract approximately similar annual quantities of timber over the period of the licence in accordance with the State Government's sustainable timber management policy.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(g) Investment properties

(i) Recognition and measurement

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(c).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties *(Continued)*

(i) ***Recognition and measurement*** *(Continued)*

Depreciation is charged to the income statements on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

(ii) ***Reclassification to/from investment property***

An item of property, plant and equipment is transferred to or from investment property at the carrying amount of the item immediately prior to transfer, following a change in its use.

(iii) ***Determination of fair value***

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 7.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value with weighted average cost being the main basis for cost. Costs of inventories include expenditure incurred in acquiring the inventories and bringing them to their existing 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 sales.

Cost of timber logs, work-in-progress and manufactured inventories include raw material costs, direct labour and a proportion of manufacturing overheads where applicable. Cost of raw materials, stores and consumables includes all direct and indirect expenditure incurred in bringing the inventories to their present location and condition. Completed showroom units are accounted for as finished goods inventory as it is mainly held for trading.

(i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets

The carrying amount of assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash- generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.

(l) Derivative financial instruments

The Group uses derivative financial instruments, including interest rate swaps and forward foreign exchange contracts, to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments used for hedging purposes are not revalued to fair value at balance sheet date and gain or loss from the hedging activities is recognised in the income statements upon the realisation of the hedged transactions.

(m) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

(n) Employee benefits

Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities

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.

(p) Payables

Payables are measured initially and subsequently at cost. Payable are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(q) Revenue

(i) *Goods sold*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) *Services rendered*

Revenue from services rendered is recognised in the income statements as and when the services are performed or rendered and on an accrual basis.

(iii) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(iv) *Rental income*

Rental income from investment property is recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(r) Interest income and borrowing costs

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

All interests and other costs incurred in connection with borrowings, other than that incurred in relation to the development of forest assets, are recognised in the income statements using the effective interest method, in the period in which they are incurred.

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(u) Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings	Roads, bridges and fences	Machinery, furniture, equipment river crafts and wharfs	Motor vehicles	Construction work-in-progress	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Cost							
At 1 July 2007	1,515	281,378	206,321	1,126,646	33,528	—	1,649,388
Additions	—	7,468	14,773	67,726	2,970	—	92,937
Disposals	—	—	—	(3,108)	(864)	—	(3,972)
Write off	—	—	—	(928)	(83)	—	(1,011)
Exchange differences	—	—	(2,469)	(520)	—	—	(2,989)
At 30 June 2008/1 July 2008	1,515	288,846	218,625	1,189,816	35,551	—	1,734,353
Additions	—	3,375	16,043	29,141	717	23,944	73,220
Transfer from investment properties	—	2,410	—	—	—	—	2,410
Disposals	—	—	—	(7,053)	(3,854)	—	(10,907)
Write off	—	(64)	—	(92)	—	—	(156)
Exchange differences	—	—	(3,808)	(866)	—	—	(4,674)
At 30 June 2009	1,515	294,567	230,860	1,210,946	32,414	23,944	1,794,246
Accumulated depreciation							
At 1 July 2007	—	72,417	99,137	749,706	26,840	—	948,100
Depreciation for the year	—	7,293	15,409	68,810	3,130	—	94,642
Disposals	—	—	—	(1,988)	(829)	—	(2,817)
Write off	—	—	—	(926)	(17)	—	(943)
Exchange differences	—	—	(390)	(302)	—	—	(692)
At 30 June 2008/1 July 2008	—	79,710	114,156	815,300	29,124	—	1,038,290
Depreciation for the year	—	7,829	15,233	67,986	2,529	—	93,577
Impairment loss	—	120	—	—	—	—	120
Transfer from investment properties	—	982	—	—	—	—	982
Disposals	—	—	—	(1,752)	(3,553)	—	(5,305)
Write off	—	(3)	—	(53)	—	—	(56)
Exchange differences	—	—	(413)	(389)	—	—	(802)
Accumulated depreciation	—	88,518	128,976	881,092	28,100	—	1,126,686
Accumulated impairment loss	—	120	—	—	—	—	120
At 30 June 2009	—	88,638	128,976	881,092	28,100	—	1,126,806
Carrying amounts							
At 1 July 2007	1,515	208,961	107,184	376,940	6,688	—	701,288
At 30 June 2008/1 July 2008	1,515	209,136	104,469	374,516	6,427	—	696,063
At 30 June 2009	1,515	205,929	101,884	329,854	4,314	23,944	667,440

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company	**Furniture and equipment**	**Motor vehicles**	**Total**
	RM'000	*RM'000*	*RM'000*
Cost			
At 1 July 2007	794	495	1,289
Additions	10	—	10
At 30 June 2008/1 July 2008	804	495	1,299
Additions	5	—	5
At 30 June 2009	809	495	1,304
Accumulated depreciation			
At 1 July 2007	770	231	1,001
Depreciation for the year	11	99	110
At 30 June 2008/1 July 2008	781	330	1,111
Depreciation for the year	11	99	110
At 30 June 2009	792	429	1,221
Carrying amounts			
At 1 July 2007	24	264	288
At 30 June 2008/1 July 2008	23	165	188
At 30 June 2009	17	66	83

Depreciation charge for the year is allocated as follows:

		Group		**Company**	
		2009	**2008**	**2009**	**2008**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Income statement	*18*	92,689	93,591	110	110
Forest assets	*4*	888	1,051	—	—
		93,577	94,642	110	110

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Security

Certain freehold land, building and machinery of the Group with a total net book value of RM7,698,000 (2008: RM8,546,000) are charged to a bank as security for borrowings (Note 17).

Leased plant and machinery and motor vehicles

At 30 June 2009, the net carrying amount of leased plant and machinery and motor vehicles of the Group were RM109,376,000 and RM1,626,000 (2008: RM123,642,000 and RM3,389,000) respectively.

Impairment loss of a building is determined based on a valuation report prepared by an independent firm of surveyors, HASB Consultants Sdn. Bhd., a registered Valuers and Estate Agents with Board of Valuers Appraisers and Estate Agents Malaysia.

The valuer has taken into consideration a combination of the comparative method of valuation and cost method valuation in determining the fair value of the building.

4. FOREST ASSETS

Group	Forest land	Forest crops	Total 2009	2008
	RM'000	*RM'000*	*RM'000*	*RM'000*
At 1 July	75,249	1,135,442	1,210,691	1,290,833
Additions	729	11,602	12,331	13,652
Depletion	—	(32,040)	(32,040)	(11,073)
Disposal	(137)	—	(137)	—
Exchange differences	(6,219)	(98,474)	(104,693)	(82,721)
At 30 June	69,622	1,016,530	1,086,152	1,210,691

Included in additions to forest assets is depreciation of property, plant and equipment of RM888,000 (2008: RM1,051,000) (Note 3) and staff costs of RM3,401,000 (2008: RM3,772,000).

The forest assets are charged to banks as security for borrowings (Note 17).

For the purpose of impairment testing, the recoverable amount is based on its value in use and was determined with the assistance of an independent valuer. Value in use was determined by discounting the pre-tax cash flows generated from the continuing use of the forest assets and has been prepared based on the following key assumptions:

- Harvest levels are based on maintaining a minimum clearfell age of 27 years;
- Log prices are calculated using current market prices for two years and forecasted long term prices thereafter;
- Logging costs are calculated using actual average costs incurred and regional industry average;
- Transport as well as harvesting and marketing indirect costs are calculated using actual average costs incurred;
- Forest management costs are based on the actual costs incurred;
- Indirect costs are based on the actual costs incurred;
- Discount rate of 5.65%.

As the valuation determined is higher than the carrying amount of the forest assets, no impairment loss is required.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

5. TIMBER CONCESSION

	Group 2009	Group 2008
	RM'000	*RM'000*
Cost		
At 1 July/30 June	89,999	89,999
Accumulated amortisation		
At 1 July	46,400	39,865
Amortisation charge for the year	6,535	6,535
At 30 June	52,935	46,400
Carrying amount at 30 June	37,064	43,599

6. PREPAID LEASE PAYMENTS

Group	Unexpired period less than 50 years	Unexpired period more than 50 years	Total
	RM'000	*RM'000*	*RM'000*
Cost			
At 1 July 2007/30 June 2008/1 July 2008	58,451	6,749	65,200
Purchase price adjustment	—	(2,244)	(2,244)
Reclassification	(3,646)	3,646	—
At 30 June 2009	54,805	8,151	62,956
Accumulated amortisation			
At 1 July 2007	11,508	646	12,154
Amortisation for the year	1,120	122	1,242
At 30 June 2008/1 July 2008	12,628	768	13,396
Amortisation for the year	1,053	175	1,228
Reclassification	(1,089)	1,089	—
At 30 June 2009	12,592	2,032	14,624
Carrying amounts			
At 1 July 2007	46,943	6,103	53,046
At 30 June 2008/1 July 2008	45,823	5,981	51,804
At 30 June 2009	42,213	6,119	48,332

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. INVESTMENT PROPERTIES

Group	Freehold land	Buildings	Total
	RM'000	*RM'000*	*RM'000*
Cost			
At 1 July 2007/30 June 2008/1 July 2008	9,801	27,812	37,613
Write off	—	(7,934)	(7,934)
Reclassification	(750)	750	—
Transfer to property, plant and equipment	—	(2,410)	(2,410)
At 30 June 2009	9,051	18,218	27,269
Accumulated depreciation			
At 1 July 2007	—	10,462	10,462
Depreciation for the year	—	491	491
At 30 June 2008/1 July 2008	—	10,953	10,953
Depreciation for the year	—	444	444
Write off	—	(2,762)	(2,762)
Transfer to property, plant and equipment	—	(982)	(982)
At 30 June 2009	—	7,653	7,653
Carrying amounts			
At 1 July 2007	9,801	17,350	27,151
At 30 June 2008/1 July 2008	9,801	16,859	26,660
At 30 June 2009	9,051	10,565	19,616
Fair value			
At 1 July 2007	28,047	14,745	42,792
At 30 June 2008/1 July 2008	35,060	15,626	50,686
At 30 June 2009	35,060	14,608	49,668

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. INVESTMENT PROPERTIES *(Continued)*

Company	**Building** *RM'000*
Cost	
At 1 July 2007/30 June 2008/1 July 2008/30 June 2009	2,392
Accumulated depreciation	
At 1 July 2007	426
Depreciation for the year	47
At 30 June 2008/1 July 2008	473
Depreciation for the year	47
At 30 June 2009	520
Carrying amounts	
At 1 July 2007	1,966
At 30 June 2008/1 July 2008	1,919
At 30 June 2009	1,872
Fair value	
At 1 July 2007	2,218
At 30 June 2008/1 July 2008	2,643
At 30 June 2009	3,575

Fair value of investment properties are determined based on valuation reports prepared by an independent firm of surveyors, HASB Consultants Sdn. Bhd., a registered Valuers & Estate Agents with Board of Valuers, Appraisers and Estate Agents Malaysia.

The values derived were based on a combination of the comparative method and the cost method of valuation:

The comparative method entails critical analysis of the characteristics, benefits and restrictions of recent transacted prices of comparable properties and making judicious adjustments for all relevant factors to arrive at the fair value for the subject properties.

The cost method is the aggregate amount of the value of the land and the depreciated replacement cost of the buildings and other improvements. The value of the land is arrived at by comparison with transacted prices of comparable lands. The value of buildings and other improvements is determined by the gross current replacement cost of the buildings and other improvements from which appropriate deductions are made for age, condition, economic or functional obsolescence, environmental and other relevant factors to arrive at the depreciated replacement cost of the buildings and other improvements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. INVESTMENT PROPERTIES *(Continued)*

The following are recognised in the income statements in respect of investment properties:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Rental income	1,280	2,004	165	165
Direct operating expenses:				
— income generating investment properties	705	814	41	41

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	**2008**
	RM'000	*RM'000*
At cost:		
Unquoted shares	775,935	775,935
Impairment loss	(1,600)	(1,600)
	774,335	774,335

The principal activities of the companies in the Group, their places of incorporation and the interest of Lingui Developments Berhad are as follows:

Name of company	Principal activities	Country of incorporation	Issued and paid up ordinary share capital	Effective ownership interest 2009	2008
			RM	*%*	*%*
Samling Plywood (Baramas) Sdn. Bhd.	Manufacturing and sale of plywood and veneer, extraction and sale of timber logs	Malaysia	20,250,000	100	100
Samling Plywood (Lawas) Sdn. Bhd.	Extraction and sale of timber logs	Malaysia	3	100	100
TreeOne (Malaysia) Sdn. Bhd.	Investment holding	Malaysia	1,000,000	100	100
Samling Plywood (Bintulu) Sdn. Bhd.	Manufacturing and sale of plywood and veneer, extraction and sale of timber logs	Malaysia	25,000,000	100	100
Tamex Timber Sdn. Bhd.	Contractor for timber extraction	Malaysia	1,001,000	100	100
Samling Power Sdn. Bhd.	Operation of power generating facilities	Malaysia	2,000,000	100	100

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

8. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Principal activities	Country of incorporation	Issued and paid up ordinary share capital	Effective ownership interest 2009	2008
			RM	*%*	*%*
Ang Cheng Ho Quarry Sdn. Bhd.	Quarry licensee and operator	Malaysia	6,600,000	100	100
Stigang Resources Sdn. Bhd.	Quarry licensee and operator	Malaysia	6,121,530	100	100
Alpenview Sdn. Bhd.	Investment holding	Malaysia	1,000,000	100	100
Lingui Corporation Sdn. Bhd.	Provision of management services	Malaysia	2	100	100
Hock Lee Plantations Sdn. Bhd.	Investment holding	Malaysia	7,262,400	100	100
TreeOne Logistic Services Sdn. Bhd.	Provision of logistic service	Malaysia	300,000	97	97
Grand Paragon Sdn. Bhd.	Investment holding	Malaysia	2,000,000	100	90
Samling Plywood (Miri) Sdn. Bhd.	Manufacturing and sale of plywood, extraction and sale of timber logs	Malaysia	40,000,000	100	100
AinoKitchen (Malaysia) Sdn. Bhd.	Kitchen retail, tendering of kitchen products in housing development projects	Malaysia	1,000,000	100	100
Subsidiaries of Tamex Timber Sdn. Bhd.					
Tinjar Transport Sdn. Bhd.	Riverine transportation services	Malaysia	2,476,000	100	100
Miri Parts Trading Sdn. Bhd.	Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services	Malaysia	200,000	100	100
Subsidiary of Ang Cheng Ho Quarry Sdn. Bhd.					
Bukit Pareh Quarry Sdn. Bhd.	Dormant	Malaysia	3	100	100
Subsidiary of TreeOne (Malaysia) Sdn. Bhd.					
TreeOne (NZ) Limited*	Investment holding	New Zealand	10,000	100	100
Subsidiary of TreeOne (NZ) Limited					
Hikurangi Forest Farms Limited*	Forest plantation	New Zealand	1,200,000	100	100
Subsidiaries of Hikurangi Forest Farms Limited					
East Coast Forests Limited*	Non-trading	New Zealand	2,000	100	100
Tasman Forestry (Gisborne) Limited*	Non-trading	New Zealand	42,500,000	100	100

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

8. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Principal activities	Country of incorporation	Issued and paid up ordinary share capital	Effective ownership interest 2009	2008
			RM	*%*	*%*
Subsidiaries of Hock Lee Plantations Sdn. Bhd.					
Hock Lee Rubber Products Sdn. Bhd.	Manufacture and sale of rubber retread compounds	Malaysia	13,000,000	100	100
Hock Lee Enterprises (M) Sdn. Bhd.	Property investment and letting of industrial properties	Malaysia	13,700,000	100	100

* Audited by a member firm of KPMG International

All the subsidiaries are consolidated using the acquisition method of accounting except for Samling Plywood (Bintulu) Sdn. Bhd. and Tamex Timber Sdn. Bhd. which are consolidated using the pooling-of-interests of accounting. As allowed by the transitional provision of FRS 3, Business Combinations, the consolidation method of these subsidiaries have not been revised as the standard has been adopted prospectively.

9. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITY

	Group 2009	Group 2008	Company 2009	Company 2008
	RM'000	*RM'000*	*RM'000*	*RM'000*
At cost				
Quoted shares	102,248	102,248	—	—
Unquoted shares at 1 July	84,258	79,938	62,550	58,230
Subscription of shares	398	4,320	—	4,320
At 30 June	84,656	84,258	62,550	62,550
	186,904	186,506	62,550	62,550
Share of post acquisition results	63,364	68,147	—	—
	250,268	254,653	62,550	62,550
Market value of quoted shares	152,899	228,517		

The investments in unquoted shares of associates at cost comprise the following:

	Group 2009	Group 2008	Company 2009	Company 2008
	RM'000	*RM'000*	*RM'000*	*RM'000*
Ordinary shares	60,711	60,313	38,605	38,605
RPS "Class A"	12,150	12,150	12,150	12,150
RPS "Class B1"	11,795	11,795	11,795	11,795
	84,656	84,258	62,550	62,550

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

9. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITY *(Continued)*

Conditions of Redeemable Preference Shares ("RPS")

a. The holders of the RPS "Class A" shall be entitled to dividends at a rate to be determined by the issuers' Directors. The holders of RPS "Class B1" shall not be entitled to receive dividends.

b. The RPS holders shall, in winding up, be entitled to repayment in priority to ordinary shareholders.

c. The holders of the RPS "Class A" may redeem all or any of the RPS at the nominal value of the shares held or together with any premium which may be determined by the issuers' Directors at the time of redemption. The holders of RPS "Class B1" may redeem all or any of the RPS at the redemption price, which is the amount paid-up on that RPS.

The associates and jointly-controlled entity of the Group are as follows:

	Country of incorporation	Effective equity interest 2009	2008	Principal activities
		%	%	
Glenealy Plantations (Malaya) Berhad	Malaysia	36.42	36.42	Investment holding, operation of oil palm plantations, oil mills and forest plantations
Samling DorFoHom Sdn. Bhd.*	Malaysia	35.00	35.00	Investment holding and sale of wood residual
Daiken Miri Sdn. Bhd.	Malaysia	30.00	30.00	Manufacture and sale of high and medium-density fibreboard
Sepangar Chemical Sdn. Bhd.*	Malaysia	47.50	47.50	Manufacture and sale of formalin and various types of formaldehyde adhesive resins
Foremost Crest Sdn. Bhd.#	Malaysia	50.00	40.00	Manufacture and sale of doors units
Aino Tech Middle East FZCO	United Arab Emirates	40.00	—	Sales and distribution of kitchen products

* Held by the Company
\# Jointly-controlled entity

Summary of financial information on associates and jointly-controlled entity:

	Revenue (100%)	(Loss)/Profit (100%)	Total assets (100%)	Total liabilities (100%)
	RM'000	*RM'000*	*RM'000*	*RM'000*
2009	678,691	(1,422)	1,354,851	418,393
2008	834,819	125,099	1,404,627	390,305

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group 2009 *RM'000*	2008 *RM'000*
Deferred tax liabilities	243,715	277,103
Deferred tax assets	(200)	(12,588)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

Unrecognised deferred tax assets

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

	Group 2009 *RM'000*	2008 *RM'000*
Deductible temporary differences	(1,052)	(1,057)
Unabsorbed capital allowances	(68,838)	(3,487)
Unutilised tax losses	(325,227)	(249,698)
	(395,117)	(254,242)
Effect of foreign exchange on unutilised tax losses of a foreign subsidiary	(25,832)	(48,152)
	(420,949)	(302,394)

Movement in temporary differences during the year are as follows:

	At 1 July 2007 *RM'000*	Charged/ (Credited) to Income Statement *(Note 21)* *RM'000*	Exchange differences *RM'000*	At 30 June 2008 *RM'000*	Charged/ (Credited) to Income Statement *(Note 21)* *RM'000*	Exchange differences *RM'000*	At 30 June 2009 *RM'000*
Group							
Property, plant and equipment	59,480	(5,577)	—	53,903	13,313	—	67,216
Forest assets	268,494	(23,000)	(16,871)	228,623	—	(20,797)	207,826
Timber concession	14,102	(3,332)	—	10,770	(1,587)	—	9,183
Unabsorbed capital allowances	(12,873)	(14,279)	—	(27,152)	(12,584)	—	(39,736)
Unutilised tax losses	(1,761)	139	—	(1,622)	655	—	(967)
Provisions	(7)	—	—	(7)	—	—	(7)
	327,435	(46,049)	(16,871)	264,515	(203)	(20,797)	243,515

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
		2009	2008	2009	2008
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Non-current					
Non-trade					
Subsidiaries	*a*	—	—	528,970	615,281
Current					
Trade					
Trade receivables	*b*	86,492	107,493	—	—
Less: Allowance for doubtful debts		(24,655)	(23,224)	—	—
		61,837	84,269	—	—
Amount due from related companies	*c*	295,701	364,899	—	—
		357,538	449,168	—	—
Non-trade					
Other receivables		5,696	7,202	525	—
Deposits		1,457	5,362	207	207
Prepayments		6,138	6,659	349	1,072
Amount due from related companies		14,800	28,097	165	—
Amount due from penultimate holding company	*d*	2,379	2,620	—	—
		30,470	49,940	1,246	1,279
		388,008	499,108	1,246	1,279

Note a

The amount due from subsidiaries comprise advances which are unsecured, interest free except for advances amounting to RM291,412,000 (2008: RM350,752,000) which bear interest at rates ranging from 2.09% to 3.61% (2008: 3.56% to 7.75%) and are not expected to be receivable within the next twelve months.

Note b

Trade receivables denominated in currencies other than Ringgit Malaysia comprise of the following:

	2009	2008
	RM'000	*RM'000*
US Dollar ("USD")	28,004	31,514
Japanese Yen ("JPY")	2,016	6,423
Singapore Dollar ("SGD")	—	16
New Zealand Dollar ("NZD")	2,110	1,405
	32,130	39,358

Included in trade receivables are amounts due from related parties amounting to RM7,467,000 (2008: RM14,314,000) and amount due from associates amounting to RM4,203,000 (2008: RM4,857,000). The trade receivables due from related parties and associates are subject to the normal trade terms.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Note c

The trade receivables due from related companies are subject to the normal trade terms.

Note d

Amounts due from penultimate holding company include advances which are unsecured, interest free and repayable on demand.

12. INVENTORIES

	Group	
	2009	2008
	RM'000	*RM'000*
Timber logs	54,739	49,832
Raw materials	933	1,861
Work-in-progress	30,554	41,624
Manufactured inventories	38,994	47,806
Stores and consumables	74,964	83,314
	200,184	224,437

The write down of inventories to net realisable value amounting to RM4,974,000 (2008: Nil) and is included in cost of sales.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	2009	2008
	RM'000	*RM'000*	*RM'000*	*RM'000*
Deposits with licensed banks	104,767	29,178	68,000	5,000
Cash and bank balances	26,229	97,525	57	34,277
	130,996	126,703	68,057	39,277

Deposits with licensed banks of the Group amounting to RM36,398,000 (2008: RM23,781,000) have been pledged as security for bank borrowings (Note 17). Deposits with the licensed bank of the Group and Company amounting to RM68,000,000 have been pledged to the bank for the early settlement of borrowings.

14. SHARE CAPITAL

	Group and Company			
	2009		2008	
	Amount	Number of shares	Amount	Number of shares
	RM'000	*'000*	*RM'000*	*'000*
Ordinary shares of RM0.50 each				
Authorised	500,000	1,000,000	500,000	1,000,000
Issued and fully paid				
As at 1 July/30 June	329,815	659,630	329,815	659,630

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

15. RESERVES

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-distributable				
Share premium	130,089	130,089	130,089	130,089
Exchange reserve	161,756	230,109	—	—
Fair valuation reserve	64,535	64,535	—	—
	356,380	424,733	130,089	130,089
Distributable				
Retained profits	837,423	931,569	354,766	360,296
	1,193,803	1,356,302	484,855	490,385

Exchange reserve

Exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair valuation reserve

This is the Group share of the write up to fair values of the net assets of a subsidiary sold to an associate as well as the net assets of two subsidiaries acquired from an associate attributable to the Group's interest in the associate.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank approximately RM186,685,000 (2008: RM195,379,000) of its retained profits at 30 June 2009 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

16. PAYABLES AND ACCRUALS

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-current					
Non-trade					
Subsidiaries	*a*	—	—	261,121	272,196
Current					
Trade					
Trade payables	*b*	135,856	159,189	—	—
Amount due to related companies	*c*	49,762	85,996	—	—
		185,618	245,185	—	—
Non-trade					
Other payables		19,811	21,502	157	158
Accrued expenses		47,805	50,425	2,946	2,780
Amount due to associates	*d*	33,750	33,084	31,997	27,163
		286,984	350,196	35,100	30,101

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

16. PAYABLES AND ACCRUALS *(Continued)*

Note a

The amount due to subsidiaries comprises advances which are unsecured, interest free and are not expected to be repayable within the next twelve months.

Note b

Trade payables denominated in currencies other than Ringgit Malaysia comprise of the following:

	2009	2008
	RM'000	*RM'000*
US Dollar ("USD")	—	3,890
New Zealand Dollar ("NZD")	7,357	972
	7,357	4,862

Included in trade payables are amounts due to related parties amounting to RM596,000 (2008: RM1,229,000). The trade balances due to related parties are subject to the normal trade terms.

Note c

The amount due to related companies is subject to the normal trade terms.

Note d

The amount due to associates include advances amounting to RM31,997,000 (2008: RM27,167,000) which are unsecured, interest free and repayable on demand.

17. BORROWINGS

		Group		Company	
		2009	2008	2009	2008
		RM'000	*RM'000*	*RM'000*	*RM'000*
Non-current					
Term loans	— secured	270,529	265,633	—	—
	— unsecured	283,388	302,471	253,923	287,633
Finance lease liabilities	— secured	40,961	62,749	—	—
		594,878	630,853	253,923	287,633
Current					
Overdrafts	— unsecured	41,426	28,868	17,147	—
Bankers' acceptances	— unsecured	25,765	32,673	—	—
	— secured	—	1,671	—	—
Revolving credit	— unsecured	62,000	94,500	30,000	60,000
Term loans	— secured	4,743	1,901	—	—
	— unsecured	42,498	40,296	33,710	33,682
Finance lease liabilities	— secured	33,423	35,474	—	—
		209,855	235,383	80,857	93,682
		804,733	866,236	334,780	381,315

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17. BORROWINGS *(Continued)*

Bankers' acceptances are secured by way of a charge over the freehold land and certain plant and machinery of a subsidiary (Note 3).

Bank overdrafts bear interest at 6.55% to 8.25% (2008: 7.50% to 8.25%) per annum. Bankers' acceptances are discounted at 2.10% to 5.00% (2008: 3.63% to 5.03%) per annum. Revolving credit bears interest at 2.98% to 6.05% (2008: 4.10% to 7.75%) per annum. Finance lease liabilities bear fixed interest rates ranging from 2.78% to 4.15% (2008: 2.95% to 4.25%) per annum.

The details of the outstanding secured term loans of the Group as at 30 June 2009 are as follows:

Outstanding balances at 30 June 2009	Repayment terms	Securities	Interest
USD46.8 million and NZD30.5 million equivalent to RM164.8 million and RM69.7 million (2008: USD46.8 million and NZD30.2 million equivalent to RM152.9 million and RM75.2 million) respectively and accrued interest of NZD17.8 million equivalent to RM40.7 million (2008: NZD15.8 million equivalent to RM39.4 million).	Fixed semi annual instalments commencing 30 June 2010 and a bullet repayment of NZD24.0 million and USD43.0 million respectively on 31 December 2014.	Mortgage over all interests in forest crop and land of the subsidiary and a fixed and floating charge over all assets of the subsidiary and its subsidiaries as well as all ordinary shares of the subsidiary (Note 4).	USD LIBOR + (1.35%–1.55%) and Bill rate NZD + (1.35%–1.55%) (2008: USD LIBOR + (1.35%–1.55%) and Bill rate NZD + (1.35%–1.55%)) per annum.

Significant covenants for the secured term loans of a subsidiary are as follows:

(i) Interest coverage ratio of that subsidiary shall not less than 1.3 times at all times.

The details of the outstanding unsecured term loans of the Group and of the Company as at 30 June 2009 are as follows:

Group

Outstanding balance at 30 June 2009	Repayment terms	Interest
RM325.8 million (2008: RM342.7 million)	Fixed instalments with maturity ranging between 2010 to 2016	3.35% to 8.00% (2008: 4.90% to 8.00% per annum)

Company

Outstanding balance at 30 June 2009	Repayment terms	Interest
RM287.6 million (2008: RM321.3 million)	Fixed instalments with maturity ranging between 2013 to 2014	3.35% to 6.75% (2008: 4.90% to 6.75% per annum)

Significant covenants for the unsecured term loans of the Company are as follows:

(i) Gearing ratio of the Group shall not exceed 0.9 times during each of the financial years ending on 30 June; and

(ii) Interest coverage ratio of the Group shall equal or exceed 1.5 times at all times.

There are no significant covenants for the unsecured term loans of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17. BORROWINGS *(Continued)*

Debt repayment schedule

		Total	Under 1 year	1–2 years	2–5 years	More than 5 years
		RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
2009						
Group						
Overdrafts	— unsecured	41,426	41,426	—	—	—
Bankers' acceptances	— unsecured	25,765	25,765	—	—	—
Revolving credit	— unsecured	62,000	62,000	—	—	—
Term loans	— unsecured	325,886	42,498	41,999	162,397	78,992
	— secured	275,272	4,743	20,417	44,725	205,387
Finance lease liabilities	— secured	74,384	33,423	22,752	18,209	—
		804,733	209,855	85,168	225,331	284,379
Company						
Overdrafts	— unsecured	17,147	17,147	—	—	—
Revolving credit	— unsecured	30,000	30,000	—	—	—
Term loans	— unsecured	287,633	33,710	33,708	142,291	77,924
		334,780	80,857	33,708	142,291	77,924
2008						
Group						
Overdrafts	— unsecured	28,868	28,868	—	—	—
Bankers' acceptances	— unsecured	32,673	32,673	—	—	—
	— secured	1,671	1,671	—	—	—
Revolving credit	— unsecured	94,500	94,500	—	—	—
Term loans	— unsecured	342,767	40,296	38,439	151,697	112,335
	— secured	267,534	1,901	2,325	49,293	214,015
Finance lease liabilities	— secured	98,223	35,474	30,705	32,044	—
		866,236	235,383	71,469	233,034	326,350
Company						
Revolving credit	— unsecured	60,000	60,000	—	—	—
Term loans	— unsecured	321,315	33,682	33,710	144,196	109,727
		381,315	93,682	33,710	144,196	109,727

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Gross 2009	Interest 2009	Principal 2009	Gross 2008	Interest 2008	Principal 2008
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Less than one year	36,906	3,483	33,423	40,735	5,261	35,474
Between one and five years	43,287	2,326	40,961	67,112	4,363	62,749
	80,193	5,809	74,384	107,847	9,624	98,223

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

18. RESULTS FROM OPERATING ACTIVITIES

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue					
— sale of goods		944,605	1,109,122	—	—
— trading and services		347,968	379,433	359	360
— gross dividend income		—	—	21,228	29,200
— rental income from investment properties		219	808	165	165
		1,292,792	1,489,363	21,752	29,725
Cost of sales		(1,246,214)	(1,375,538)	—	—
Gross profit		46,578	113,825	21,752	29,725
Other income		10,954	7,922	—	—
Distribution costs		(14,033)	(12,603)	—	—
Administration expenses		(50,613)	(36,357)	(4,236)	(9,454)
Other expenses		(313)	(561)	—	—
Results from operating activities		(7,427)	72,226	17,516	20,271
Results from operating activity is arrived at after crediting:					
Gain on disposal of property, plant and equipment		729	302	—	—
Gross dividend income from subsidiaries		—	—	21,000	28,000
Gross dividend income from unquoted shares		—	—	228	1,200
Rental income					
— equipment		240	1,634	—	—
— properties	7	1,280	2,004	165	165
— others		553	703	—	—

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

18. RESULTS FROM OPERATING ACTIVITIES *(Continued)*

		Group		Company	
		2009	2008	2009	2008
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
and after charging:					
Allowance for doubtful debts					
— trade and other receivables		4,076	3,429	—	—
— subsidiary		—	—	—	4,843
Amortisation of timber concession	*5*	6,535	6,535	—	—
Amortisation of prepaid lease payments	*6*	1,228	1,242	—	—
Auditors' remuneration					
— audit fees		596	570	75	75
— other service fees		1,093	336	841	102
Bad debts written off		22	—	—	—
Depletion of forest crops	*4*	32,040	11,073	—	—
Depreciation of investment properties	*7*	444	491	47	47
Depreciation of property, plant and equipment	*3*	92,689	93,591	110	110
Property, plant and equipment written off		100	68	—	—
Impairment loss on property, plant and equipment		120	—	—	—
Investment property written off		5,172	—	—	—
Personnel expenses (including key management personnel):					
— contributions to Employees Provident Fund		6,199	5,835	186	174
— wages, salaries and others		112,663	117,879	1,581	2,260
Rental charges					
— equipment		1,658	2,684	—	—
— premises		2,887	2,349	294	294
— logging roads, land and log pond		1,144	523	—	—

19. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2009	2008	2009	2008
	RM'000	*RM'000*	*RM'000*	*RM'000*
Directors				
— fees	325	325	325	325
— remuneration	829	992	829	992
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	90	89	90	89
Total short-term employee benefits	1,244	1,406	1,244	1,406
Other key management personnel:				
— short-term employee benefits	3,540	4,170	528	581
	4,784	5,576	1,772	1,987

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

19. KEY MANAGEMENT PERSONNEL COMPENSATION *(Continued)*

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

20. FINANCING COSTS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Interest payable				
— term loans	38,282	31,400	18,002	10,458
— revolving credit	3,798	4,337	2,187	1,447
— overdrafts	1,659	3,006	534	778
— finance leases	5,353	6,417	—	—
— bankers' acceptances	723	1,521	—	—
— bonds	—	10,445	—	10,445
— others	433	478	—	185
	50,248	57,604	20,723	23,313
Realised foreign exchange (gains)/losses	(5,899)	1,082	—	—
	44,349	58,686	20,723	23,313
Unrealised foreign exchange losses	25,047	1,647	—	—
	69,396	60,333	20,723	23,313

21. TAXATION

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Current tax expense				
Malaysian				
— current	8,809	17,551	1,641	3,960
— prior year	(79)	(1,380)	174	437
	8,730	16,171	1,815	4,397
Deferred tax expense				
Origination and reversal of temporary differences				
— current	(10,090)	(17,571)	—	—
— prior year	(2,443)	(3,027)	—	—
Reversal of deferred tax assets recognised in prior year	12,330	—	—	—
Effect of changes in tax rate	—	(25,451)	—	—
	(203)	(46,049)	—	—
	8,527	(29,878)	1,815	4,397
Share of tax of equity accounted associates	1,739	10,192	—	—
	10,266	(19,686)	1,815	4,397

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

21. TAXATION *(Continued)*

	Group		Company	
	2009	2008	2009	2008
	RM'000	*RM'000*	*RM'000*	*RM'000*
Reconciliation of tax expense				
(Loss)/Profit before taxation	(75,725)	53,417	6,179	10,970
Tax at Malaysian tax rate of 25% (2008: 26%)	(18,931)	13,888	1,545	2,852
Non-deductible expenses	6,911	5,707	397	1,559
Double-deduction of expenses	(9,980)	(17,147)	—	—
Reversal of deferred tax assets recognised in prior year	12,330	—	—	—
Current year losses for which no deferred tax asset was recognised	18,882	8,054	—	—
Other unrecognised temporary differences	4,007	32	—	—
Non-taxable income	(57)	(402)	(57)	(312)
Utilisation of unrecognised deferred tax assets	—	(150)	—	—
Effect of changes in tax rate*	—	(25,451)	—	—
Other items	(374)	190	(244)	(139)
	12,788	(15,279)	1,641	3,960
(Over)/Under provision of current tax in prior years	(79)	(1,380)	174	437
Over provision of deferred tax in prior years	(2,443)	(3,027)	—	—
Tax expense/(credit)	10,266	(19,686)	1,815	4,397

* The corporate tax rates are 26% for the year of assessment 2008, 25% for year of assessment 2009 and the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 30% (2008: 33%). No provision for New Zealand income tax has been made as the subsidiaries did not have assessable profits subject to New Zealand income tax during the years ended 2009 and 2008.

22. EARNINGS PER ORDINARY SHARE — GROUP

The calculation of basic earnings per share is based on the net loss attributable to shareholders of RM84,252,000 (2008: net profit: RM83,295,000) and the number of ordinary shares outstanding as at 30 June 2009 of 659,630,441 (2008: 659,630,441).

23. DIVIDEND

Dividends recognised in the current and prior years by the Company are:

2009	Sen per share (net of tax)	Total amount *RM'000*	Date of payment
Final 2008 ordinary	1.50	9,894	11 December 2008
Total amount		9,894	

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

23. DIVIDEND *(Continued)*

Dividends recognised in the current and prior years by the Company are:

2008	Sen per share (net of tax)	Total amount *RM'000*	Date of payment
Final 2007 ordinary	2.92	19,261	11 December 2007
Total amount		19,261	

After the balance sheet date, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share (net of tax)	Total amount *RM'000*
Final ordinary	0.75	4,947
Total amount		4,947

24. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Logs	The sale of timber logs from concession and forest plantation area.
Plywood and veneer	The manufacture and sale of plywood and veneer.
Upstream support	The provision of supporting services such as tree-felling and barging.
Other timber operations	The manufacture and sale of timber related products such as doorskin, housing products and sawn timber.
Plantation	Operation of oil palm plantations and oil mills derived from the Group's investment in an associate.
Other operations	Other operations include the manufacture and sale of granite aggregates, rubber compound and glue, logistic services, power generating facilities, property investment and investment companies.

Geographical segments

The logs segment is also operated in another principal geographical area in New Zealand. The other segments are operated in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets are based on the geographical location of assets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

24. SEGMENTAL REPORTING *(Continued)*

2009	Logs *RM'000*	Plywood and veneer *RM'000*	Upstream support *RM'000*	Other timber operations *RM'000*	Plantation *RM'000*	Other operations *RM'000*	Eliminations *RM'000*	Consolidated *RM'000*
Business segments								
Revenue from external customers	331,189	588,369	339,463	3,106	—	30,665	—	1,292,792
Inter-segment revenue	81,711	38,753	194,644	—	—	8,319	(323,427)	—
Total revenue	412,900	627,122	534,107	3,106	—	38,984	(323,427)	1,292,792
Segment result	45,932	(31,101)	(13,588)	(4,442)	—	(4,228)	—	(7,427)
Financing cost								(69,396)
Interest income								222
Share of profit after tax and minority interest of equity accounted associates	—	—	—	(6,283)	12,088	(4,929)	—	876
Loss before taxation								(75,725)
Taxation								(8,527)
Loss for the year								(84,252)

2008	Logs *RM'000*	Plywood and veneer *RM'000*	Upstream support *RM'000*	Other timber operations *RM'000*	Plantation *RM'000*	Other operations *RM'000*	Eliminations *RM'000*	Consolidated *RM'000*
Business segments								
Revenue from external customers	332,126	752,520	369,471	2,568	—	32,678	—	1,489,363
Inter-segment revenue	98,298	37,470	254,355	—	—	8,734	(398,857)	—
Total revenue	430,424	789,990	623,826	2,568	—	41,412	(398,857)	1,489,363
Segment result	47,461	25,650	553	(2,242)	—	804	—	72,226
Financing cost								(60,333)
Interest income								435
Share of profit after tax and minority interest of equity accounted associates	—	—	—	4,504	34,795	1,790	—	41,089
Profit before taxation								53,417
Taxation								29,878
Profit for the year								83,295

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

24. SEGMENTAL REPORTING *(Continued)*

2009	Logs	Plywood and veneer	Upstream support	Other timber operations	Plantation	Other operation	Consolidated
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Segment assets	1,298,185	701,493	411,750	5,242	—	89,635	2,506,305
Investment in associates	—	—	—	65,265	160,895	24,108	250,268
Unallocated assets							105,500
Total assets							2,862,073
Segment liabilities	(20,547)	(86,030)	(131,215)	(3,919)	—	(45,273)	(286,984)
Unallocated liabilities							(1,051,471)
Total liabilities							(1,338,455)
Capital expenditure	27,160	19,757	9,304	470	—	24,571	81,262
Depreciation and amortisation	(21,772)	(39,876)	(33,359)	(399)	—	(5,490)	(100,896)
Non-cash expenses other than depreciation and amortisation	(32,243)	(2,688)	(4,913)	(58)	—	(6,602)	(46,504)

2008	Logs	Plywood and veneer	Upstream support	Other timber operations	Plantation	Other operation	Consolidated
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Segment assets	1,425,978	776,587	545,732	4,666	—	83,220	2,836,183
Investment in associates	—	—	—	71,148	155,040	28,465	254,653
Unallocated assets							89,280
Total assets							3,180,116
Segment liabilities	(15,603)	(120,956)	(171,638)	(3,028)	—	(38,971)	(350,196)
Unallocated liabilities							(1,143,803)
Total liabilities							(1,493,999)
Capital expenditure	26,401	58,287	15,062	1,148	—	868	101,766
Depreciation and amortisation	(21,934)	(38,695)	(35,476)	(251)	—	(5,503)	(101,859)
Non-cash expenses other than depreciation and amortisation	(11,073)	—	(3,429)	—	—	—	(14,502)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

24. SEGMENTAL REPORTING *(Continued)*

Geographical segments *(Continued)*

	Malaysia	China	Japan	Korea	North America	India	Europe	Others	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
2009									
Revenue from external customers	482,473	151,065	274,978	131,109	9,590	75,990	42,201	125,386	1,292,792
2008									
Revenue from external customers	530,177	177,095	331,716	108,920	58,794	67,658	69,176	145,827	1,489,363

Geographical segments	Malaysia 2009	Malaysia 2008	New Zealand 2009	New Zealand 2008	Consolidated 2009	Consolidated 2008
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Segment assets by location of assets	1,673,973	1,875,090	1,188,100	1,305,026	2,862,073	3,180,116
Capital expenditure by location of assets	56,945	80,912	24,317	20,854	81,262	101,766

25. COMMITMENTS

	Group 2009	Group 2008	Company 2009	Company 2008
	RM'000	*RM'000*	*RM'000*	*RM'000*
Capital commitments:				
Property, plant and equipment				
Authorised but not contracted for	46,907	114,543	166	158
Contracted but not provided for	4,993	—	—	—
Investment property				
Contracted but not provided for	13,973	—	—	—

26. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group 2009	Group 2008	Company 2009	Company 2008
	RM'000	*RM'000*	*RM'000*	*RM'000*
Less than one year	2,587	2,275	221	294
Between one and five years	3,396	1,401	—	221
	5,983	3,676	221	515

The Group leases properties under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. OPERATING LEASES *(Continued)*

Leases as lessor

The Group leases out its investment property under operating leases (see Note 7). The future minimum lease payments under non-cancellable leases are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Less than one year	269	248	165	123
Between one and five years	170	57	123	—
	439	305	288	123

27. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

Details of the related party relationships, which are having related party transactions with the Group are as follows:

(a) Yaw Holding Sdn. Bhd. ("Yaw Holding"), its subsidiaries and associates ("Yaw Holding Group" or "companies of Yaw Holding Group") and Samling Global, its subsidiaries and associates ("Samling Global Group" or "companies of Samling Global Group")

Yaw Holding is a major shareholder of Samling Strategic Corporation Sdn. Bhd. ("Samling Strategic") (direct interest of 100%) and is deemed a major shareholder of Samling Global Limited ("Samling Global") (indirect interest of 53.94%) by virtue of its substantial shareholding through Samling Strategic.

Samling Global is a major shareholder of the Company (indirect interest of 59.69%) by virtue of its substantial shareholding through Samling Malaysia Inc.

Datuk Yaw Teck Seng and Yaw Chee Ming are both deemed major shareholders of the Company by virtue of their substantial shareholdings through Yaw Holding, Samling Strategic in Samling Global and through Plieran Sdn. Bhd. (indirect interest of 60.57% collectively).

Yaw Chee Ming is the common Director of the Company and its holding companies. He is also a Director in certain subsidiaries of the Company and certain companies of Yaw Holding Group and Samling Global Group. He has indirect equity interest in its intermediate holding company of 2,340,420,260 ordinary shares of USD0.10 each.

Yaw Chee Chik, a Director of Yaw Holding, is also a Director in certain subsidiaries of the Company and certain companies of Yaw Holding Group and Samling Global Group.

Datuk Yaw Teck Seng is the father of Yaw Chee Ming and Yaw Chee Chik. Hence, Datuk Yaw Teck Seng, Yaw Chee Ming and Yaw Chee Chik are persons connected to each other.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

27. RELATED PARTIES *(Continued)*

(a) Yaw Holding Sdn. Bhd. ("Yaw Holding"), its subsidiaries and associates ("Yaw Holding Group" or "companies of Yaw Holding Group") and Samling Global, its subsidiaries and associates ("Samling Global Group" or "companies of Samling Global Group") *(Continued)*

Chan Hua Eng is the common Chairman of the Company and its intermediate holding company. He has a direct and indirect equity interests in the Company of 58,333 and 4,236,290 ordinary shares of RM0.50 each respectively. He also has an indirect equity interest in its intermediate holding company of 4,000,000 ordinary shares of USD0.10 each.

Cheam Dow Toon is the common Director of the Company and its intermediate holding company. He is also a Director in certain subsidiaries of the Company. He owns 29,030 ordinary shares of RM0.50 each in the Company and 2,104,000 ordinary shares of USD0.10 each in its intermediate holding company.

Tan Seng Hock is a Director of certain subsidiaries of the Company and certain companies of Samling Global Group.

(b) 3D Networks Sdn. Bhd. ("3D Networks")

Yaw Chee Ming, a Director of 3D Networks, is deemed a major shareholder of 3D Networks by virtue of his substantial shareholding in Planet One Pte. Ltd. (direct and indirect interests of 15.06% and 84.94% respectively). Yaw Chee Siew, another Director of 3D Networks, is the brother of Yaw Chee Ming. Hence, Yaw Chee Siew and Yaw Chee Ming are persons connected to each other.

(c) Glenealy Plantations (Malaya) Berhad ("Glenealy") and its subsidiaries ("Glenealy Group")

Yaw Chee Ming is the Managing Director of Glenealy. Datuk Yaw Teck Seng and Yaw Chee Ming are deemed major shareholders of Glenealy (respective indirect interests of 51.77%) by virtue of their substantial shareholdings through Yaw Holding in Samling Strategic and Alpenview Sdn. Bhd. ("Alpenview"). Yaw Holding (indirect interest of 51.77%), Samling Strategic (direct and indirect interests of 6.59% and 45.18% respectively) and Alpenview (direct interest of 36.42%) are major shareholders of Glenealy.

Chan Hua Eng is the common Chairman of the Company and Glenealy. He has an indirect equity interest in Glenealy of 131,900 ordinary shares of RM1.00 each.

Cheam Dow Toon is the common Director of the Company and Glenealy. He also owns 14,000 ordinary shares of RM1.00 each in Glenealy.

Hiew Chung Chin owns 100,000 ordinary shares of RM1.00 each in Glenealy. He has a direct equity interest in the Company of 391,000 ordinary shares of RM0.50 each. Hiew Chung Chin is the brother of Datuk Yaw Teck Seng. Hence, Hiew Chung Chin and Datuk Yaw Teck Seng are deemed persons connected to each other.

(d) Sojitz Corporation ("Sojitz") and its subsidiaries

Sojitz is a major shareholder of the Company and Samling Housing Products Sdn. Bhd. (direct interest of 7.54% and indirect interest of 14.9% respectively).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

27. RELATED PARTIES *(Continued)*

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

	Group	
	2009	**2008**
	RM'000	*RM'000*
Agency commission payable:		
Samling Global Group	829	1,000
Purchase of property, plant and equipment:		
Samling Global Group	2,478	6,126
Disposal of property, plant and equipment:		
Samling Global Group	—	1,298
Hotel accommodation charges:		
Yaw Holding Group	114	128
Insurance premium receivable:		
Yaw Holding Group	270	314
Samling Global Group	5,363	5,001
Samling Global Group and Sojitz Group	353	337
Insurance premium payable:		
Sojitz Group	10	—
Lighterage income receivable:		
Samling Global Group	18,337	21,464
Timber logging contract fees payable:		
Samling Global Group	161,811	178,260
Timber logging contract fees receivable:		
Samling Global Group	142,470	106,643
Medical fees receivable:		
Samling Global Group	50	65
Samling Global Group and Sojitz Group	29	24
Purchase of air tickets:		
Yaw Holding Group	368	383
Purchase of fuel, spare parts and other materials:		
Yaw Holding Group	121	—
Samling Global Group	2,465	3,299
Samling Global Group and Sojitz Group	452	170
Purchase of timber logs and plywood:		
Samling Global Group	145,148	194,777

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

27. RELATED PARTIES *(Continued)*

	Group	
	2009	**2008**
	RM'000	*RM'000*
Plywood marketing fees payable:		
Samling Global Group	463	607
Sojitz Group	174	197
Rental of equipment/premises payable:		
Yaw Holding Group	1,419	1,307
Samling Global Group	1,084	2,044
Rental of equipment/premises receivable:		
Samling Global Group	741	1,838
Samling Global Group and Sojitz Group	541	525
3D Networks	165	164
Repair and reconditioning payable:		
Samling Global Group	4,593	7,026
Construction of roads and trucking income:		
Samling Global Group	1,855	3,270
Construction of roads and trucking expenses:		
Samling Global Group	8,857	10,914
Sale of timber logs and plywood:		
Yaw Holding Group	200	—
Samling Global Group	34,756	27,428
Sojitz Group	74,059	94,213
Samling Global Group and Sojitz Group	5,309	5,894
Sale of fuel, spare parts and other materials:		
Samling Global Group	162,981	217,009
Samling Global Group and Sojitz Group	212	209
Food, ration and consumable expenses:		
Yaw Holding Group	1	7

These transactions have been entered into on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

Other significant related party transactions

Other significant related party transactions, in respect of related parties as defined in FRS 124, *Related Parties* but are not regarded as related parties under Chapter 10 Para 10.08 of the Listing Requirements of Bursa Securities is with associates:

	Group	
	2009	**2008**
	RM'000	*RM'000*
Associate		
Purchase of glue	42,312	39,032

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

27. RELATED PARTIES *(Continued)*

Other significant related party transactions *(Continued)*

Significant transactions with subsidiaries, other than disclosed elsewhere in the financial statements, are as follows:

	Company	
	2009	**2008**
	RM'000	*RM'000*
Subsidiaries		
Management fees receivable	330	330
Interest receivable	9,274	13,709
Dividend receivable	21,000	28,000

28. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

(a) 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;

(b) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

(c) ensuring that credit risks on sales to customers on deferred terms are properly managed.

Action taken by management to address significant financial risks are reviewed and approved by the Board of Directors before implementation.

Credit risk

The Group's credit risk arises from sales made on deferred terms whilst the Company's credit risk arising from advances to its wholly owned subsidiaries. Credit risks and exposures are controlled and monitored on an on-going basis by setting appropriate credit limits and terms after credit evaluations have been performed on customers on a case-by-case basis. Appropriate approval limits are set at different level of credit limit and terms. In order to further minimise its exposure to credit risk, the Group, in some instances, requires Letters of Credits and Bank Guarantees from the customers.

As at balance sheet date, other than the amount due from related companies, constituting 80% (2008: 79%) of the Group and amount due from subsidiaries constituting 99% (2008: 99%) of the trade and other receivables of the Company, there were no other significant concentrations of credit risk. The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

Interest rate risk

The Group borrows both fixed and floating interest rate loans. Exposure to floating interest rate presents the Group with a certain element of risk when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are appropriately fixed when necessary.

Management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the market situation and the outlook prevailing then. In addition, interest rate swap has been entered for loans of USD46,800,000 and NZD24,400,000, and RM59,250,000 (2008: USD46,800,000, NZD24,400,000 and RM Nil) to ensure that the exposure to changes in interest rate are fixed for the respective tranches throughout the tenure of the loans with swap rates between 4.65% to 7.31% (2008: 5.83% to 7.31%) per annum respectively over the loan period. The Group's short term deposits are placed at fixed rates and management endeavours to obtain the best rate available in the market.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

28. FINANCIAL INSTRUMENTS *(Continued)*

Foreign currency exchange risk

The Group's main income from timber related business is mostly derived in US Dollar. The movements of US Dollar against Ringgit Malaysia will affect the revenue and costs of some production materials, spare parts and equipment purchases. The Group's exposure to currency risk results from transactions entered into by the Company and its subsidiaries in currencies other than Ringgit Malaysia. The Group primarily enters into forward foreign currency exchange contracts to limit the exposure on foreign currency trade receivables and payables.

The Group's investment in a New Zealand subsidiary, which is holding the forest assets, may also expose the Group to foreign currency exchange risk. Future sales derived from the forest assets are expected to be made in the international markets and generally would be denominated in US Dollar. The Group is exposed to a certain degree of risk resulting from the fluctuation in NZ Dollar against US Dollar.

Liquidity and cash flow risk

The Group maintains sufficient cash and bank funding lines to enable it to meet its short term and long term cash flow requirements. The Group's policy is to finance long term assets with long term funding and short term assets with short term funding. Short term bridging finance may be used when an urgent need arises to complete an acquisition of a long term asset. In such cases, action will be taken immediately after the completion of such acquisition to re-arrange the short term bridging finance into a longer term funding structure which matches the cash flows of the long term asset.

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 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.

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

Effective interest rates and repricing analysis

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

Group	*Note*	Average effective interest rate %	Total *RM'000*	Less than 1 year *RM'000*	1–2 years *RM'000*	2–3 years *RM'000*	3–4 years *RM'000*	4–5 years *RM'000*	More than 5 years *RM'000*
2009									
Fixed rate instruments									
Deposits with financial institutions	*13*	1.95–3.70	104,767	104,767	—	—	—	—	—
Unsecured term loans	*17*	4.65–6.75	235,133	24,710	24,707	34,230	41,759	31,803	77,924
Finance lease liabilities	*17*	5.49–7.88	74,384	33,423	22,752	18,209	—	—	—
Floating rate instruments									
Secured term loans	*17*	2.77–4.97	275,272	275,272	—	—	—	—	—
Unsecured term loans	*17*	3.35–6.80	90,753	90,753	—	—	—	—	—
Unsecured overdrafts	*17*	6.55–8.25	41,426	41,426	—	—	—	—	—
Unsecured bankers' acceptances	*17*	2.10–3.68	25,765	25,765	—	—	—	—	—
Unsecured revolving credits	*17*	3.02–5.25	62,000	62,000	—	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

28. FINANCIAL INSTRUMENTS *(Continued)*

Effective interest rates and repricing analysis *(Continued)*

Group	*Note*	Average effective interest rate *%*	Total *RM'000*	Less than 1 year *RM'000*	1–2 years *RM'000*	2–3 years *RM'000*	3–4 years *RM'000*	4–5 years *RM'000*	More than 5 years *RM'000*
2008									
Fixed rate instruments									
Deposits with financial institutions	*13*	3.38–4.82	29,178	29,178	—	—	—	—	—
Unsecured term loans	*17*	5.29–6.75	259,815	24,682	24,710	24,707	34,230	41,759	109,727
Finance lease liabilities	*17*	5.49–7.88	98,223	35,474	30,705	32,044	—	—	—
Floating rate instruments									
Secured term loans	*17*	6.01–10.11	267,534	267,534	—	—	—	—	—
Unsecured term loans	*17*	4.90–8.00	82,952	82,952	—	—	—	—	—
Unsecured overdrafts	*17*	7.00–8.25	28,868	28,868	—	—	—	—	—
Secured bankers' acceptances	*17*	4.59–5.03	1,671	1,671	—	—	—	—	—
Unsecured bankers' acceptances	*17*	3.63–4.75	32,673	32,673	—	—	—	—	—
Unsecured revolving credits	*17*	4.10–7.75	94,500	94,500	—	—	—	—	—

Company	*Note*	Average effective interest rate *%*	Total *RM'000*	Less than 1 year *RM'000*	1–2 years *RM'000*	2–3 years *RM'000*	3–4 years *RM'000*	4–5 years *RM'000*	More than 5 years *RM'000*
2009									
Fixed rate instruments									
Deposits with financial institutions	*13*	1.95–2.00	68,000	68,000	—	—	—	—	—
Unsecured term loans	*17*	4.65–6.75	235,133	24,710	24,707	34,230	41,759	31,803	77,924
Floating rate instruments									
Unsecured overdraft	*17*	6.55	17,147	17,147	—	—	—	—	—
Unsecured revolving credits	*17*	3.23–5.25	30,000	30,000	—	—	—	—	—
Unsecured term loans	*17*	3.35–5.05	52,500	52,500	—	—	—	—	—
Amounts due from subsidiaries	*11*	2.09–3.61	291,412	291,412	—	—	—	—	—
2008									
Fixed rate instruments									
Deposits with financial institutions	*13*	3.38	5,000	5,000	—	—	—	—	—
Unsecured term loans	*17*	5.29–6.75	259,815	24,682	24,710	24,707	34,230	41,759	109,727
Floating rate instruments									
Unsecured revolving credits	*17*	4.84–4.95	60,000	60,000	—	—	—	—	—
Unsecured term loans	*17*	4.90–5.10	61,500	61,500	—	—	—	—	—
Amounts due from subsidiaries	*11*	3.56–7.75	350,752	350,752	—	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

28. FINANCIAL INSTRUMENTS *(Continued)*

Fair values

Recognised financial instruments

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

It is not practical to estimate the fair value of the Company's investment in unquoted shares in an associate due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

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

	2009 Carrying amount *RM'000*	2009 Fair value *RM'000*	2008 Carrying amount *RM'000*	2008 Fair value *RM'000*
Group				
Financial liabilities				
Term loans	553,917	508,711	568,104	511,586
Company				
Financial asset				
Amounts due from subsidiaries	528,970	*	615,281	*
Financial liabilities				
Amounts due to subsidiaries	261,121	*	272,196	*
Term loans	253,923	208,717	287,633	231,115

* In respect of amount due to and from subsidiaries which are accounted for as long term financial liability, it is not practicable to estimate the fair value of the payables as they are repayable after twelve months but without fixed repayment date. The Directors do not anticipate that the carrying amount at the balance sheet date to be significantly different from the value that would eventually be settled.

Unrecognised financial instruments

Financial derivative instruments are used to hedge foreign exchange and interest rate risks associated with certain sale and purchase transactions and certain long term foreign currency borrowings. The contracted principal amounts of the derivatives and the corresponding fair value adjustments not recognised in the balance sheet as at 30 June are analysed below:

	Contracted amount *RM'000*	Fair value favourable/ (unfavourable) *RM'000*
Group		
2009		
Forward foreign exchange sales contracts	5,857	1,196
Interest rate swap agreements	412,933	(23,375)
2008		
Forward foreign exchange sales contracts	5,304	(81)
Interest rate swap agreements	341,340	(8,330)
Company		
2009		
Interest rate swap agreements	52,500	(2,167)

1. FINANCIAL SUMMARY

The following summary financial information of the Glenealy Group for each of the three years ended 30 June 2009, 2010 and 2011 is extracted from the audited consolidated financial statements of the Glenealy Group as set forth in the annual reports of Glenealy for the three years ended 30 June 2009, 2010 and 2011. The unaudited summary financial information for the six months ended 31 December 2010 and 2011 is extracted from the unaudited condensed consolidated interim financial information of the Glenealy Group for the six months ended 31 December 2011.

Statements of Comprehensive Income

	For the six months ended 31 December		For the year ended 30 June		
	2011	**2010**	**2011**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
	(unaudited)	*(unaudited)*			
Revenue	142,297	112,670	258,662	189,534	175,788
Cost of sales	(74,866)	(56,981)	(122,672)	(123,378)	(116,532)
Gross profit	67,431	55,689	135,990	66,156	59,256
Other operating income	2,556	1,701	4,569	3,093	5,658
Selling and distribution costs	(2,720)	(2,212)	(4,763)	(4,938)	(4,190)
Administrative expenses	(6,794)	(5,417)	(11,701)	(10,773)	(9,527)
Other operating expenses	(1,289)	284	(5,161)	(1,769)	(3,143)
Share of results of an associate	—	(23)	(23)	(753)	(963)
Profit before tax	59,184	50,022	118,911	51,016	47,091
Tax expense	(15,699)	(13,058)	(32,223)	(13,670)	(4,466)
Net profit for the period/year	43,485	36,964	86,688	37,346	42,625
Profit attributable to:					
Owners of the parent	36,152	29,759	71,308	29,759	33,187
Non-controlling interests	7,333	7,205	15,380	7,587	9,438
Net profit for the period/year	43,485	36,964	86,688	37,346	42,625
Earnings per ordinary share attributable to equity holders of Glenealy *(sen)*	31.69	26.08	62.50	26.08	29.09
Dividend per share in respect of the period/year *(sen)*	—	—	15.0	10.0	10.0

Statements of Financial Position

	As at 31 December 2011 RM'000 (unaudited)	As at 30 June 2011 RM'000	As at 30 June 2010 RM'000	As at 30 June 2009 RM'000
Non-Current Assets				
Property, plant and equipment	241,230	231,312	225,726	206,501
Prepaid lease payments	50,310	49,609	48,780	48,238
Biological assets	297,717	283,508	260,098	237,314
Investment in an associate	0	0	23	777
Long term investments	0	0	957	957
Available-for-sale financial assets	2,039	2,591	0	0
	591,296	567,020	535,584	493,787
Current Assets				
Inventories	18,432	17,209	9,863	10,358
Receivables	33,735	36,949	21,620	15,131
Amount due from an associate	—	811	3,341	2,106
Tax recoverable	2,933	4,260	7,508	8,014
Deposits, cash and bank balances	166,105	151,930	119,657	158,802
	221,205	211,159	161,989	194,411
Total Assets	812,501	778,179	697,573	688,198
Capital and Reserves				
Equity Attributable to Owners of the Parent				
Share capital	115,362	115,362	115,362	115,362
Reserves	490,511	467,921	404,235	382,412
	605,873	583,283	519,597	497,774
Non-Controlling Interests	66,075	60,574	58,894	52,973
Total Equity	671,948	643,857	578,491	550,747
Current Liabilities				
Payables	30,713	32,709	33,718	53,614
Tax liabilities	9,441	7,050	1,033	2,576
	40,154	39,759	34,751	56,190
Non-Current Liabilities				
Deferred tax liabilities	100,399	94,563	84,331	81,261
	100,399	94,563	84,331	81,261
Total Liabilities	140,553	134,322	119,082	137,451
Total Equity and Liabilities	812,501	778,179	697,573	688,198

2. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

Set out below are the unaudited condensed consolidated interim financial statements of the Glenealy Group together with the notes thereto, and the text of a review report received from PwC Malaysia, the reporting accountant of Glenealy, for the six months ended 31 December 2011 for the purpose of incorporation in this document.

STATEMENT BY DIRECTORS

We, Chan Hua Eng and Yaw Chee Ming, being two of the Directors of Glenealy Plantations (Malaya) Berhad, state that, in the opinion of the Directors, the consolidated condensed interim financial information set out on pages III-5 to III-18 are drawn up so as to give true and fair view of the state of affairs of Glenealy Plantations (Malaya) Berhad as at 31 December 2011 and of the results and cash flows of Glenealy Plantations (Malaya) Berhad for the six months ended on that date in accordance with Financial Reporting Standards in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 30 April 2012.

CHAN HUA ENG
Director

YAW CHEE MING
Director

Kuala Lumpur

REPORT TO THE BOARD OF DIRECTORS OF GLENEALY PLANTATIONS (MALAYA) BERHAD

Report on the interim financial information

We have reviewed the accompanying consolidated condensed interim statement of financial position of Glenealy Plantations (Malaya) Berhad as of 31 December 2011 and the related consolidated condensed statements of comprehensive income, changes in equity and cash flows for the six months then ended as set out on pages III-5 to III-18. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with FRS 134 "Interim Financial Reporting". This consolidated condensed interim financial information is the ultimate responsibility of the Board of Directors. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with approved standard on review engagement in Malaysia ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. A review is substantially less in scope than an audit conducted in accordance with approved standards on auditing in Malaysia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. We advise that this review engagement will not satisfy any statutory or third party requirement for an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with FRS 134 "Interim Financial Reporting".

Limitation of this report

This report is intended solely for the consumption of the Board of Directors in connection with the proposed acquisition of Glenealy Plantations (Malaya) Berhad by Samling Global Limited and should not be used or relied upon for any other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of our report.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants
30 April 2012

Consolidated Condensed Statement of Comprehensive Income
For the 6 months ended 31 December 2011

		For the 6 months ended 31 December	
		2011	**2010**
		Unaudited	**Unaudited**
	Note	*RM'000*	*RM'000*
Revenue		142,297	112,670
Cost of sales		(74,866)	(56,981)
Gross profit		67,431	55,689
Other operating income		2,556	1,701
Selling and distribution costs		(2,720)	(2,212)
Administrative expenses		(6,794)	(5,417)
Other operating expenses		(1,289)	284
Share of results of an associate	5	0	(23)
Profit before tax		59,184	50,022
Tax expense	6	(15,699)	(13,058)
Net profit for the financial period		43,485	36,964
Other comprehensive income:			
Foreign currency translation differences of foreign subsidiaries		(174)	(1,342)
Fair value of available-for-sale financial assets		(552)	171
Other comprehensive loss for the period (net of tax)		(726)	(1,171)
Total comprehensive income for the financial period		42,759	35,793

Consolidated Condensed Statement of Comprehensive Income *(Continued)*
For the 6 months ended 31 December 2011

		For the 6 months ended 31 December	
		2011	**2010**
		Unaudited	**Unaudited**
	Note	*RM'000*	*RM'000*
Net profit attributable to:			
Equity holders of the Company		36,152	29,759
Non-controlling interests		7,333	7,205
Net profit for the period		43,485	36,964
Total comprehensive income attributable to:			
Equity holders of the Company		35,426	28,588
Non-controlling interests		7,333	7,205
Total comprehensive income for the period		42,759	35,793
Earnings per ordinary share attributable to equity holders of the Company (sen)	7	31.69	26.08

Consolidated Condensed Statement of Financial Position
As at 31 December 2011

	Note	As at 31 December 2011 Unaudited *RM'000*	As at 30 June 2011 Audited *RM'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		241,230	231,312
Prepaid lease payments		50,310	49,609
Biological assets		297,717	283,508
Investment in an associate	*5*	0	0
Available-for-sale financial assets		2,039	2,591
		591,296	567,020
CURRENT ASSETS			
Inventories		18,432	17,209
Receivables	*8*	33,735	36,949
Amount due from an associate		0	811
Tax recoverable		2,933	4,260
Deposits, cash and bank balances		166,105	151,930
		221,205	211,159
TOTAL ASSETS		812,501	778,179
CAPITAL AND RESERVES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		115,362	115,362
Reserves		490,511	467,921
		605,873	583,283
Non-controlling interests		66,075	60,574
TOTAL EQUITY		671,948	643,857

Consolidated Condensed Statement of Financial Position *(Continued)*
As at 31 December 2011

	Note	As at 31 December 2011 Unaudited RM'000	As at 30 June 2011 Audited RM'000
LIABILITIES			
CURRENT LIABILITIES			
Payables	9	30,713	32,709
Tax liabilities		9,441	7,050
		40,154	39,759
NON-CURRENT LIABILITIES			
Deferred tax liabilities		100,399	94,563
TOTAL LIABILITIES		140,553	134,322
TOTAL EQUITY AND LIABILITIES		812,501	778,179
NET CURRENT ASSETS		181,051	171,400
TOTAL ASSETS LESS CURRENT LIABILITIES		772,347	738,420

Consolidated Condensed Statement of Changes in Equity
For the 6 months ended 31 December 2011

Group	Issued and fully paid ordinary shares of RM1 each		Attributable to equity holders of the Company								
	Number of shares	Nominal value	Share premium	Treasury shares	Foreign exchange reserves	Other reserves	Fair value reserves	Retained earnings	Total	Non-controlling interests	Total equity
	'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
At 1 July 2011	115,362	115,362	2,818	(2,423)	(931)	163,840	1,634	302,983	583,283	60,574	643,857
Net profit for the period	0	0	0	0	0	0	0	36,152	36,152	7,333	43,485
Other comprehensive income:											
— Currency translation differences	0	0	0	0	(174)	0	0	0	(174)	0	(174)
— Available-for-sale financial assets	0	0	0	0	0	0	(552)	0	(552)	0	(552)
Total comprehensive income for the period	0	0	0	0	(174)	0	(552)	36,152	35,426	7,333	42,759
Transactions with owners:											
Dividends paid in respect of the financial year ended 30 June 2011:											
— final dividend	0	0	0	0	0	0	0	(12,836)	(12,836)	(1,832)	(14,668)
At 31 December 2011 (unaudited)	115,362	115,362	2,818	(2,423)	(1,105)	163,840	1,082	326,299	605,873	66,075	671,948

Consolidated Condensed Statement of Changes in Equity *(Continued)*
For the 6 months ended 31 December 2011

	Issued and fully paid ordinary shares of RM1 each		Attributable to equity holders of the Company								
Group	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Foreign exchange RM'000	Other reserves RM'000	Fair value reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2010	115,362	115,362	2,818	(2,423)	(232)	163,840	0	240,232	519,597	58,894	578,491
Effect of adopting FRS 139	0	0	0	0	0	0	1,331	0	1,331	0	1,331
As at 1 July 2010 (restated)	115,362	115,362	2,818	(2,423)	(232)	163,840	1,331	240,232	520,928	58,894	579,822
Net profit for the period	0	0	0	0	0	0	0	29,759	29,759	7,205	36,964
Other comprehensive income:											
— Currency translation differences	0	0	0	0	(1,342)	0	0	0	(1,342)	0	(1,342)
— Available-for-sale financial assets	0	0	0	0	0	0	171	0	171	0	171
Total comprehensive income for the period	0	0	0	0	(1,342)	0	171	29,759	28,588	7,205	35,793
Transactions with owners:											
Dividends paid in respect of the financial year ended 30 June 2010:											
— final dividend	0	0	0	0	0	0	0	(8,557)	(8,557)	(1,061)	(9,618)
Dividend paid by a subsidiary company for the financial year ended 30 June 2011:											
— interim dividend	0	0	0	0	0	0	0	0	0	(12,637)	(12,637)
At 31 December 2010 (unaudited)	115,362	115,362	2,818	(2,423)	(1,574)	163,840	1,502	261,434	540,959	52,401	593,360

Consolidated Condensed Statement of Cash Flows
For the 6 months ended 31 December 2011

	For the 6 months ended 31 December	
	2011	**2010**
	Unaudited	**Unaudited**
	RM'000	*RM'000*
OPERATING ACTIVITIES		
Net profit for the period	43,485	36,964
Adjustments for non cash items:		
Amortisation		
— biological assets	6,749	6,331
— prepaid lease payments	454	454
Depreciation of property, plant and equipment	12,344	11,380
Gain on disposal of property, plant and equipment	(5)	0
Write-off		
— biological assets	501	0
— property, plant and equipment	0	4
Share of associate's loss	0	23
Dividend income	(97)	(70)
Interest income	(2,524)	(1,546)
Tax expenses	15,699	13,058
	76,606	66,598
Changes in working capital:		
Inventories	(1,223)	(5,998)
Receivables	4,234	(5,580)
Payables	(1,996)	(1,568)
Net cash generated from operations	77,621	53,452
Tax paid	(6,145)	(3,862)
Net cash flow generated from operating activities	71,476	49,590

Consolidated Condensed Statement of Cash Flows *(Continued)*
For the 6 months ended 31 December 2011

		For the 6 months ended 31 December	
		2011	**2010**
		Unaudited	**Unaudited**
	Note	*RM'000*	*RM'000*
INVESTING ACTIVITIES			
Additions of property, plant and equipment		(23,419)	(10,095)
Additions of prepaid lease payments		(1,155)	(526)
Additions of biological assets		(20,302)	(20,316)
Interest received		2,315	1,546
Dividends received		97	70
Proceeds from disposal of property, plant, and equipment		5	0
Net cash used in investing activities		(42,459)	(29,321)
FINANCING ACTIVITIES			
Dividends paid:			
— shareholders		(12,836)	(8,557)
— non-controlling interests of a subsidiary		(1,832)	(13,698)
Net cash used in financing activities		(14,668)	(22,255)
NET CHANGE IN CASH AND CASH EQUIVALENTS		14,349	(1,986)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		148,093	118,061
FOREIGN EXCHANGE DIFFERENCES		(174)	(1,342)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	*10*	162,268	114,733
Restricted deposits	*10*	3,837	1,596
		166,105	116,329

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The consolidated condensed interim financial information for the 6 months ended 31 December 2011 and its comparative are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134, 'Interim Financial Reporting'. The consolidated condensed interim financial information should be read in conjunction with the statutory audited financial statements of the Glenealy Group for the financial year ended 30 June 2011 which is prepared in accordance with Financial Reporting Standards in Malaysia.

The audited report of the preceding annual financial statements for the financial year ended 30 June 2011 was not subject to any qualification.

The consolidated condensed interim financial information for the 6 months ended 31 December 2011 and its comparative have not been adjusted with the provisions of International Accounting Standard 41 "Agriculture".

2. ACCOUNTING POLICIES

The significant accounting policies adopted in the unaudited interim financial information are consistent with those adopted in the Glenealy Group's audited financial statements for the financial year ended 30 June 2011 except for the adoption of the following new and revised standards, amendments and interpretations that are effective for financial period from 1 July 2011:

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
    - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
    - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)
- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

The adoption of above standards amendments standards and IC interpretations do not have a material impact on the financial statements of the Glenealy Group.

3. SEGMENTAL INFORMATION

The chief operating decision maker has been identified as the Managing Director ("MD"). The MD reviews the Glenealy Group's internal reporting regularly, in order to assess performance and allocate resources. The Glenealy Group has determined the operating segments based on these reports.

The MD considers the business from a geographic perspective. Each geographical location comprises oil palm plantations and palm oil mills. The plantations and mills in each operating segment are considered as a single integrated business unit with its own business unit managers. The reportable segments are Sabah and Sarawak.

The MD assesses the performance of the operating segments based on profit from these operations. This measure excludes expenses that are managed on a central basis and the Glenealy Group's share of results in associates. The segment assets comprise of operating assets related to the plantation operations, principally property, plant and equipment, prepaid lease payments, biological assets and inventories. The other assets in the statement of financial position managed on a central basis are corporate property, plant and equipments, receivables, deposits and prepayments, tax recoverable and cash and cash equivalents. These other assets form part of the reconciliation to the total assets in the statement of financial position.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

3. SEGMENTAL INFORMATION *(Continued)*

	Sabah		Sarawak		Total	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	2011	2010	2011	2010	2011	2010
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
External revenue (unaudited)	70,646	62,724	71,554	49,876	142,200	112,600
Profit from operations (unaudited)	40,851	34,763	21,518	18,469	62,369	53,232
	As at 31 December 2011 (Unaudited)	As at 30 June 2011 (Audited)	As at 31 December 2011 (Unaudited)	As at 30 June 2011 (Audited)	As at 31 December 2011 (Unaudited)	As at 30 June 2011 (Audited)
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Total assets	168,409	175,027	411,850	389,357	580,259	564,384

Reportable segments' external revenue are reconciled to consolidated total revenue as follows:

	For the six months ended 31 December	
	(Unaudited) 2011	(Unaudited) 2010
	RM'000	*RM'000*
Total segment external revenue	142,200	112,600
Dividend income of non-reportable segment	97	70
Total consolidated revenue	142,297	112,670

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

3. SEGMENTAL INFORMATION *(Continued)*

A reconciliation of total profit from operations to total consolidated profit before taxation is provided as follows:

	For the six months ended 31 December 2011 (Unaudited) *RM'000*	2010 (Unaudited) *RM'000*
Profit from operations for reportable segments	62,369	53,232
Other non-reportable segments	(1,068)	(367)
Expenses managed on a central basis	(2,117)	(2,820)
Consolidated profit from operations	59,184	50,045
Share of loss after tax of associates	0	(23)
Consolidated profit before taxation	59,184	50,022

Reportable segments' assets are reconciled to consolidated total assets as follows:

	As at 31 December 2011 (Unaudited) *RM'000*	As at 30 June 2011 (Audited) *RM'000*
Total segment assets	580,259	564,384
Other non-reportable segment	26,323	23,567
Assets managed on a central basis	205,919	190,228
Total consolidated assets	812,501	778,179

4. SEASONALITY

Crop production is seasonal in nature. Production of Fresh Fruit Bunches ("FFB") normally peaks in the first half of the financial year and then declines to the second half of the financial year. This pattern can be affected by changes in weather conditions, such as El-Nino or La-Nina phenomena.

The prices for the Glenealy Group's products are not within the control of the Glenealy Group but are determined by the global supply and demand situation for edible oils.

5. CHANGES IN COMPOSITION OF THE GLENEALY GROUP

On 23 December 2011, the Glenealy Group's associated company, MG Biogreen Sdn Bhd was placed under receivership and, thus, its operations discontinued from that date. There was no disposal of subsidiaries within the Glenealy Group for the 6 months ended 31 December 2011.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
(Continued)

6. TAXATION

	For the 6 months ended 31 December	
	2011	**2010**
	(Unaudited)	**(Unaudited)**
	RM'000	*RM'000*
Malaysia income tax:		
Current financial year	9,863	9,417
Deferred taxation	5,836	3,761
	15,699	13,178
Under accrual in respect of prior financial years	0	(120)
	15,699	13,058

The Glenealy Group's taxation charge for the cumulative year to date was higher than the statutory tax rate due to certain expenses disallowed for tax purposes.

7. EARNINGS PER SHARE

Basic earnings per ordinary share and diluted earnings per share are calculated by dividing the net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the 6 months ended 31 December	
	2011	**2010**
	(Unaudited)	**(Unaudited)**
Net profit for the financial year attributable to equity holders of the Company (RM'000)	36,152	29,759
Weighted average number of ordinary shares ('000)	114,091	114,091
Basic earnings per share (RM)	31.69	26.08

The Company did not have any potential dilutive shares for the six months ended 31 December 2011. Accordingly, diluted earnings per share are the same as basic earnings per share.

8. RECEIVABLES

	As at 31 December 2011	**As at 30 June 2011**
	(Unaudited)	**(Audited)**
	RM'000	*RM'000*
Trade receivables	10,942	17,704
Other receivables, deposits and prepayments	22,793	19,245
	33,735	36,949

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION *(Continued)*

8. RECEIVABLES *(Continued)*

The ageing analysis of trade receivables based on due dates is as follows:

	As at 31 December 2011 (Unaudited) *RM'000*	As at 30 June 2011 (Audited) *RM'000*
Current	9,154	11,917
Less than 7 days past due	0	5,569
Between 7 and 14 days past due	1,784	218
Between 8 and 21 days past due	4	0
	10,942	17,704

9. PAYABLES

The maturity profile of the Glenealy Group's financial liabilities at 31 December 2011 based on undiscounted contractual payments:

	As at 31 December 2011 (Unaudited) *RM'000*	As at 30 June 2011 (Audited) *RM'000*
Less than 3 months		
Trade payables	19,315	23,122
Other payables	11,398	9,587
	30,713	32,709

10. CASH AND CASH EQUIVALENTS

	As at 31 December 2011 (Unaudited) *RM'000*	As at 30 June 2011 (Audited) *RM'000*
Less than 3 months		
Deposits with licensed banks	158,036	142,886
Cash and bank balances	8,069	9,044
	166,105	151,930
Less: restricted cash	(3,837)	(3,837)
Cash and cash equivalents	162,268	148,093

Restricted cash amounting to RM3,836,718 (30 June 2011: RM3,836,718) represent deposits pledged as security for bank guarantee facilities of the subsidiaries.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

(Continued)

11. CAPITAL COMMITMENTS

Commitments for the purchase of property, plant and equipment authorised but not contracted as at 31 December 2011 amounted to RM67,971,000 (30 June 2011: RM112,895,000).

12.. RELATED PARTY TRANSACTIONS

	For the 6 months ended 31 December	
	2011	**2010**
	(Unaudited)	**(Unaudited)**
	RM'000	*RM'000*
Premises rental charged by:		
— Yaw Holding Group Sdn. Bhd.	29	29
Hotel accommodation charged by:		
— Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd.	34	19
Purchase of air tickets from:		
— Yaw Holding Group Sdn. Bhd.	30	47
Transportation service charged by:		
— Yaw Holding Group Sdn. Bhd.	305	250

13. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2011 (for the six months ended 31 December 2010: Nil).

14. EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There have been no material events subsequent to 31 December 2011 that have not been reflected in the financial information.

15. SIGNIFICANT EVENT

The Board of Directors of Glenealy Plantations (Malaya) Berhad had on 20 January 2012 received a letter dated 20 January 2012 from Samling Strategic Corporation Sdn. Bhd. ("SSC") ("Approach Letter") which was addressed to Samling Global Limited ("SGL"). The Approach Letter sets out SSC's interest to pursue a proposed privatisation of SGL ("SGL Privatisation") by SSC and in turn, a proposed privatisation of Lingui Developments Berhad ("Lingui") ("Lingui Privatisation") and Glenealy by SGL ("Glenealy Privatisation") (to be collectively referred to as "Proposal").

The Proposal is subject to a number of matters being satisfied and there is no guarantee that the Approach Letter will lead to a formal offer being made by SSC for SGL. If proposed and implemented, the Lingui Privatisation and the Glenealy Privatisation will be conditional upon the completion of the SGL Privatisation.

On 22 March 2012, the Board has received a formal offer letter from SGL in respect of the Proposal.

16. APPROVAL OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

This consolidated condensed interim financial information has been approved for issue in accordance with a resolution of the Board of Directors dated 30 April 2012.

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Set out below are the audited financial statements of the Glenealy Group for the year ended 30 June 2011 together with the relevant notes thereto as extracted from the annual report of Glenealy for the year ended 30 June 2011.

All page references set out in this section refer to the corresponding pages of the annual report 2011 of Glenealy. The annual report 2011 of Glenealy is available free of charge, in read only, printable format on Glenealy Group's website *http://www.glenealy.com*.

In this section, "Company" shall be constructed as Glenealy and "Group" shall be constructed as Glenealy Group.

Statements of Comprehensive Income
For the financial year ended 30 June 2011

		Group		Company	
		2011	2010	2011	2010
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	*3*	258,662	189,534	5,141	5,969
Cost of sales		(122,672)	(123,378)	0	0
Gross profit		135,990	66,156	5,141	5,969
Other operating income		4,569	3,093	163	169
Selling and distribution costs		(4,763)	(4,938)	0	0
Administrative expenses		(11,701)	(10,773)	(2,557)	(2,405)
Other operating expenses		(5,161)	(1,769)	0	0
Share of results of an associate	*13*	(23)	(753)	0	0
Profit before tax	*4*	118,911	51,016	2,747	3,733
Tax expense	*6*	(32,223)	(13,670)	(22)	0
Net profit for the financial year		86,688	37,346	2,725	3,733
Other comprehensive income:					
Foreign currency translation differences of foreign subsidiaries		(699)	621	0	0
Fair value of available-for-sale financial assets		303	0	303	0
Other comprehensive (loss)/income for the financial year (net of tax)		(396)	621	303	0
Total comprehensive income for the financial year		86,292	37,967	3,028	3,733
Profit attributable to:					
Owners of the parent		71,308	29,759	2,725	3,733
Non-controlling interests		15,380	7,587	0	0
Net profit for the financial year		86,688	37,346	2,725	3,733
Total comprehensive income attributable to:					
Owners of the parent		70,912	30,380	3,028	3,733
Non-controlling interests		15,380	7,587	0	0
Total comprehensive income for the financial year		86,292	37,967	3,028	3,733
Earnings per ordinary share attributable to equity holders of the Company *(sen)*	*7*	62.50	26.08	0	0
Dividend per share in respect of the financial year *(sen)*	*8*	15.0	10.0	15.0	10.0

The accounting policies on pages 44 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

Statements of Financial Position
As at 30 June 2011

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Non-Current Assets					
Property, plant and equipment	*9*	231,312	225,726	94	368
Prepaid lease payments	*10*	49,609	48,780	0	0
Biological assets	*11*	283,508	260,098	0	0
Investments in subsidiaries	*12*	0	0	319,594	319,594
Investment in an associate	*13*	0	23	0	0
Long term investments	*14*	0	957	0	957
Available-for-sale financial assets	*15*	2,591	0	2,591	0
		567,020	535,584	322,279	320,919
Current Assets					
Inventories	*16*	17,209	9,863	0	0
Receivables	*17*	36,949	21,620	5,008	5,010
Amount due from an associate	*18*	811	3,341	0	0
Tax recoverable		4,260	7,508	712	1,545
Deposits, cash and bank balances	*19*	151,930	119,657	664	5,413
		211,159	161,989	6,384	11,968
Total Assets		778,179	697,573	328,663	332,887
Capital and Reserves					
Equity Attributable to Owners of the Parent					
Share capital	*20*	115,362	115,362	115,362	115,362
Reserves		467,921	404,235	197,230	201,428
		583,283	519,597	312,592	316,790
Non-Controlling Interests		60,574	58,894	0	0
Total Equity		643,857	578,491	312,592	316,790
Current Liabilities					
Advances from a subsidiary	*21*	0	0	15,531	0
Payables	*22*	32,709	33,718	540	503
Tax liabilities		7,050	1,033	0	0
		39,759	34,751	16,071	503
Non-Current Liabilities					
Advances from a subsidiary	*21*	0	0	0	15,594
Deferred tax liabilities	*23*	94,563	84,331	0	0
		94,563	84,331	0	15,594
Total Liabilities		134,322	119,082	16,071	16,097
Total Equity and Liabilities		778,179	697,573	328,663	332,887

The accounting policies on pages 44 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2011

Group	Note	Issued and fully paid ordinary shares of RM1 each: Number of shares '000	Issued and fully paid ordinary shares of RM1 each: Nominal value RM'000	Attributable to owners of the parent: Share premium RM'000	Treasury shares RM'000	Foreign exchange reserves RM'000	Other reserves (Note 24) RM'000	Fair value reserves RM'000	Retained earnings (Note 25) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2010		115,362	115,362	2,818	(2,423)	(232)	163,840	0	240,232	519,597	58,894	578,491
Effect of adopting FRS 139		0	0	0	0	0	0	1,331	0	1,331	0	1,331
As at 1 July 2010 (restated)		115,362	115,362	2,818	(2,423)	(232)	163,840	1,331	240,232	520,928	58,894	579,822
Net profit for the financial year		0	0	0	0	0	0	0	71,308	71,308	15,380	86,688
Other comprehensive income:												
— Currency translation differences		0	0	0	0	(699)	0	0	0	(699)	0	(699)
— Available-for-sale financial assets		0	0	0	0	0	0	303	0	303	0	303
Total comprehensive income for the financial year		0	0	0	0	(699)	0	303	71,308	70,912	15,380	86,292
Transactions with owners:												
Dividends paid in respect of financial year ended 30 June 2010:												
— final dividend	8	0	0	0	0	0	0	0	(8,557)	(8,557)	(1,062)	(9,619)
Dividend paid by a subsidiary company for financial year ended 30 June 2011:												
— interim dividend		0	0	0	0	0	0	0	0	0	(12,638)	(12,638)
At 30 June 2011		115,362	115,362	2,818	(2,423)	(931)	163,840	1,634	302,983	583,283	60,574	643,857

The accounting policies on pages 44 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity *(Continued)*
For the financial year ended 30 June 2011

Group	Note	Issued and fully paid ordinary shares of RM1 each: Number of shares	Nominal value	Attributable to owners of the parent: Share premium	Treasury shares	Foreign exchange reserves	Other reserves *(Note 24)*	Retained earnings *(Note 25)*	Total	Non-controlling interests	Total equity
		'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
At 1 July 2009		115,362	115,362	2,818	(2,423)	(853)	163,840	219,030	497,774	52,973	550,747
Net profit for the financial year		0	0	0	0	0	0	29,759	29,759	7,587	37,346
Other comprehensive income:											
— Currency translation differences		0	0	0	0	621	0	0	621	0	621
Total comprehensive income for the financial year		0	0	0	0	621	0	29,759	30,380	7,587	37,967
Transactions with owners:											
Dividend paid in respect of financial year ended 30 June 2009:											
— final dividend	*8*	0	0	0	0	0	0	(8,557)	(8,557)	(1,639)	(10,196)
Further acquisition in a local subsidiary company	*12*	0	0	0	0	0	0	0	0	(27)	(27)
At 30 June 2010		115,362	115,362	2,818	(2,423)	(232)	163,840	240,232	519,597	58,894	578,491

The accounting policies on pages 44 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity *(Continued)*
For the financial year ended 30 June 2011

Company	Note	Issued and fully paid ordinary shares of RM1 each		Non-distributable			Distributable		
		Number of shares	Nominal value	Share premium	Treasury shares	Fair value reserves	Other reserves *(Note 24)*	Retained earnings *(Note 25)*	Total
		'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
At 1 July 2010		115,362	115,362	2,818	(2,423)	0	163,840	37,193	316,790
Effect of adopting FRS 139		0	0	0	0	1,331	0	0	1,331
At 1 July 2010 (restated)		115,362	115,362	2,818	(2,423)	1,331	163,840	37,193	318,121
Net profit for the financial year		0	0	0	0	0	0	2,725	2,725
Other comprehensive income:									
— Available-for-sale financial assets		0	0	0	0	303	0	0	303
Total comprehensive income		0	0	0	0	303	0	2,725	3,028
Transaction with owners:									
Dividend paid in respect of financial year ended 30 June 2010:									
— final dividend	*8*	0	0	0	0	0	0	(8,557)	(8,557)
At 30 June 2011		115,362	115,362	2,818	(2,423)	1,634	163,840	31,361	312,592

Company	Note	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable		
		Number of shares	Nominal value	Share premium	Treasury shares	Other reserves *(Note 24)*	Retained earnings *(Note 25)*	Total
		'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
At 1 July 2009		115,362	115,362	2,818	(2,423)	163,840	42,017	321,614
Total comprehensive income for the financial year		0	0	0	0	0	3,733	3,733
Transaction with owners:								
Dividend paid in respect of financial year ended 30 June 2009:								
— final dividend	*8*	0	0	0	0	0	(8,557)	(8,557)
At 30 June 2010		115,362	115,362	2,818	(2,423)	163,840	37,193	316,790

The accounting policies on pages 44 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

Statements of Cash Flows
For the financial year ended 30 June 2011

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Operating Activities					
Net profit for the financial year		86,688	37,346	2,725	3,733
Adjustments for non cash items:					
Amortisation					
— biological assets		12,595	12,320	0	0
— prepaid lease payments		907	907	0	0
Depreciation of property, plant and equipment		25,861	21,715	274	300
Gain on disposal of property, plant and equipment		(351)	0	0	0
Write off					
— biological assets		579	188	0	0
— property, plant and equipment		673	37	0	0
Reversal of provision for impairment of receivables		0	(669)	0	0
Reversal of provision for cultivation		(3,000)	0	0	0
Share of associate's loss		23	753	0	0
Dividend income		(71)	(48)	(5,071)	(5,898)
Interest income		(3,427)	(2,857)	(64)	(70)
Tax expenses		32,223	13,670	22	0
		152,700	83,362	(2,114)	(1,935)
Changes in working capital:					
Inventories		(7,346)	494	0	0
Receivables		(12,565)	(7,055)	2	(2,210)
Payables		837	(6,979)	37	(9)
Net cash generated from/(used in) operations		133,626	69,822	(2,075)	(4,154)
Tax paid		(13,537)	(11,633)	0	0
Tax refunded		811	0	811	0
Net cash flow generated from/(used in) operating activities		120,900	58,189	(1,264)	(4,154)

The accounting policies on pages 44 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

Statements of Cash Flows *(Continued)*
For the financial year ended 30 June 2011

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Investing Activities					
Additions of property, plant and equipment		(33,303)	(45,708)	0	0
Additions of prepaid lease payments		(1,783)	(1,449)	0	0
Additions of biological assets		(34,521)	(34,034)	0	0
Interest received		3,193	2,857	64	70
Dividends received		71	48	5,071	5,898
Acquisition of shares from non-controlling interest		0	(27)	0	0
Proceeds from disposal of property, plant, and equipment		469	0	0	0
Restricted fixed deposits		(2,241)	(10)	0	0
Net cash (used in)/generated from investing activities		(68,115)	(78,323)	5,135	5,968
Financing Activities					
Dividends paid:					
— shareholders		(8,557)	(8,557)	(8,557)	(8,557)
— non-controlling interests of a subsidiary		(13,700)	(11,086)	0	0
Advances (repaid)/received from a subsidiary		0	0	(63)	9,613
Net cash (used in)/generated from financing activities		(22,257)	(19,643)	(8,620)	1,056
Net Change in Cash and Cash Equivalents		30,528	(39,777)	(4,749)	2,870
Cash and Cash Equivalents at the Beginning of the Financial Year		118,061	157,217	5,413	2,543
Foreign Exchange Differences		(496)	621	0	0
Cash and Cash Equivalents at the End of the Financial Year	*19*	148,093	118,061	664	5,413

The accounting policies on pages 44 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

A. Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards in Malaysia.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

(a) ***Standards, amendments to published standards and interpretations that are applicable to the Group and are effective***

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and the Company's financial year beginning on or after 1 July 2010 are as follows:

- FRS 3 (revised) "Business Combinations"
- FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 127 (revised) "Consolidated and Separate Financial Statements"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" — Puttable financial instruments and obligations arising on liquidation
- Amendments to FRS 132 "Financial Instruments: Presentation" on classification of rights issues
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 17 "Distributions of Non-cash Assets to Owners"
- Improvements to FRSs (2009 & 2010)

The adoption of the above standards, amendments to published standards and interpretations to existing standards do not have a significant impact to the Group's and the Company's result for the financial year ended 30 June 2011.

The impact of changes in accounting policies upon adoption of FRS 139 is disclosed in Note 29.

(b) ***Standards, amendments to published standards and interpretations that are not yet effective but have been early adopted***

There were no standards early adopted by the Group and the Company.

(c) ***Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective***

The Group and the Company will apply the following new standards, amendments to standards and interpretations in the financial year ending 30 June 2012:

- Amendments to FRS 7 "Improving Disclosures about Financial Instruments" requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

A. Basis of Preparation *(Continued)*

(c) ***Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective*** *(Continued)*

- Improvements to FRSs:

  — FRS 3 Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.

  — Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3_{2010}. Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3_{2005}.

  — FRS 101 "Presentation of financial statements" removes the requirement for each item of other comprehensive income to be presented separately in the statement of changes in equity.

The adoption of the above standards, IC Interpretations and improvements to existing standards when they become effective are not expected to have a material impact to the Group's and the Company's financial statements.

B. Group Accounting

(i) ***Subsidiaries***

Subsidiaries are those entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiary companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The accounting policy on impairment of non-financial assets is set out in Note E.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

Non-controlling interests represent that portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the non-controlling's share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the non-controlling's share of changes in the subsidiaries' equity since that date.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

B. Group Accounting *(Continued)*

(i) *Subsidiaries* *(Continued)*

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated profit or loss.

(ii) *Associates*

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting.

Investments in associate companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The accounting policy on impairment of non financial assets is set out in Note E.

Equity accounting involves recognising the Group's share of the post acquisition results of associates in the profit or loss for the period and its share of post acquisition movements in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

C. Property, Plant and Equipment

(i) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of these items.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period.

At the end of reporting period, the Group assesses whether there is any indication of impairment, if such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note E on impairment of non-financial assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

C. Property, Plant and Equipment *(Continued)*

(ii) *Depreciation*

Depreciation on assets under construction commences when the assets are ready for their intended use. All other property, plant and equipment are depreciated on the straight line basis to write off the costs of the assets over their estimated useful lives at the following annual rates of depreciation:

Buildings	5%–10%
Roads and bridges	4%–10%
Machinery, furniture and equipment	10%–20%
Motor vehicles	20%–25%

Assets under construction are not depreciated. Upon completion, the related costs will be transferred to the respective categories of assets. Depreciation on assets under construction commences when the assets are ready for their intended use.

D. Biological Assets

(i) *Oil palm plantations*

Biological assets in respect of oil palm plantations comprise new planting (incurred from land clearing to the point of harvesting) and replanting expenditure (incurred in replanting old planted areas), represents pre-cropping costs incurred on land preparation, fertilisation, plant and planting, labour and any general overheads directly attributed to the development of the root stock. Such expenditure are capitalised and amortised on the straight line basis over the estimated useful life of root stocks (25 years), or over the period of the lease, whichever is shorter.

(ii) *Forest plantations*

Forest plantations represent pre-cropping costs incurred on land preparation, fertilisation, plant and planting, labour and any general overheads directly attributable to the development of the root stock.

Forest plantation is stated at cost. All costs are capitalised for each area of growing timber until the first substantial harvest of that area. Cost capitalisation commences or recommences when preparation for forestry activity is initiated. Once the fair value of forest plantations become reliably measurable, upon the trees reaching maturity, the forest plantation is stated at lower of cost or fair value.

E. Impairment of Non-Financial Assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

F. Investments

Investments in subsidiaries and associates are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. See accounting policy Note E on impairment of non-financial assets.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the profit or loss.

Upon adoption of FRS 139, investments in quoted equity securities have been reclassified to available-for-sale assets with effect from 1 July 2010 (notes 14 & 15).

G. Inventories

Inventories consist of crude palm oil, palm kernel, consumable store items and spare parts. Inventories are stated at the lower of cost and net realisable value. Cost for crude palm oil and palm kernel comprises materials, labour and manufacturing overheads using the first-in, first-out method. Cost for consumable store items and spare parts are determined on the weighted average method.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs to completion and selling expenses.

H. Cash and Cash Equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

I. Financial Instruments

(a) *Financial assets*

(i) *Classification*

The Group has changed its accounting policy for recognition and measurement of financial assets upon adoption of FRS 139 Financial Instruments: Recognition and Measurement on 1 July 2010.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

(a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

I. Financial Instruments *(Continued)*

(a) ***Financial assets*** *(Continued)*

(i) *Classification (Continued)*

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and bank balances" in the statement of financial position.

(ii) *Recognition and initial measurement*

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

(iii) *Subsequent measurement — gains and losses*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note I (a)(iv)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in the profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the profit or loss. Dividend income on available-for-sale equity instruments are recognised in the profit or loss when the Group's right to receive payments is established.

(iv) *Subsequent measurement — Impairment of financial assets*

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(a) Significant financial difficulty of the issuer or obligor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) Disappearance of an active market for that financial asset because of financial difficulties; or

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

I. Financial Instruments *(Continued)*

(a) ***Financial assets*** *(Continued)*

(iv) *Subsequent measurement — Impairment of financial assets (Continued)*

Assets carried at amortised cost *(Continued)*

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If loans and receivables or a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for "assets carried at amortised cost" above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for "assets carried at amortised cost" above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

(v) *De-recognition*

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not de-recognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

I. Financial Instruments *(Continued)*

(a) *Financial assets* *(Continued)*

(vi) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(b) *Financial liabilities*

Financial liabilities within the scope of FRS 139 are recognised on the statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method except for derivatives which are measured at fair value if any.

For financial liabilities other than derivatives, gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the profit or loss. Net gains or losses on derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially difference terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

J. Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

K. Trade Receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Collections are expected within seven days and hence they are classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

L. Share Capital

(i) *Classification*

Ordinary shares are classified as equity.

(ii) *Dividends to shareholders of the Company*

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the end of the reporting period. A dividend proposed or declared after the end of reporting period, but before the financial statements are authorised for issue, is not recognised as liability at the reporting date. Upon the dividend becoming payable, it will be accounted for as liability.

(iii) *Purchase of own shares*

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid, including any attributable incremental external costs, net of tax, is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

M. Income Taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantively enacted by the end of the reporting period are used to determine deferred tax.

N. Employee Benefits

(i) *Short term employee benefits*

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) *Defined contribution plans*

The Group's contributions to defined contribution plans are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

O. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

P. Revenue Recognition

Sales are recognised upon delivery of products or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group.

Interest and rental income are recognised on an accrual basis. Dividend income is recognised when the shareholder's right to receive payment is established.

Q. Foreign Currencies

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(c) *Group companies*

The results and financial position of all the group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on disposal.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

R. Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings.

Borrowing costs are charged to the profit or loss as an expense in the period in which they have accrued.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

S. Prepaid Lease Payments

Payments made under operating leases are recognised in the profit or loss on the straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease payments made.

In the case of lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interest in the land element and buildings element of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortised on the straight-line basis over the lease term of 60 to 99 years.

T. Contingent Assets and Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118 Revenue.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

U. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is the Managing Director ("MD"). MD is responsible for strategic decision, allocating resources and assessing performance of the operating segments.

MD considers the business from a geographic perspective. Each geographical location comprises oil palm plantations and palm oil mills. The plantations and mills in each operating segment are considered as a single integrated business unit with its own business unit managers. The reportable segments are Sabah and Sarawak.

The MD assesses the performance of the operating segments based on profit from these operations. This measure excludes expenses that are managed on a central basis and the Group's share of results in associates. The segment assets comprise of operating assets related to the plantation operations, principally property, plant and equipment, prepaid lease payments, biological assets and inventories. The other assets in the statement of financial position managed on a central basis are corporate property, plant and equipment, receivables, deposits and prepayments, tax recoverable, deferred tax and cash and cash equivalents. These other assets form part of the reconciliation to the total assets in the statement of financial position.

V. Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia requires the use of certain critical accounting estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of the revenue and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Company and its associate's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and action, actual results may differ from these estimates.

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

The Group reviews the carrying amounts of the biological assets as at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. The Group has obtained a valuation on the biological assets from an external valuer to determine if the biological assets are impaired. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumption may materially affect the assessment of recoverable amounts and may lead to future impairment charges.

Other than the above, the Directors do not anticipate that any estimates and assumptions will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Financial Statements
30 June 2011

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objective is to optimise the value creation for its shareholders. In addition, the Group seeks to ensure that adequate financial resources are available for the development of the Group's businesses while managing its risks.

Financial risk management is carried out through risk reviews conducted at all significant operational units. This process is further enhanced by effective internal controls and adherence to the Group's financial risk management policies. The Board of Directors regularly reviews and approves actions taken by management in order to address financial risks.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from sales on deferred credit terms.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Management has taken reasonable steps to ensure debts that are past due but not impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables. There are no impairment losses of trade receivables during the financial year as there were no debts overdue by more than 30 days.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Group's exposure to liquidity risks arises principally from its various payables. The Group maintains a level of cash and cash equivalents by the management to ensure it will have sufficient liquidity to meet its liabilities when they fall due.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Less than 3 months *RM'000*
Trade payables	23,122
Other payables	9,587
	32,709

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange risk, interest rates, and other prices will affect the Group's financial positions or cash flows.

Notes to the Financial Statements *(Continued)*
30 June 2011

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Market risk *(Continued)*

(i) *Foreign exchange risk*

The Group is exposed to foreign currency exchange risk on receivables and payables that are denominated in a currency other than the respective functional currencies of the Group. The currency giving rise to this risk is primarily Indonesia Rupiah (IDR).

The Group's exposure to foreign currency exchange risk as at the end of the reporting period is disclosed in the individual note to the financial statements.

The currency risk sensitivity analysis is not presented as the exposure is considered not material.

(ii) *Interest rate risk*

The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are appropriately fixed when necessary. 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 interest rate risk sensitivity analysis is not presented as the exposure is considered not material.

(iii) *Price risk*

Revenue of the Group is exposed to volatility in the market prices of palm products, which is subject to fluctuations of unpredictable factors such as weather, change of global demand, global production and prices. The Group manages its risk through its established guidelines and policies.

(d) Fair value of financial instruments

The carrying amount of cash and cash equivalents, short term receivables and payables approximate fair value due to the short term nature and are not subject to significant risk of changes on value.

The fair values of its other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Group and Company 2011	
	Carrying amount	**Fair value**
	RM'000	*RM'000*
Quoted shares	957	2,591

Fair value of quoted shares is derived from prices (unadjusted) quoted in active markets.

There are no transfers between instruments during the financial year.

Notes to the Financial Statements *(Continued)*
30 June 2011

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to provide returns for shareholders and benefits for other stakeholders.

In order to optimise the capital structure, or the capital allocation amongst the Group's various businesses, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

2. GENERAL INFORMATION

The principal activities of the Company are investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries and an associate are set out in Notes 12 and 13 to the financial statements respectively. There have been no significant changes in activities of the Group and Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Level 42, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia.

3. REVENUE

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Sale of goods	258,591	189,486	0	0
Management services rendered to subsidiaries	0	0	70	71
Dividends — unquoted investments in subsidiaries (gross)	0	0	5,000	5,850
Dividends — quoted foreign investments	71	48	71	48
	258,662	189,534	5,141	5,969

Notes to the Financial Statements *(Continued)*
30 June 2011

4. PROFIT BEFORE TAX

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
The following items have been charged/(credited) in arriving at profit before tax:				
Auditors' remuneration	127	100	41	28
Repair and maintenance:				
— Road and Bridges	4,678	5,113	0	0
Raw Materials and consumables	18,600	27,535	0	0
Fresh fruit bunches external purchase	10,902	12,419	0	0
Amortisation				
— biological assets	12,595	12,320	0	0
— prepaid lease payments	907	907	0	0
Depreciation of property, plant and equipment	25,861	21,715	274	300
Write-off				
— biological assets	579	188	0	0
— property, plant and equipment	673	37	0	0
Provision for impairment of amount due from an associate	3,098	0	0	0
Rental of premises	727	609	36	33
Unrealised loss on foreign exchange	372	1,338	0	0
Staff costs (includes Executive Directors' remuneration stated in Note 5)				
— wages, salaries and bonuses	49,751	37,225	1,128	968
— capitalised in biological assets	(7,640)	(4,402)	0	0
— defined contribution plan	1,576	1,559	90	126
— other staff costs	333	360	203	102
	44,020	34,742	1,421	1,196
Rental income	0	0	(100)	(100)
Scrap income	(224)	(236)	0	0
Interest income	(3,427)	(2,857)	(64)	(70)
Management fee	0	0	(70)	(71)
Gain on disposal of property, plant and equipment	(351)	0	0	0
Reversal of provision for impairment of receivables	0	(669)	0	0
Reversal of provision for cultivation	(3,000)	0	0	0

Costs of sales recognised as an expense is in respect of plantation and mill operations amounting approximately to RM122,672,000 (2010: RM123,378,000).

Notes to the Financial Statements *(Continued)*
30 June 2011

5. DIRECTORS' REMUNERATION

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-Executive Directors — fees	205	185	185	185
Executive Directors				
— fees	54	90	54	90
— salaries and bonuses	974	1,122	841	1,122
— defined contribution plan	142	199	142	199
	1,170	1,411	1,037	1,411

The estimated monetary value of benefits-in-kind received by the Directors of the Group amounted to RM107,513 (2010: RM101,000) and of the Company amounted to RM79,513 (2010: RM72,000).

6. TAX EXPENSE

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Malaysia income tax:				
Current financial year	20,644	10,368	0	0
Under provision in respect of prior financial years	1,347	232	22	0
	21,991	10,600	22	0
Deferred taxation *(note 23):*	10,232	3,070	0	0
	32,223	13,670	22	0

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group 2011 %	Group 2010 %	Company 2011 %	Company 2010 %
Numerical reconciliation between the average effective tax rate and the Malaysian statutory tax rate				
Malaysian statutory tax rate	25	25	25	25
Tax effects of:				
— expenses not deductible for tax purposes	1	1	3	2
— under/(over) accrual of taxation in prior financial years	1	0	1	0
— unrecognised deferred tax assets	0	1	18	7
— income not subject to tax	0	0	(46)	(34)
Average effective tax rate	27	27	1	0

Notes to the Financial Statements *(Continued)*
30 June 2011

7. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2011	2010
Profit attributable to ordinary equity holders of the Company *(RM'000)*	71,308	29,759
Weighted average number of ordinary shares in issue *('000)*	114,091	114,091
Basic earnings per share *(sen)*	62.50	26.08

No diluted earnings per share is computed for the Group as there are no dilutive potential ordinary shares in issue.

8. DIVIDENDS

	Group and Company			
	2011		2010	
	Gross dividend per share	Amount of dividends, net of tax	Gross dividend per share	Amount of dividends, net of tax
	Sen	*RM'000*	*Sen*	*RM'000*
Paid:				
— final dividend in respect of year ended 30 June	10	8,557	10	8,557
	10	8,557	10	8,557
Proposed:				
— final dividend	15	12,836	10	8,557
	15	12,836	10	8,557

At the forthcoming Annual General Meeting, a final dividend of 15 sen per share less income tax of 25% (excluding treasury shares) amounting to RM12,835,214 (2010: final dividend of 10 sen per share less income tax of 25% (excluding treasury shares) amounting to RM8,556,809) in respect of the financial year ended 30 June 2011 will be proposed for shareholders' approval.

Notes to the Financial Statements *(Continued)*
30 June 2011

9. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Roads and bridges	Machinery, furniture and equipment	Motor vehicles	Assets under construction	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Net book value at 1 July 2010	72,151	87,722	39,681	16,753	9,419	225,726
Additions	1,457	18,944	2,399	5,831	5,826	34,457
Written-off	0	(129)	(544)	0	0	(673)
Disposals	(78)	0	(3)	(37)	0	(118)
Depreciation charge	(4,545)	(10,194)	(7,087)	(6,193)	0	(28,019)
Reclassification	3,641	323	977	721	(5,662)	0
Exchange differences	(11)	(2)	(18)	(29)	(1)	(61)
Net book value at 30 June 2011	72,615	96,664	35,405	17,046	9,582	231,312
At 30 June 2011						
Costs	105,521	141,417	84,005	48,101	9,582	388,626
Accumulated depreciation	(32,906)	(44,753)	(48,600)	(31,055)	0	(157,314)
Net book value	72,615	96,664	35,405	17,046	9,582	231,312

Included in additions of RM34,456,936 (2010: RM46,024,235) is an amount of RM1,153,950 (2010: RM343,000) which remained outstanding as at financial year end (Note 22).

Depreciation charge for the year is allocated as follows:

	2011	2010
	RM'000	*RM'000*
Profit or loss	25,861	21,715
Biological assets in respect of immature phases *(Note 11)*	2,158	1,257
	28,019	22,972

Notes to the Financial Statements *(Continued)*
30 June 2011

9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group	Buildings	Roads and bridges	Machinery, furniture and equipment	Motor vehicles	Assets under construction	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Net book value at 1 July 2009	77,170	73,337	32,450	14,472	9,072	206,501
Additions	3,556	17,202	11,827	8,806	4,633	46,024
Written-off	0	(37)	0	0	0	(37)
Disposals	(2,770)	0	0	(1,047)	0	(3,817)
Depreciation charge	(5,878)	(4,906)	(6,595)	(5,593)	0	(22,972)
Reclassification	73	2,126	1,996	91	(4,286)	0
Exchange differences	0	0	3	24	0	27
Net book value at 30 June 2010	72,151	87,722	39,681	16,753	9,419	225,726
At 30 June 2010						
Costs	101,565	122,787	81,640	42,448	9,419	357,859
Accumulated depreciation	(29,414)	(35,065)	(41,959)	(25,695)	0	(132,133)
Net book value	72,151	87,722	39,681	16,753	9,419	225,726

Company	Furniture and equipment	Motor vehicles	Total
	RM'000	*RM'000*	*RM'000*
Net book value as at 1 July 2010	368	0	368
Depreciation charge	(274)	0	(274)
Net book value as at 30 June 2011	94	0	94
At 30 June 2011			
Cost	2,776	644	3,420
Accumulated depreciation	(2,682)	(644)	(3,326)
Net book value	94	0	94
Net book value as at 1 July 2009	643	25	668
Depreciation charge	(275)	(25)	(300)
Net book value as at 30 June 2010	368	0	368
At 30 June 2010			
Cost	2,776	644	3,420
Accumulated depreciation	(2,408)	(644)	(3,052)
Net book value	368	0	368

Notes to the Financial Statements *(Continued)*
30 June 2011

10. PREPAID LEASE PAYMENTS

	Group 2011	2010
	RM'000	*RM'000*
Net book value as at 1 July	48,780	48,238
Additions	1,783	1,428
Amortisation	(907)	(907)
Exchange differences	(47)	21
Net book value as at 30 June	49,609	48,780
At 30 June		
Cost	56,718	54,982
Accumulated amortisation	(7,109)	(6,202)
	49,609	48,780

Amortisation for the financial year is allocated as follows:

Profit or loss	907	907

11. BIOLOGICAL ASSETS

Group	Oil palm plantations	Forest plantations	Total
	RM'000	*RM'000*	*RM'000*
Net book value			
At 1 July 2010	255,947	4,151	260,098
Additions	36,347	332	36,679
Written-off	(579)	0	(579)
Amortisation	(12,595)	0	(12,595)
Exchange differences	(95)	0	(95)
At 30 June 2011	279,025	4,483	283,508
At 30 June 2011			
Cost	393,628	4,483	398,111
Accumulated amortisation	(114,603)	0	(114,603)
Net book value	279,025	4,483	283,508

Notes to the Financial Statements *(Continued)*
30 June 2011

11. BIOLOGICAL ASSETS *(Continued)*

Group	Oil palm plantations *RM'000*	Forest plantations *RM'000*	Total *RM'000*
Net book value			
At 1 July 2009	233,387	3,927	237,314
Additions	35,068	224	35,292
Written-off	(188)	0	(188)
Amortisation	(12,320)	0	(12,320)
At 30 June 2010	255,947	4,151	260,098
At 30 June 2010			
Cost	359,182	4,151	363,333
Accumulated amortisation	(103,235)	0	(103,235)
Net book value	255,947	4,151	260,098

Included in additions of the Group's biological assets are estate expenses such as depreciation expenses amounting to RM2,158,000 (2010: RM1,257,000) which are directly attributed to the development of the root stock.

Also included in additions to the Group's biological assets are staff costs directly attributed to oil palm plantations of RM7,639,921 (2010: RM4,402,000).

12. INVESTMENTS IN SUBSIDIARIES

	Company 2011 *RM'000*	2010 *RM'000*
Unquoted investments	319,594	319,594

Notes to the Financial Statements *(Continued)*
30 June 2011

12. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %	Principal activities
Puncak Selasih Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding and road construction.
Held by Puncak Selasih Sdn. Bhd.:				
Amalania Koko Berhad	Malaysia	68.54	68.54*	Operation of oil palm plantation.
Timor Enterprises Sendirian Berhad	Malaysia	100.00	100.00	Investment holding, operation of oil palm plantations and oil mills and quarry operations.
PT. Tunas Borneo Plantations^	Indonesia	95.00	95.00	Operation of oil palm plantation.
PT. Abdi Borneo Plantations^	Indonesia	95.00	95.00	Operation of oil palm plantation.
Held by Timor Enterprises Sendirian Berhad:				
Titleland Development Sdn. Bhd.	Malaysia	100.00	100.00	Operation of oil palm plantation.
Shariko (M) Sdn. Bhd.	Malaysia	100.00	100.00	Operation of oil palm plantation.
Samling Plantation Sdn. Bhd.	Malaysia	70.00	70.00	Operation of oil palm plantation and oil mill, forest plantation, and quarry licensee.

* Acquisition of additional shares in Amalania Koko Berhad did not result in any material financial impact.

^ Not audited by PricewaterhouseCoopers.

13. INVESTMENT IN AN ASSOCIATE

	Group 2011 RM'000	Group 2010 RM'000
Unquoted shares, at cost	980	980
Share of post-acquisition reserves	(4,041)	(4,018)
	(3,061)	(3,038)
Redeemable preference shares	3,061	3,061
	0	23
Represented by:		
Group's share of net assets	0	23
Share of capital commitment for the purchase of property, plant and equipment	0	0

Notes to the Financial Statements *(Continued)*
30 June 2011

13. INVESTMENT IN AN ASSOCIATE *(Continued)*

Summarised financial information in respect of the Group's effective interest of 49% in associate are as follows:

	2011	2010
	RM'000	*RM'000*
Revenue	119	417
Cost of sales	(41)	(131)
Gross profit	78	286
Administrative expenses	(793)	(803)
Other operating income	15	0
Finance cost	(273)	(236)
Loss before tax	(973)	(753)
Tax	0	0
Net loss after tax	(973)	(753)
Loss not recognised	950	0
Share of loss	(23)	(753)
Non-current assets	3,557	4,168
Current assets	238	363
Current liabilities	(1,740)	(2,612)
Non-current liabilities	(3,005)	(1,896)
Loss not recognised	950	0
	0	23

Name	Country of incorporation	Group's effective interest 2011	Group's effective interest 2010	Principal activities
		%	%	
MG BioGreen Sdn. Bhd. (held by Timor Enterprises Sendirian Berhad, a wholly-owned subsidiary)	Malaysia	49.00	49.00	Organic waste management, manufacturing and marketing of bio-green fertilisers and sub-licensing of bio-green fertilisers intellectual property rights to third parties.

14. LONG TERM INVESTMENTS

	Group and Company 2011	Group and Company 2010
	RM'000	*RM'000*
At beginning of reporting period	957	957
Reclassification to available-for-sale financial assets *(Note 15)*	(957)	0
At end of reporting period	0	957

Notes to the Financial Statements *(Continued)*
30 June 2011

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2011	**2010**
	RM'000	*RM'000*
At beginning of reporting period:		
Reclassification from long term investments *(Note 14)*	957	0
Effect of adopting FRS 139	1,331	0
At beginning of reporting period, as restated	2,288	0
Fair value gain — recognised in other comprehensive income	303	0
At end of reporting period	2,591	0

Available-for-sale financial assets comprise the following:

Quoted equity securities on Singapore	2,591	0

Available-for-sale financial assets are denominated in Singapore Dollar.

16. INVENTORIES

	Group	
	2011	**2010**
	RM'000	*RM'000*
Crude palm oil	3,034	1,502
Palm kernel	621	306
Stores and consumables	13,554	8,055
	17,209	9,863

17. RECEIVABLES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Trade receivables	17,704	8,723	0	0
Other receivables	5,888	5,372	0	2
Deposits	5,911	6,424	8	8
Prepayments	653	1,101	0	0
Dividend receivable	0	0	5,000	5,000
Advance	6,793*	0	0	0
	36,949	21,620	5,008	5,010

* On 21 June 2011, Puncak Selasih Sdn Bhd ("PS"), a wholly-owned subsidiary of the Company, gave an advance of RM6,792,500 to PT Jaya Prima Abadi ("JPA") for the acquisition of shares in PT Mega Musi Lestari ("MML"). PS received an option to purchase all the shares in MML from JPA. MML owns 12,370 hectares of Izin Lokasi at Kabupaten Musi Banyuasin, South Sumatera, Indonesia for oil palm plantation. JPA has pledged the shares in MML and assigned its rights to receive dividends to PS.

Notes to the Financial Statements *(Continued)*
30 June 2011

17. RECEIVABLES *(Continued)*

Trade and other receivables are denominated in Ringgit Malaysia.

Credit terms of trade receivables granted to customers is 7 days (2010: 7 days).

Concentration of credit risk in respect of trade receivables exist due to the Group's limited number of customers. Based on the Group's historical collection of trade receivables, management believes that the trade receivables are fully recoverable.

Past due but not impaired

As at 30 June 2011, approximately RM5,786,800 of trade receivables were past due but not impaired. This relate to a number of external parties where there is no expectation of default. The ageing analysis of trade receivables as follows:

	Group
	2011
	RM'000
Trade receivables	
Current	11,917
Less than 7 days past due	5,569
Between 7 and 14 days past due	218
	17,704

Impaired and provided for

As at 30 June 2011, no receivables (2010: Nil) were impaired and provided for.

18. AMOUNT DUE FROM AN ASSOCIATE

	Group	
	2011	**2010**
	RM'000	*RM'000*
At beginning of reporting period	3,341	2,106
Advances given to associate	568	1,235
Less: Provision for impairment	(3,098)	0
At end of reporting period	811	3,341

The amount due from an associate is denominated in Ringgit Malaysia, unsecured, interest free and is repayable on demand.

Notes to the Financial Statements *(Continued)*
30 June 2011

18. AMOUNT DUE FROM AN ASSOCIATE *(Continued)*

Impaired and provided for

As at 30 June 2011, the amount due from an associate of approximately RM3,098,000 (2010: Nil) for Group is impaired and provided for.

Movement in provision for impairment during the financial year:

	Group	
	2011	**2010**
	RM'000	*RM'000*
At beginning of the reporting period	0	0
Provision for impairment during the financial year	3,098	0
At end of the reporting period	3,098	0

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Deposits with:				
Licensed banks	142,886	112,438	500	5,202
Cash and bank balances	9,044	7,219	164	211
Deposits, cash and bank balances	151,930	119,657	664	5,413
Less: Restricted deposits	(3,837)	(1,596)	0	0
Cash and cash equivalents	148,093	118,061	664	5,413

Restricted deposits amounting to RM3,836,718 (2010: RM1,595,750) represent deposits pledged as security for bank guarantee facilities of the subsidiaries.

The currency exposure profile of deposits, cash and bank balances are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Ringgit Malaysia	148,102	113,155	664	5,413
US Dollar	983	3,611	0	0
Indonesia Rupiah	2,845	2,891	0	0
	151,930	119,657	664	5,413

Notes to the Financial Statements *(Continued)*
30 June 2011

19. CASH AND CASH EQUIVALENTS *(Continued)*

The weighted average interest rates per annum of deposits that were effective as at end of reporting period are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	%	*%*	*%*	*%*
Deposits with licensed banks	3.14	3.21	3.00	2.40

Deposits of the Group and of the Company have an average maturity period of 8 to 365 days (2010: 2 to 365 days) and 14 days (2010: 14 days) respectively. Bank balances are deposits held at call with banks and earn no interest.

20. SHARE CAPITAL

	Group and Company	
	2011	**2010**
	RM'000	*RM'000*
Authorised ordinary shares of RM1 each:		
At the start and end of the financial year	1,000,000	1,000,000
Issued and paid up share capital of RM1 each:		
At the start and end of the financial year	115,362	115,362

At the end of the reporting period, the number of outstanding shares in issue after setting treasury shares off against equity is 114,090,792 (2010: 114,090,792).

21. ADVANCES FROM A SUBSIDIARY

Advances received from a subsidiary are denominated in Ringgit Malaysia, unsecured, interest free and is repayable on demand.

22. PAYABLES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Trade payables	23,122	22,213	0	0
Other payables and accruals	9,587	11,505	540	503
	32,709	33,718	540	503

Included in trade payables is an amount of RM1,153,950 (2010: RM343,000) in respect of the purchase of property, plant and equipment.

Trade and other payables are denominated in Ringgit Malaysia.

Credit terms of trade payables for the Group ranged from 60 to 90 days (2010: 60 to 90 days).

Notes to the Financial Statements *(Continued)*
30 June 2011

22. PAYABLES *(Continued)*

The currency exposure profile of payables is as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Ringgit Malaysia	32,231	33,357	540	503
Indonesia Rupiah	478	361	0	0
	32,709	33,718	540	503

23. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2011	**2010**
	RM'000	*RM'000*
Deferred tax liabilities	94,563	84,331

The movement during the financial year relating to deferred tax are as follows:

	Group
	RM'000
As at 1 July 2009	81,261
Charged to profit or loss *(Note 6)*	3,070
As at 30 June 2010	84,331
Charged to profit or loss *(Note 6)*	10,232
As at 30 June 2011	94,563

Deferred tax assets and liabilities are attributable to the following:

	Group		
	Fair value gains	**Property, plant and equipment**	**Total**
	RM'000	*RM'000*	*RM'000*
Deferred tax liabilities (prior to offsetting)			
At 1 July 2009	34,756	51,252	86,008
(Charged)/credited to profit or loss	(5,665)	12,922	7,257
At 30 June 2010	29,091	64,174	93,265
(Charged)/credited to profit or loss	(1,942)	10,101	8,159
At 30 June 2011	27,149	74,275	101,424
Offsetting			(6,861)
Deferred tax liabilities (after offsetting)			94,563

Notes to the Financial Statements *(Continued)*
30 June 2011

23. DEFERRED TAXATION *(Continued)*

	Group		
	Provisions	**Property, plant and equipment**	**Total**
	RM'000	*RM'000*	*RM'000*
Deferred tax assets (prior to offsetting)			
At 1 July 2009	(541)	(4,206)	(4,747)
Credited to profit or loss	(339)	(3,848)	(4,187)
At 30 June 2010	(880)	(8,054)	(8,934)
(Charged)/credited to profit or loss	(475)	2,548	2,073
At 30 June 2011	(1,355)	(5,506)	(6,861)
Offsetting			6,861
Deferred tax assets (after offsetting)			0

The amount of unabsorbed deductible temporary differences and unutilised tax losses (of which has no expiry date) for which no deferred tax asset is recognised in the statement of financial position are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Deductible temporary differences	4,113	3,545	2,386	1,346
Tax losses	3,650	1,873	3,544	1,768

The Group will only recognise the above deferred tax assets when there are sufficient future taxable profits.

24. OTHER RESERVES

The other reserves represent distributable reserves arising from the gain on disposal of former subsidiaries in prior years.

25. RETAINED EARNINGS

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 tax credits may continue to pay franked dividends until the Section 108 tax credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 tax credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

Subject to agreement by the Inland Revenue Board, the Company has tax credits under Section 108(6) of the Income Tax Act 1967 to frank net dividends of approximately RM17,293,000 (2010: RM25,849,000) out of its retained earnings as at 30 June 2011. The extent of the retained earnings not covered at the date by Section 108 credit or tax exempt income amounted to approximately RM10,945,000 (2010: RM8,268,000).

The Company also has tax exempt income under Section 12 of the Income Tax (Amendment) Act 1999 amounting to approximately RM3,123,000 (2010: RM3,075,000) available for distribution as tax exempt dividends.

Notes to the Financial Statements *(Continued)*
30 June 2011

26. CAPITAL COMMITMENTS

	Group		Company	
	2011	2010	2011	2010
	RM'000	*RM'000*	*RM'000*	*RM'000*
For the purchase of property, plant and equipment:				
Authorised, contracted but not provided for	2,237	920	0	0
Authorised but not contracted	112,895	115,891	215	655
	115,132	116,811	215	655

27. SIGNIFICANT RELATED PARTY DISCLOSURES

Related party transactions have been entered into by the Group and its related parties in the normal course of business and have been transacted based on terms and conditions agreed on a willing buyer willing seller basis.

In accordance with Section 4.1.5 of Practice Note No. 12/2001 Listing Requirements of the Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 30 June 2011 are disclosed hereunder:

(a) Yaw Holding Sdn. Bhd. ("Yaw Holding") and its subsidiaries ("Yaw Holding Group")

Yaw Chee Ming, the Managing Director of Glenealy Plantations (Malaya) Berhad, ("Glenealy"), is also a Director in Yaw Holding, Samling Strategic Corporation Sdn. Bhd. ("Samling Strategic Corporation") and Samling Global Limited.

Tan Sri Datuk Yaw Teck Seng is the father of Yaw Chee Ming and Yaw Chee Chik, a Director of Samling Strategic Corporation. Hence, Tan Sri Datuk Yaw Teck Seng, Yaw Chee Ming and Yaw Chee Chik are persons connected to each other.

Tan Sri Datuk Yaw Teck Seng and Yaw Chee Ming are both deemed major shareholders of Glenealy by virtue of their substantial shareholdings through Yaw Holding in Samling Strategic Corporation and Alpenview Sdn. Bhd. ("Alpenview"). Alpenview is a wholly-owned subsidiary of Lingui Developments Berhad ("Lingui"). Yaw Holding, Samling Strategic Corporation and Alpenview are major shareholders of Glenealy.

(b) Lingui Developments Berhad ("Lingui") and its subsidiaries ("Lingui Group")

Yaw Chee Ming is the Managing Director of Lingui. Tan Sri Datuk Yaw Teck Seng and Yaw Chee Ming are both deemed major shareholders of Lingui by virtue of their substantial shareholdings through Yaw Holding and Samling Strategic Corporation in Samling Global Limited and through Plieran Sdn. Bhd.

Hiew Chung Chin, a Director of Miri Parts Trading Sdn. Bhd., a subsidiary of Lingui, is the brother of Tan Sri Datuk Yaw Teck Seng. Hence, Hiew Chung Chin and Tan Sri Datuk Yaw Teck Seng are deemed persons connected to each other. He owns 100,000 ordinary shares of RM1.00 each in Glenealy and 270,000 ordinary shares of RM0.50 each in Lingui.

Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman and Datuk Abdul Hamed bin Sepawi are both deemed major shareholders of Glenealy by virtue of their substantial shareholdings in Perkapalan Damai Timur Sdn. Bhd.

Chan Hua Eng, is the common Chairman of Glenealy and Lingui. By virtue of his common directorship and his direct and indirect equity interests in Lingui of 58,333 and 4,236,290 ordinary shares of RM0.50 each respectively, he is deemed interested in the recurrent transactions between the Glenealy Group and the Lingui Group. He also owns indirect equity interest of 131,900 ordinary shares in Glenealy.

Notes to the Financial Statements *(Continued)*
30 June 2011

27. SIGNIFICANT RELATED PARTY DISCLOSURES *(Continued)*

(c) Arif Hemat Sdn. Bhd. ("Arif Hemat")

Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman is deemed a major shareholder of Samling Plantation Sdn. Bhd. ("Samling Plantation"), a subsidiary company of the Company, by virtue of his substantial shareholding in Arif Hemat. Arif Hemat is a major shareholder of Samling Plantation.

Arif Hemat is deemed a major shareholder of Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. by virtue of its substantial shareholding in Sarawak Land (Miri City) Sdn. Bhd.

The significant related party transactions between the Group and the Company and these related parties are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Premises rental charged by:				
— Yaw Holding Group	58	58	0	0
Hotel accommodation charged by:				
— Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd.	38	16	0	0
Purchase of air tickets from:				
— Yaw Holding Group	88	106	0	0
Transportation service charged by:				
— Yaw Holding Group	567	420	0	0
Dividend income from:				
— Puncak Selasih Sdn. Bhd.	0	0	5,000	5,000
Rental income of furniture and fittings from:				
— Timor Enterprises Sendirian Berhad	0	0	70	70
— Amalania Koko Bhd.	0	0	30	30
Management fee from:				
— Timor Enterprises Sendirian Berhad	0	0	40	40
— Samling Plantation Sdn. Bhd.	0	0	30	30
Premises rental paid on behalf:				
— Timor Enterprises Sendirian Berhad	0	0	388	343
— Amalania Koko Bhd.	0	0	126	112

Notes to the Financial Statements *(Continued)*
30 June 2011

28. SEGMENTAL REPORTING

Primary reporting format — The Group's operating segments are analysed based on the following geographical locations:

(a) Sabah palm oil cultivation

(b) Sarawak palm oil cultivation

	Sabah		Sarawak		Group	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Total revenue from external customers	139,931	100,382	118,660	89,104	258,591	189,486
Profit from operations	84,973	46,225	43,756	12,679	128,729	58,904
Total assets	175,027	178,215	389,357	354,070	564,384	532,285

A reconciliation of resumes from external customers to total consolidated revenue is provided as follows:

	Group	
	2011	**2010**
	RM'000	*RM'000*
External revenue for reportable segments	258,591	189,486
Dividend income	71	48
Consolidated revenue	258,662	189,534

A reconciliation of total profit from operations to total consolidated profit before taxation is provided as follows:

	Group	
	2011	**2010**
	RM'000	*RM'000*
Profit from operations for reportable segments	128,729	58,904
Other non-reportable segments	(807)	(635)
Expenses managed on central basis	(8,988)	(6,500)
Consolidated profit from operations	118,934	51,769
Share of results of an associate	(23)	(753)
Consolidated profit before taxation	118,911	51,016
Taxation	(32,223)	(13,670)
Consolidated profit for the financial year	86,688	37,346

Notes to the Financial Statements *(Continued)*
30 June 2011

28. SEGMENTAL REPORTING *(Continued)*

Reportable segments' assets are reconciled to consolidated total assets as follows:

	Group	
	2011	**2010**
	RM'000	*RM'000*
Total segment assets	564,384	532,285
Other non-reportable segments	23,567	9,915
Assets managed on a central basis	190,228	155,373
Consolidated total assets	778,179	697,573

29. CHANGES IN ACCOUNTING POLICIES

The list of new accounting standards, amendments to published standards and interpretations to existing standards effective for the Group's financial year ended 30 June 2011 and applicable to the Group is set out in Note A of Summary of Significant Accounting Policies.

The effects of adoption of FRS 139 on the opening reserves of the Group and other items of the consolidated statement of financial position as at 1 July 2010 are as follows:

Group	**30.06.2010 As previously stated**	**Effect of FRS 139**	**01.07.2010 As restated**
	RM'000	*RM'000*	*RM'000*
Fair value reserve	0	1,331	1,331
Long-term investments	957	(957)	0
Available-for-sale financial assets	957	1,331	2,288

30. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The proposed acquisition of PT Burau Karetindo Lestari and PT Natura Pasific Nusantara by Puncak Selasih Sdn Bhd, a wholly owned subsidiary of the Company was terminated on 24 May 2011 due to the non-fulfilment of the condition precedent as set in the conditional sale and purchase agreement by the seller.

As at 4 July 2011, the deposits paid of RM3,020,500 has been refunded to Puncak Selasih Sdn Bhd, a wholly owned subsidiary of the Company.

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 August 2011.

Notes to the Financial Statements *(Continued)*
30 June 2011

32. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

Bursa Malaysia Securities Berhad ("Bursa Malaysia") has on 25 March 2010 and 20 December 2010 issued directives requiring all listed corporations to disclose the breakdown of retained earnings into realised and unrealised on Group and Company basis, effective for the financial year ending 31 December 2010.

The retained earnings as at reporting date are analysed as follows:

	2011	
	Group	**Company**
	RM'000	*RM'000*
Total retained earnings of the Company and its subsidiaries:		
— realised	401,959	31,361
— unrealised	(94,935)	0
	307,024	31,361
Total share of accumulated losses from an associate:		
— realised	(4,041)	0
— unrealised	0	0
	302,983	31,361
Less: Consolidation adjustments	0	0
	302,983	31,361

Comparative figures are not required in the first financial year of complying with the realised and unrealised profit or losses disclosure by Bursa Malaysia Securities Berhad.

STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act 1965

We, Chan Hua Eng and Yaw Chee Ming, two of the Directors of Glenealy Plantations (Malaya) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 37 to 77 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2011 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards in Malaysia.

The information set out in Note 32 on page 78 to the financial statements have been prepared in accordance with the Guidance on Special matter No. 1, Determination of Realised and Unrealised Profits or Losses on the context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with a resolution dated 26 August 2011.

Chan Hua Eng
Director

Yaw Chee Ming
Director

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act 1965

I, **Goh York Pooi**, the Officer primarily responsible for the financial management of Glenealy Plantations (Malaya) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 37 to 78 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Goh York Pooi at Kuala Lumpur in Malaysia on 26 August 2011, before me.

Goh York Pooi

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
to the members of Glenealy Plantations (Malaya) Berhad (Incorporated in Malaysia) (Company No: 3453-X)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Glenealy Plantations (Malaya) Berhad on pages 37 to 77 which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 31.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia, and such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 financial statements have been properly drawn up in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 32 on page 78 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Mohammad Faiz Bin Mohammad Azmi
(No. 2025/03/12 (J))
Chartered Accountant

Kuala Lumpur
26 August 2011

4. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Set out below are the audited financial statements of the Glenealy Group for the year ended 30 June 2010 together with the relevant notes thereto as extracted from the annual report of Glenealy for the year ended 30 June 2010.

All page references set out in this section refer to the corresponding pages of the annual report 2010 of Glenealy. The annual report 2010 of Glenealy is available free of charge, in read only, printable format on Glenealy Group's website *http://www.glenealy.com*.

In this section, "Company" shall be constructed as Glenealy and "Group" shall be constructed as Glenealy Group.

Income Statements
for the financial year ended 30 June 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	*3*	189,534	175,788	5,969	5,524
Cost of sales		(123,378)	(116,532)	0	0
Gross profit		66,156	59,256	5,969	5,524
Other operating income		3,093	5,658	169	288
Selling and distribution costs		(4,938)	(4,190)	0	0
Administrative expenses		(10,773)	(9,527)	(2,405)	(2,923)
Other operating expenses		(1,769)	(3,143)	0	0
Share of results of an associate		(753)	(963)	0	0
Profit from ordinary activities before tax	*4*	51,016	47,091	3,733	2,889
Tax expense					
— Company and subsidiaries	*6*	(13,670)	(4,466)	0	(171)
Net profit for the financial year		37,346	42,625	3,733	2,718
Attributable to:					
Equity holders of the Company		29,759	33,187	3,733	2,718
Minority interests		7,587	9,438	0	0
Net profit for the financial year		37,346	42,625	3,733	2,718
Earnings per share (sen)	*7*	26.08	29.09	0	0
Dividends per share in respect of the financial year (sen)	*8*	10.0	10.0	10.0	10.0

The accounting policies on pages 42 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

Balance Sheets
as at 30 June 2010

		Group		Company	
		2010	2009	2010	2009
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Non-Current Assets					
Property, plant and equipment	*9*	225,726	206,501	368	668
Prepaid lease payments	*10*	48,780	48,238	0	0
Biological assets	*11*	260,098	237,314	0	0
Investments in subsidiaries	*12*	0	0	319,594	319,594
Investment in an associate	*14*	23	777	0	0
Long term investments	*15*	957	957	957	957
		535,584	493,787	320,919	321,219
Current Assets					
Inventories	*16*	9,863	10,358	0	0
Receivables	*17*	21,620	15,131	5,010	3,012
Amount due from an associate	*18*	3,341	2,106	0	0
Tax recoverable		7,508	8,014	1,545	1,333
Deposits, cash and bank balances	*19*	119,657	158,802	5,413	2,543
		161,989	194,411	11,968	6,888
Current Liabilities					
Advances from a subsidiary	*13*	0	0	0	5,981
Payables	*20*	33,718	53,614	503	512
Tax liabilities		1,033	2,576	0	0
		34,751	56,190	503	6,493
Net Current Assets		127,238	138,221	11,465	395
Non-Current Liabilities					
Advances from a subsidiary	*13*	0	0	15,594	0
Deferred tax liabilities	*21*	84,331	81,261	0	0
		578,491	550,747	316,790	321,614
Capital and Reserves Attributable to Equity Holders of the Company					
Share capital	*22*	115,362	115,362	115,362	115,362
Reserves		404,235	382,412	201,428	206,252
		519,597	497,774	316,790	321,614
Minority interests		58,894	52,973	0	0
Total Equity		578,491	550,747	316,790	321,614

The accounting policies on pages 42 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the financial year ended 30 June 2010

		Issued and fully paid ordinary shares of RM1 each									
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Foreign exchange reserves RM'000	Other reserves (Note 23) RM'000	Retained earnings (Note 24) RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group											
At 1 July 2009		115,362	115,362	2,818	(2,423)	(853)	163,840	219,030	497,774	52,973	550,747
Dividends paid in respect of financial year ended 30 June 2009:											
— final dividend	8	0	0	0	0	0	0	(8,557)	(8,557)	(1,639)	(10,196)
Further acquisition in a local subsidiary company	12	0	0	0	0	0	0	0	0	(27)	(27)
Net profit for the financial year		0	0	0	0	0	0	29,759	29,759	7,587	37,346
Net gain not recognised in the income statement		0	0	0	0	621	0	0	621	0	621
At 30 June 2010		115,362	115,362	2,818	(2,423)	(232)	163,840	240,232	519,597	58,894	578,491
At 1 July 2008		115,362	115,362	2,818	(2,423)	202	163,840	202,957	482,756	53,415	536,171
Dividends paid in respect of financial year ended 30 June 2008:											
— final dividend	8	0	0	0	0	0	0	(8,557)	(8,557)	(4,927)	(13,484)
At 30 June 2008											
— special dividend	8	0	0	0	0	0	0	(8,557)	(8,557)	(4,927)	(13,484)
Further acquisition in a local subsidiary company	12	0	0	0	0	0	0	0	0	(26)	(26)
Net profit for the financial year		0	0	0	0	0	0	33,187	33,187	9,438	42,625
Net loss not recognised in the income statement		0	0	0	0	(1,055)	0	0	(1,055)	0	(1,055)
At 30 June 2009		115,362	115,362	2,818	(2,423)	(853)	163,840	219,030	497,774	52,973	550,747

The accounting policies on pages 42 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity *(Continued)*
for the financial year ended 30 June 2010

		Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable		
	Note	**Number of shares** *'000*	**Nominal value** *RM'000*	**Share premium** *RM'000*	**Treasury shares** *RM'000*	**Other reserves** *(Note 23)* *RM'000*	**Retained earnings** *(Note 24)* *RM'000*	**Total** *RM'000*
Company								
At 1 July 2009		115,362	115,362	2,818	(2,423)	163,840	42,017	321,614
Net profit for the financial year		0	0	0	0	0	3,733	3,733
Dividends paid in respect of financial year ended 30 June 2009:								
— final dividend	*8*	0	0	0	0	0	(8,557)	(8,557)
At 30 June 2010		115,362	115,362	2,818	(2,423)	163,840	37,193	316,790
At 1 July 2008		115,362	115,362	2,818	(2,423)	163,840	56,413	336,010
Net profit for the financial year		0	0	0	0	0	2,718	2,718
Dividends paid in respect of financial year ended 30 June 2008:								
— special dividend	*8*	0	0	0	0	0	(8,557)	(8,557)
— final dividend	*8*	0	0	0	0	0	(8,557)	(8,557)
At 30 June 2009		115,362	115,362	2,818	(2,423)	163,840	42,017	321,614

The accounting policies on pages 42 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

Cash Flow Statements
for the financial year ended 30 June 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Operating Activities					
Profit for the financial year		37,346	42,625	3,733	2,718
Adjustments for non cash items:					
Amortisation					
— biological assets		12,320	10,385	0	0
— prepaid lease payments		907	682	0	0
Depreciation of property, plant and equipment		21,715	16,773	300	327
Write off					
— biological assets		188	200	0	0
— property, plant and equipment		37	647	0	0
— inventories		0	245	0	0
(Writeback of)/allowance for doubtful debts		(669)	669	0	0
Writeback of cultivation costs		0	(1,400)	0	0
Share of associate's loss		753	963	0	0
Dividend income		(48)	(454)	(5,898)	(5,454)
Interest income		(2,857)	(5,382)	(70)	(188)
Taxation		13,670	4,466	0	171
		83,362	70,419	(1,935)	(2,426)
Changes in working capital:					
Inventories		494	(4,395)	0	0
Receivables		(7,055)	7,369	(1,998)	(4)
Tax recoverable		0	0	(212)	0
Restricted fixed deposits		(10)	(162)	0	0
Payables		(6,979)	11,788	(9)	(71)
Net cash from/(used in) operations		69,812	85,019	(4,154)	(2,501)
Tax paid		(11,633)	(21,277)	0	0
Net cash flow from/(used in) operating activities		58,179	63,742	(4,154)	(2,501)

The accounting policies on pages 42 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

Cash Flow Statements *(Continued)*
for the financial year ended 30 June 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Investing Activities					
Additions of property, plant and equipment		(45,708)	(64,360)	0	0
Additions of prepaid lease payments		(1,449)	(282)	0	0
Additions of biological assets		(34,034)	(22,140)	0	0
Interest received		2,857	5,382	70	188
Dividends received		48	454	5,898	1,954
Acquisition of shares from minority interest		(27)	(26)	0	0
Net cash flow (used in)/from investing activities		(78,313)	(80,972)	5,968	2,142
Financing Activities					
Dividends paid:					
— shareholders		(8,557)	(17,114)	(8,557)	(17,114)
— minority shareholders of a subsidiary		(11,086)	(381)	0	0
Repayment of advances by a subsidiary		0	0	0	6,219
Advances received from a subsidiary		0	0	9,613	5,981
Net cash flow (used in)/from financing activities		(19,643)	(17,495)	1,056	(4,914)
Net (Decrease)/Increase in Cash and Cash Equivalents		(39,777)	(34,725)	2,870	(5,273)
Cash and Cash Equivalents at the Beginning of the Financial Year		157,217	192,997	2,543	7,816
Foreign Exchange Difference		621	(1,055)	0	0
Cash and Cash Equivalents At the End of the Financial Year	*19*	118,061	157,217	5,413	2,543

The accounting policies on pages 42 to 55 and the notes on pages 56 to 77 form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

A. Basis of Preparation

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies and comply with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act 1965.

The preparation of financial statements in conformity with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results could differ from those estimates.

(i) *Standard that is effective and applicable to the Group*

The new accounting standard effective for the financial year beginning 1 July 2009 is as follows:

FRS 8 Operating Segments

The adoption of FRS 8 did not have any significant financial impact on the financial statements of the Group. However, the standard requires the management to determine and presents operating segments based on the information that is internally provided to the Managing Director, who is the Group's chief operating decision maker. Reportable segments identified were Sabah and Sarawak.

(ii) *Standards, amendments to published standards and IC interpretations that are not yet effective and have not been early adopted*

The new standards and interpretations that are applicable to the Group and the Company, but which the Group and the Company have not early adopted:

- Amendments to FRS 7 "Financial Instruments: Disclosure" and FRS 1 "First-time Adoption of Financial Reporting Standards" (effective from 1 January 2011) requires enhanced disclosures of fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

- FRS 7 "Financial Instruments: Disclosures" (effective from 1 January 2010) provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement.

- FRS 3 "Business Combinations". (effective from 1 July 2010) The revised standard continues to apply the acquisition method to business combinations, with some significant changes. That is, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

A. Basis of Preparation *(Continued)*

(ii) ***Standards, amendments to published standards and IC interpretations that are not yet effective and have not been early adopted*** *(Continued)*

- FRS 101 "Presentation of Financial Statements" (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity") in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

- FRS 107 "Statement of Cash Flows" (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.

- FRS 110 "Events after the Balance Sheet Date" (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.

- FRS 117 "Leases" (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.

- FRS 118 "Revenue" (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'.

- FRS 119 "Employee Benefits" (effective from 1 January 2010) clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

- FRS 123 Borrowing Costs (effective from 1 January 2010) which replaces FRS 123_{2004}, removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The option of immediately expensing those borrowing costs is removed. The improvement to FRS 123 clarifies that the definition of borrowing costs includes interest expense calculated using the effective interest method defined in FRS 139.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

A. Basis of Preparation *(Continued)*

(ii) *Standards, amendments to published standards and IC interpretations that are not yet effective and have not been early adopted* (Continued)

- The amendments to FRS 127 "Consolidated and Separate Financial Statements" (effective from 1 January 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The amendment to FRS 1 is not applicable to the Group and the Company as it is not adopting the FRS framework for the first time. The amendment to FRS 127 removes the requirement for a parent entity to recognise dividends only to the extent that it represents distributions from profits of the investee arising after the date of acquisition, with any excess dividends recognised as a reduction of the cost of investment. FRS 127 "Consolidated and Separate Financial Statements" (Amendment) deals with situations where a parent reorganises its group by establishing a new entity as its parent. Under the new rules, the new parent measures the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date.

  FRS 127 "Consolidated and Separate Financial Statements" clarifies that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

- FRS 128 "Investments in Associates" (effective from 1 January 2010) clarifies that an investment in an associate is treated as a single asset for impairment testing purposes. Reversals of impairment are recorded as an adjustment to the carrying amount of the investment to the extent that the recoverable amount of the associate increases.

  FRS 128 "Investments in Associates" and FRS 131 "Interests in Joint Ventures" (consequential amendments to FRS 132 "Financial instruments: Presentation" and FRS 7 "Financial instruments: Disclosure" clarify that where an investment in associate or joint venture is accounted for in accordance with FRS 139, only certain, rather than all disclosure requirements in FRS 128 or FRS 131 need to be made in addition to disclosures required by FRS 132 and FRS 7. The amendment will not have an impact on the group's operations because it is the Group's policy for an investment in an associated company to be equity accounted in the Group's consolidated financial statements.

- The amendment to FRS 132 "Financial Instruments: Presentation" (effective from 1 January 2010) removes the transitional provision that exempted entities from applying the component part classification for a compound instrument issued before 1 January 2003. Upon adoption of FRS 139, entities are required to classify the compound financial instruments into its liability and equity elements.

- The amendment to FRS 132 "Financial Instruments: Presentation" on classification of rights issues (effective from 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated.

- The amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101(revised) "Presentation of Financial Statements" — "Puttable Financial instruments and Obligations Arising on liquidation" (effective from 1 January 2010) require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

A. Basis of Preparation *(Continued)*

(ii) ***Standards, amendments to published standards and IC interpretations that are not yet effective and have not been early adopted*** *(Continued)*

- FRS 134 "Interim Financial Reporting" (effective from 1 January 2010) clarifies that basic and diluted earnings per share ("EPS") must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report. The adoption is not expected to have a material impact on the Group's financial statements.

- FRS 136 "Impairment of Assets" (effective from 1 January 2010) clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment before the aggregation of segments with similar economic characteristics. The improvement also clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use should be made.

- The amendment to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations" (effective from 1 January 2010) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The improvement to FRS 2 (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2 "Share Based Payment (Amendment)" (effective for annual periods beginning 1 January 2010). This new amendment clarifies that vesting conditions are service conditions and performance conditions only and do not include other features of a share based payment; also the amendments clarify that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity.

- FRS 139 "Financial Instruments: Recognition and Measurement" (effective from 1 January 2010) established principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

A. Basis of Preparation *(Continued)*

(ii) ***Standards, amendments to published standards and IC interpretations that are not yet effective and have not been early adopted*** *(Continued)*

- The amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an investment in a subsidiary, jointly controlled entity or associate" (effective from 1 January 2010) allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from FRS 127 and requires investors to present dividends as income in the separate financial statements.

- IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective from 1 January 2010) requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The improvement to IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

- IC Interpretation 10 "Interim Financial Reporting and Impairment" (effective from 1 January 2010) prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of these Standards, amendments to published standards and IC interpretations are not expected to have a material impact on the Company's financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

A. Basis of Preparation *(Continued)*

(iii) ***Standards, amendments to published standards and interpretations that are not yet effective and not relevant to the Group's operations***

- The amendment to FRS 1 "First-time adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly controlled entity or Associate"
- FRS 2 "Share Based Payment" (Amendment) and the improvement to FRS 2
- FRS 4 "Insurance Contracts"
- FRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
- FRS 116 "Property, Plant and Equipment" (consequential amendment to FRS 107 "Statement of cash flows") and a consequential amendment to FRS 107
- FRS 120 "Accounting for Government Grants"
- FRS 132 "Financial Instruments: Presentation" and FRS 101(revised) "Presentation of Financial Statements" — "Puttable financial instruments and obligations arising on liquidation"
- FRS 129 "Financial Reporting in Hyperinflationary Economies"
- FRS 138 "Intangible Assets"
- FRS 140 "Investment Property"
- IC Interpretation 11, FRS 2: Group and Treasury Share Transactions
- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 13, "Customer Loyalty Programmes"
- IC Interpretation 14, FRS 119: "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions"
- IC Interpretation 15 "Agreements for Construction of Real Estates"
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"
- IC Interpretation 17 "Distribution of Non-cash Assets to Owners"

Other than IC Interpretations 12, 15, 16 and 17, which will be effective for annual periods beginning on or after 1 July 2010 and amendments to FRS 7 and FRS 1 which will be effective for annual periods beginning 1 January 2011, the above standards, amendments to publish standards and interpretation to publish standards are effective for annual periods beginning and or after 1 January 2010.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

B. Group Accounting

(i) *Subsidiaries*

Subsidiaries are those entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiary companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The accounting policy on impairment assets is set out in Note E.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Minority interests represent that portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

(ii) *Associates*

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting.

Investments in associate companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The accounting policy on impairment assets is set out in Note E.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

B. Group Accounting *(Continued)*

(ii) ***Associates*** *(Continued)*

Equity accounting involves recognising the Group's share of the post acquisition results of associates in the income statement for the period and its share of post acquisition movements in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

C. Property, Plant and Equipment

(i) ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of these items.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment, if such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note E on impairment of assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(ii) ***Depreciation***

Depreciation on assets under construction commences when the assets are ready for their intended use. All other property, plant and equipment are depreciated on a straight line basis to write off the costs of the assets over their estimated useful lives at the following annual rates of depreciation:

Buildings	5% – 10%
Roads and bridges	4% – 10%
Machinery, furniture and equipment	10% – 20%
Motor vehicles	20% – 25%

Assets under construction are not depreciated. Upon completion, the related costs will be transferred to the respective categories of assets. Depreciation on assets under construction commences when the assets are ready for their intended use.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

D. Biological Assets

(i) *Oil palm plantations*

Biological assets in respect of oil palm plantations comprise new planting (incurred from land clearing to the point of harvesting) and replanting expenditure (incurred in replanting old planted areas), represents pre-cropping costs incurred on land preparation, fertilisation, plant and planting, labour and any general overheads directly attributed to the development of the root stock. Such expenditure are capitalised and amortised on a straight line basis over the estimated useful life of root stocks (25 years), or over the period of the lease, whichever is shorter.

(ii) *Forest plantations*

Forest plantations represent pre-cropping costs incurred on land preparation, fertilisation, plant and planting, labour and any general overheads directly attributable to the development of the root stock.

Forest plantation is stated at cost. All costs are capitalised for each area of growing timber until the first substantial harvest of that area. Cost capitalisation commences or recommences when preparation for forestry activity is initiated. Once the fair value of forest plantations become reliably measurable, upon the trees reaching maturity, the forest plantation is stated at lower of cost or fair value.

E. Impairment of Assets

Property, plant and equipment and other non-current assets (except for advances to a subsidiary) are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

F. Investments

Investments in subsidiaries and associates are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. See accounting policy Note E on impairment of assets.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

G. Inventories

Inventories consist of crude palm oil, palm kernel, consumable store items and spare parts. Inventories are stated at the lower of cost and net realisable value. Cost for crude palm oil and palm kernel comprises materials, labour and manufacturing overheads using the first-in, first-out method. Cost for consumable store items and spare parts are determined on the weighted average method.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs to completion and selling expenses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

H. Trade Receivables

Trade receivables are carried at invoiced amount less an allowance for doubtful debts. The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of receivables. Bad debts are written off in the period in which they are identified.

I. Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

J. Share Capital

(i) ***Classification***

Ordinary shares are classified as equity.

(ii) ***Dividends to shareholders of the Company***

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as liability at the balance sheet date. Upon the dividend becoming payable, it will be accounted for as liability.

(iii) ***Purchase of own shares***

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid, including any attributable incremental external costs, net of tax, is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

K. Income Taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantially enacted at the balance sheet date are used to determine deferred tax.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

L. Employee Benefits

(i) *Short term employee benefits*

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) *Defined contribution plans*

The Group's contribution to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

M. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

N. Revenue Recognition

Sales are recognised upon delivery of products or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group.

Interest and rental income are recognised on an accrual basis. Dividend income is recognised when the shareholder's right to receive payment is established.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

O. Foreign Currencies

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement.

(iii) *Group companies*

The results and financial position of all the group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, exchange differences that were recorded in equity are recognised in the Consolidated Income Statement as part of the gain or loss on disposal.

P. Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowing costs are charged to the Consolidated Income Statements as an expense in the period in which they have accrued.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Q. Prepaid Lease Payments

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

In the case of lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interest in the land element and buildings element of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

Prepaid lease payments	60 to 99 years

R. Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(i) ***Financial instruments recognised on the balance sheet***

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each of them.

(ii) ***Fair value estimation for disclosure purposes***

The fair value of publicly traded derivatives and securities is based in quoted market prices at the balance sheet date.

In assessing the fair value of financial instruments, the Group uses a variety of methods and make assumptions that are based on market conditions existing at the balance sheet date. Comparisons are made to similar instruments that are publicly traded and estimates based on discounted cash flow techniques are also used. For long term financial liabilities, fair value is estimated by discounting future contractual cash flows at appropriate interest rates.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period less than one year are assumed to approximate their fair values.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

S. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is the Managing Director ("MD"). MD is responsible for strategic decision, allocating resources and assessing performance of the operating segments.

MD considers the business from a geographic perspective. Each geographical location comprises oil palm plantations and palm oil mills. The plantations and mills in each operating segment are considered as a single integrated business unit with its own business unit managers. The reportable segments are Sabah and Sarawak.

The MD assesses the performance of the operating segments based on profit from these operations. This measure excludes expenses that are managed on a central basis and the Group's share of results in associates. The segment assets comprise of operating assets related to the plantation operations, principally property, plant and equipment, prepaid lease payments, biological assets and inventories. The other assets in the balance sheet managed on a central basis are corporate fixed assets, receivables, deposits and prepayments, tax recoverable, deferred tax and cash and cash equivalents. These other assets form part of the reconciliation to the total assets in the balance sheet.

T. Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Company and its associate's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and action, actual results may differ from these estimates.

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

The Group reviews the carrying amounts of the biological assets as at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. The Group had obtained a fair valuation on the biological assets from an external valuer. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumption may materially affect the assessment of recoverable amounts and may lead to future impairment charges.

Other than the above, the Directors do not anticipate that any estimates and assumptions will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objective is to optimise the value creation for its shareholders. In addition, the Group seeks to ensure that adequate financial resources are available for the development of the Group's businesses while managing its risks.

Financial risk management is carried out through risk reviews conducted at all significant operational units. This process is further enhanced by effective internal controls and adherence to the Group's financial risk management policies. The Board of Directors regularly reviews and approves actions taken by management in order to address financial risks.

(i) Credit risk

The Group's credit risk arises from sales made on deferred credit terms. Credit risks and exposures are controlled and monitored on an on-going basis by setting appropriate credit limits and terms after credit evaluations have been performed on customers on a case-by-case basis. Appropriate approval limits are set at different levels of credit limit and terms.

(ii) Interest rate risk

The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are appropriately fixed when necessary. The Group's short term deposits are placed at fixed rate investments which management endeavours to obtain the best rate available in the market.

(iii) Liquidity and cash flow risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure all funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

2. GENERAL INFORMATION

The principal activities of the Company are investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries and an associate are set out in Notes 12 and 14 to the financial statements respectively. There have been no significant changes in activities of the Group and Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Level 42, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. REVENUE

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Sale of goods	189,486	175,334	0	0
Management services received from subsidiaries	0	0	71	70
Dividends — unquoted investments in subsidiaries (gross)	0	0	5,850	5,000
Dividends — quoted foreign investments	48	454	48	454
	189,534	175,788	5,969	5,524

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
The following items have been charged /(credited) in arriving at profit from ordinary activities before tax:				
Auditors' remuneration	100	100	28	28
Amortisation				
— biological assets	12,320	10,385	0	0
— prepaid lease payments	907	682	0	0
Depreciation of property, plant and equipment	21,715	16,773	300	327
Write off				
— biological assets	188	200	0	0
— property, plant and equipment	37	647	0	0
— inventory	0	245	0	0
(Writeback of)/allowance for doubtful debts	(669)	669	0	0
Writeback of cultivation costs	0	(1,400)	0	0
Rental of premises	609	616	33	33
Staff costs (includes Executive Directors' remuneration stated in Note 5)				
— wages, salaries and bonus	37,225	31,425	968	1,500
— capitalised in biological assets	(4,402)	(2,447)	0	0
— defined contribution plan	1,559	1,583	126	126
— other staff costs	360	319	102	160
	34,742	30,880	1,196	1,786
Rental income	0	0	100	100
Scrap income	236	276	0	0
Interest income	2,857	5,382	70	188

Costs of sales recognised as an expense is in respect of plantation and mill operations amounting to RM123,378,000 (2009: RM116,532,000).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

5. DIRECTORS' REMUNERATION

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Non-Executive Directors — fees	185	185	185	185
Executive Directors				
— fees	90	90	90	90
— salaries and bonus	1,122	1,413	1,122	1,413
— defined contribution plan	199	246	199	246
	1,411	1,749	1,411	1,749

The estimated monetary value of benefits-in-kind received by the Directors of the Group amounted to RM101,000 (2009: RM101,000) and of the Company amounted to RM72,000 (2009: RM73,000).

6. TAX EXPENSE

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Malaysia income tax:				
Current year	10,368	9,088	0	0
Under/(over) provision in respect of prior years	232	(3,738)	0	171
	10,600	5,350	0	171
Foreign tax:				
Current year	0	1,053	0	0
	10,600	6,403	0	171
Deferred taxation *(Note 21)*:				
Origination and reversal of temporary differences	4,583	1,205	0	0
Over provision in respect of prior year	(1,513)	(3,142)	0	0
	3,070	(1,937)	0	0
	13,670	4,466	0	171

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

6. TAX EXPENSE *(Continued)*

The explanation of the relationship between tax expense and profit from ordinary activities before tax is as follows:

	Group		Company	
	2010	2009	2010	2009
	%	%	%	%
Numerical reconciliation between the average effective tax rate and the Malaysian statutory tax rate				
Malaysian statutory tax rate	25	25	25	25
Tax effects of:				
— expenses not deductible for tax purposes	4	5	2	3
— deductible temporary differences not recognised	1	0	7	2
— (over)/under accrual of taxation in prior years	0	(8)	0	6
— (over)/under accrual of deferred taxation in prior years	(3)	(7)	0	0
— different tax rates in other countries	0	1	0	0
— income not subject to tax	0	(7)	(34)	(30)
Average effective tax rate	27	9	0	6

7. EARNINGS PER ORDINARY SHARE — GROUP

Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2010	2009
Profit attributable to ordinary equity holders of the Company *(RM'000)*	29,759	33,187
Weighted average number of ordinary shares in issue *('000)*	114,091	114,091
Basic earnings per share *(sen)*	26.08	29.09

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

8. DIVIDENDS

	Company			
	2010		2009	
	Gross dividend per share	Amount of dividends, net of tax	Gross dividend per share	Amount of dividends, net of tax
	Sen	*RM'000*	*Sen*	*RM'000*
Paid:				
— Special dividend in respect of year ended 30 June 2009	0	0	10	8,557
— Final dividend in respect of year ended 30 June 2009	10	8,557	10	8,557
	10	8,557	20	17,114
Proposed:				
— final dividend	10	8,557	10	8,557
	10	8,557	10	8,557

At the forthcoming Annual General Meeting, a final dividend of 10 sen per share less income tax of 25% (excluding treasury shares) amounting to RM8,556,809 (2009: final dividend of 10 sen per share less income tax of 25% (excluding treasury shares) amounting to RM8,556,809) in respect of the financial year ended 30 June 2010 will be proposed for shareholders' approval.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Roads and bridges	Machinery, furniture and equipment	Motor vehicles	Assets under construction	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Group						
Net book value at 1 July 2009	77,170	73,337	32,450	14,472	9,072	206,501
Additions	3,556	17,202	11,827	8,806	4,633	46,024
Written off	0	(37)	0	0	0	(37)
Disposal	(2,770)	0	0	(1,047)	0	(3,817)
Depreciation charge	(5,878)	(4,906)	(6,595)	(5,593)	0	(22,972)
Reclassification	73	2,126	1,996	91	(4,286)	0
Exchange differences	0	0	3	24	0	27
Net book value at 30 June 2010	72,151	87,722	39,681	16,753	9,419	225,726

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings	Roads and bridges	Machinery, furniture and equipment	Motor vehicles	Assets under construction	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
At 30 June 2010						
Costs	101,565	122,787	81,640	42,448	9,419	357,859
Accumulated depreciation	(29,414)	(35,065)	(41,959)	(25,695)	0	(132,133)
Net book value	72,151	87,722	39,681	16,753	9,419	225,726

Included in additions of RM46,024,235 (2009: RM64,452,310) is an amount of RM343,000 (2009: RM89,314) which remained outstanding as at year end (Note 20).

Depreciation charge for the year is allocated as follows:

	2010	2009
	RM'000	*RM'000*
Income statement	21,715	16,773
Biological assets in respect of immature phases	1,257	1,393
	22,972	18,166

	Buildings	Roads and bridges	Machinery, furniture and equipment	Motor vehicles	Assets under construction	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Group						
Net book value at 1 July 2008	35,414	63,895	18,883	8,257	34,416	160,865
Additions	23,366	11,814	14,761	10,218	4,293	64,452
Written off	(436)	(39)	(13)	(2)	(157)	(647)
Depreciation charge	(4,348)	(4,704)	(5,105)	(4,009)	0	(18,166)
Reclassification	23,174	2,371	3,927	8	(29,480)	0
Exchange differences	0	0	(3)	0	0	(3)
Net book value at 30 June 2009	77,170	73,337	32,450	14,472	9,072	206,501
At 30 June 2009						
Costs	99,674	103,713	67,812	34,573	9,072	314,844
Accumulated depreciation	(22,504)	(30,376)	(35,362)	(20,101)	0	(108,343)
Net book value	77,170	73,337	32,450	14,472	9,072	206,501

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Furniture and equipment	Motor vehicles	Total
	RM'000	*RM'000*	*RM'000*
Company			
Net book value			
At 1 July 2009	643	25	668
Depreciation charge	(275)	(25)	(300)
At 30 June 2010	368	0	368
At 1 July 2008	920	75	995
Depreciation charge	(277)	(50)	(327)
At 30 June 2009	643	25	668
At 30 June 2010			
Cost	2,776	644	3,420
Accumulated depreciation	(2,408)	(644)	(3,052)
Net book value	368	0	368
At 30 June 2009			
Cost	2,776	644	3,420
Accumulated depreciation	(2,133)	(619)	(2,752)
Net book value	643	25	668

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

10. PREPAID LEASE PAYMENTS

	Group	
	2010	**2009**
	RM'000	*RM'000*
Net book value		
At 1 July	48,238	48,963
Additions	1,428	295
Amortisation	(907)	(875)
Reclassification	0	(132)
Exchange differences	21	(13)
At 30 June	48,780	48,238
At 30 June		
Cost	54,982	53,533
Accumulated amortisation	(6,202)	(5,295)
	48,780	48,238
Amortisation for the year is allocated as follows:		
Income statement	907	682
Biological assets	0	193
	907	875

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

11. BIOLOGICAL ASSETS

Group	Oil palm plantations	Forest plantations	Total
	RM'000	*RM'000*	*RM'000*
Net book value			
At 1 July 2009	233,387	3,927	237,314
Additions	35,068	224	35,292
Written off	(188)	0	(188)
Amortisation	(12,320)	0	(12,320)
At 30 June 2010	255,947	4,151	260,098
At 30 June 2010			
Cost	359,182	4,151	363,333
Accumulated amortisation	(103,235)	0	(103,235)
Net book value	255,947	4,151	260,098
Net book value			
At 1 July 2008	220,426	3,747	224,173
Additions	23,546	180	23,726
Written off	(200)	0	(200)
Amortisation	(10,385)	0	(10,385)
At 30 June 2009	233,387	3,927	237,314
At 30 June 2009			
Cost	326,597	3,927	330,524
Accumulated amortisation	(93,210)	0	(93,210)
Net book value	233,387	3,927	237,314

Included in additions of the Group's biological assets are estate expenses and new planting expenses directly attributed to the development of the root stock.

Also included in additions to the Group's biological assets are staff costs directly attributed to oil palm plantations of RM4,402,000 (2009: RM2,447,000).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

12. INVESTMENTS IN SUBSIDIARIES

	Company 2010	2009
	RM'000	*RM'000*
Unquoted investments — at cost	319,594	319,594

Details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective interest 2010 %	2009 %	Principal activities
Puncak Selasih Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding and road construction
Held by Puncak Selasih Sdn. Bhd.:				
Amalania Koko Berhad	Malaysia	68.54*	68.51*	Oil palm plantation
Timor Enterprises Sendirian Berhad	Malaysia	100.00	100.00	Investment holding, operation of oil palm plantation and oil mill and quarry operations
PT. Tunas Borneo Plantations^	Indonesia	95.00	95.00	Operation of oil palm plantation and oil mill, and quarry operations
PT. Abdi Borneo Plantations^	Indonesia	95.00	95.00	Operation of oil palm plantation and oil mill, and quarry operations
Held by Timor Enterprises Sendirian Berhad:				
Titleland Development Sdn. Bhd.	Malaysia	100.00	100.00	Oil palm plantation
Shariko (M) Sdn. Bhd.	Malaysia	100.00	100.00	Oil palm plantation
Samling Plantation Sdn. Bhd*	Malaysia	70.00	70.00	Operation of oil palm plantation and oil mill, forest plantation, and quarry licensee

* Acquisition of additional shares in Alamania Koko Berhad did not result in any material financial impact.

^ Not audited by PricewaterhouseCoopers.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

13. ADVANCES FROM A SUBSIDIARY

Advances received from a subsidiary are denominated in Ringgit Malaysia, unsecured, interest free and are not expected to be repaid within the next 12 months.

The fair value of advances from a subsidiary in the current financial year as at balance sheet date is RM15,155,673.

14. INVESTMENT IN AN ASSOCIATE

	Group	
	2010	**2009**
	RM'000	*RM'000*
Unquoted shares, at cost	980	980
Share of post-acquisition reserves	(4,018)	(3,264)
	(3,038)	(2,284)
Redeemable preference shares	3,061	3,061
	23	777
Represented by:		
Group's share of net assets	23	777
Share of capital commitment for the purchase of property, plant and equipment	0	0

Summarised financial information in respect of the Group's effective interest of 49% in associate are as follows:

	2010	**2009**
	RM'000	*RM'000*
Revenue	417	689
Cost of sales	(131)	(1,219)
Gross profit/(loss)	286	(530)
Administrative expenses	(803)	(134)
Other operating income	0	2
Finance cost	(236)	(301)
Loss before tax	(753)	(963)
Tax	0	0
Net loss after tax	(753)	(963)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

14. INVESTMENT IN AN ASSOCIATE *(Continued)*

Summarised financial information in respect of the Group's effective interest of 49% in associate are as follows:

	2010	**2009**
	RM'000	*RM'000*
Non-current assets	4,168	4,773
Current assets	363	439
Current liabilities	(2,612)	(2,296)
Non-current liabilities	(1,896)	(2,139)
	23	777

Name	**Country of incorporation**	**Group's effective interest 2010**	**Group's effective interest 2009**	**Principal activities**
		%	%	
MG BioGreen Sdn. Bhd. (held by Timor Enterprises Sendirian Berhad, a wholly-owned subsidiary)	Malaysia	49.00	49.00	Organic waste management, manufacturing and marketing of bio-green fertilisers and sub-licensing of bio-green fertilisers intellectual property rights to third parties.

15. LONG TERM INVESTMENTS

	Group and Company 2010	**2009**
	RM'000	*RM'000*
At cost		
Shares in foreign corporations, quoted outside Malaysia	957	957
Market value of quoted shares	1,334	2,062

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

16. INVENTORIES

	Group	
	2010	**2009**
	RM'000	*RM'000*
At cost		
Crude palm oil	1,502	2,135
Palm kernel	306	258
Stores and consumables	8,055	7,965
	9,863	10,358

17. RECEIVABLES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Trade receivables	8,723	8,532	0	0
Other receivables	5,372	5,551	2	4
Less: Allowance for doubtful debts	0	(669)	0	0
	5,372	4,882	2	4
Deposits	6,424	665	8	8
Prepayments	1,101	1,052	0	0
Dividend receivable	0	0	5,000	3,000
	21,620	15,131	5,010	3,012

Trade and other receivables are denominated in Ringgit Malaysia.

Credit terms of trade receivables granted by the Group is 7 days (2009: 7 days).

Concentration of credit risk in respect of trade receivables exist due to the Group's limited number of customers. Based on the Group's historical collection of trade receivables, management believes that the trade receivables are fully recoverable.

18. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is denominated in Ringgit Malaysia, unsecured, interest free and is repayable on demand except for an amount of RM1,042,451 (RM1,142,830) which bears an interest at the rate of 7.50% to 8.05% (2009: 7.50% to 9.00%).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Deposits with:				
Licensed banks	78,617	101,250	0	0
Discount houses	33,821	54,285	5,202	2,265
Cash and bank balances	7,219	3,267	211	278
Deposits, cash and bank balances	119,657	158,802	5,413	2,543
Less: Restricted deposits	(1,596)	(1,585)	0	0
Cash and cash equivalents	118,061	157,217	5,413	2,543

Restricted deposits amounting to RM1,595,750 (2009: RM1,585,000) represent deposits pledged as security for bank guarantee facilities of the subsidiaries.

The currency exposure profile of deposits, cash and bank balances are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Ringgit Malaysia	113,155	142,560	5,413	2,537
US Dollar	3,611	14,159	0	6
Indonesian Rupiah	2,891	2,083	0	0
	119,657	158,802	5,413	2,543

The weighted average interest rates per annum of deposits that were effective as at balance sheet date are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	%	*%*	*%*	*%*
Deposits with licensed banks	3.56	2.31	0	0
Deposits with discount houses	2.40	1.96	2.40	1.95

Deposits of the Group and Company have an average maturity period of 2 to 365 days (2009: 3 to 393 days) and 14 days (2009: 24 days) respectively. Bank balances are deposits held at call with banks and earn no interest.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

20. PAYABLES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Trade payables	22,213	33,057	0	0
Other payables and accruals	11,505	20,557	503	512
	33,718	53,614	503	512

Included in trade payables is an amount of RM343,000 (2009: RM89,314) in respect of the purchase of property, plant and equipment.

Trade and other payables are denominated in Ringgit Malaysia.

Credit terms of trade payables for the Group ranged from 60 to 90 days (2009: 60 to 90 days).

The currency exposure profile of payables are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Ringgit Malaysia	33,357	53,571	503	512
Indonesian Rupiah	361	43	0	0
	33,718	53,614	503	512

21. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2010	**2009**
	RM'000	*RM'000*
Deferred tax liabilities	84,331	81,261

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

21. DEFERRED TAXATION *(Continued)*

The movement during the financial year relating to deferred tax are as follows:

	Group
	RM'000
As at 1 July 2008	83,198
Credited to income statement *(Note 6)*	(1,937)
As at 30 June 2009	81,261
Charged to income statement *(Note 6)*	3,070
As at 30 June 2010	84,331

Deferred tax assets and liabilities are attributable to the following:

		Group	
	Fair value gains	**Accelerated tax depreciation**	**Total**
	RM'000	*RM'000*	*RM'000*
Deferred tax liabilities (prior to offsetting)			
At 1 July 2008	36,930	46,584	83,514
(Charged)/credited to income statement	(2,174)	4,668	2,494
At 30 June 2009	34,756	51,252	86,008
(Charged)/credited to income statement	(5,665)	12,922	7,257
At 30 June 2010	29,091	64,174	93,265
Offsetting			(8,934)
Deferred tax liabilities (after offsetting)			84,331

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

21. DEFERRED TAXATION *(Continued)*

	Provisions	Group Unabsorbed capital allowances	Total
	RM'000	*RM'000*	*RM'000*
Deferred tax assets (prior to offsetting)			
At 1 July 2008	(186)	(130)	(316)
Credited to income statement	(355)	(4,076)	(4,431)
At 30 June 2009	(541)	(4,206)	(4,747)
Credited to income statement	(339)	(3,848)	(4,187)
At 30 June 2010	(880)	(8,054)	(8,934)
Offsetting			8,934
Deferred tax assets (after offsetting)			0

The amount of deductible temporary differences (which has no expiry date) for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Deductible temporary differences	4,423	3,672	3,946	2,178

22. SHARE CAPITAL

	Group and Company	
	2010	**2009**
	RM'000	*RM'000*
Authorised ordinary shares of RM1 each:		
At the start and end of the financial year	1,000,000	1,000,000
Issued and paid up share capital of RM1 each:		
At the start and end of the financial year	115,362	115,362

At balance sheet date, the number of outstanding shares in issue after setting treasury shares off against equity is 114,090,792 (2009: 114,090,792).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

23. OTHER RESERVES

The other reserves represent distributable reserves arising from the gain on disposal of former subsidiaries in prior years.

24. RETAINED EARNINGS

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

Subject to agreement by the Inland Revenue Board, the Company has tax credits under Section 108(6) of the Income Tax Act 1967 to frank net dividends of approximately RM11,468,736 (2009: RM34,406,000) out of its retained earnings as at 30 June 2010. The extent of the retained earnings not covered at the date by Section 108 credit or tax exempt income amounted to RM2,629,539 (2009: RM4,536,000).

The Company also has tax exempt income under Section 12 of the Income Tax (Amendment) Act 1999 amounting to approximately RM3,075,000 (2009: RM3,075,000) available for distribution as tax exempt dividends.

25. CAPITAL COMMITMENTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*
For the purchase of property, plant and equipment:				
Authorised and contracted	920	2,591	0	0
Authorised but not contracted	69,562	106,479	655	218
	70,482	109,070	655	218

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. SIGNIFICANT RELATED PARTY DISCLOSURES

Related party transactions have been entered into by the Group in the normal course of business and have been transacted on a willing buyer willing seller basis.

In accordance with Section 4.1.5 of Practice Note No. 12/2001 Listing Requirements of the Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 30 June 2010 are disclosed hereunder:

(a) Yaw Holding Sdn. Bhd. ("Yaw Holding") and its subsidiaries ("Yaw Holding Group")

Yaw Chee Ming, the Managing Director of Glenealy Plantations (Malaya) Berhad, ("Glenealy"), is also a Director in Yaw Holding, Samling Strategic Corporation Sdn. Bhd. ("Samling Strategic Corporation") and Samling Global Limited.

Tan Sri Yaw Teck Seng is the father of Yaw Chee Ming and Yaw Chee Chik, a Director of Samling Strategic Corporation. Hence, Tan Sri Yaw Teck Seng, Yaw Chee Ming and Yaw Chee Chik are persons connected to each other.

Tan Sri Yaw Teck Seng and Yaw Chee Ming are both deemed major shareholders of Glenealy by virtue of their substantial shareholdings through Yaw Holding in Samling Strategic Corporation and Alpenview Sdn. Bhd. ("Alpenview"). Alpenview is a wholly-owned subsidiary of Lingui Developments Berhad ("Lingui"). Yaw Holding, Samling Strategic Corporation and Alpenview are major shareholders of Glenealy.

Cheam Dow Toon, a Director of Glenealy, is also a Director of Samling Global Limited. He also owns 14,000 ordinary shares of RM1.00 each in Glenealy.

(b) Lingui Developments Berhad ("Lingui") and its subsidiaries ("Lingui Group")

Yaw Chee Ming is the Managing Director of Lingui. Tan Sri Yaw Teck Seng and Yaw Chee Ming are both deemed major shareholders of Lingui by virtue of their substantial shareholdings through Yaw Holding and Samling Strategic Corporation in Samling Global Limited and through Plieran Sdn. Bhd.

Hiew Chung Chin, a Director of Miri Parts Trading Sdn. Bhd., a subsidiary of Lingui, is the brother of Tan Sri Yaw Teck Seng. Hence, Hiew Chung Chin and Tan Sri Yaw Teck Seng are deemed persons connected to each other. He owns 100,000 ordinary shares of RM1.00 each in Glenealy and 391,000 ordinary shares of RM0.50 each in Lingui.

Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman and Datuk Abdul Hamed bin Sepawi are both deemed major shareholders of Glenealy by virtue of their substantial shareholdings in Perkapalan Damai Timur.

Chan Hua Eng, is the common Chairman of Glenealy and Lingui. By virtue of his common directorship and his direct and indirect equity interests in Lingui of 58,333 and 4,236,290 ordinary shares of RM0.50 each respectively, he is deemed interested in the recurrent transactions between the Glenealy Group and the Lingui Group. He also owns indirect equity interest of 131,900 ordinary shares in Glenealy.

Cheam Dow Toon is a Director in Lingui. He owns 29,030 ordinary shares of RM0.50 each in Lingui.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. SIGNIFICANT RELATED PARTY DISCLOSURES *(Continued)*

(c) Arif Hemat Sdn. Bhd. ("Arif Hemat")

Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman is deemed a major shareholder of Samling Plantation Sdn. Bhd. ("Samling Plantation"), a subsidiary company of the Company, by virtue of his substantial shareholding in Arif Hemat. Arif Hemat is a major shareholder of Samling Plantation.

Arif Hemat is deemed a major shareholder of Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. by virtue of its substantial shareholding in Sarawak Land (Miri City) Sdn. Bhd..

The significant related party transactions between the Group and the Company and these related parties are as follows:

	Group	
	2010	**2009**
	RM'000	*RM'000*
Premises rental charged by:		
— Yaw Holding Group	58	60
Hotel accommodation charged by:		
— Yaw Holding Group and Arif Hemat	16	75
Purchase of air tickets from:		
— Yaw Holding Group	106	46

27. SEGMENTAL REPORTING

Primary reporting format — geographical segments

The Group operates mainly in the following geographical segments:

(a) Sabah palm oil cultivation

(b) Sarawak palm oil cultivation

	Sabah		Sarawak		Group	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Total revenue from external customers	100,382	89,456	89,104	85,878	189,486	175,334
Inter-segment revenue	0	0	0	0	0	0
External revenue	100,382	89,456	89,104	85,878	189,486	175,334
Profit from operations	46,225	37,202	12,679	15,512	58,904	52,714
Total assets	178,214	186,219	354,040	324,215	532,285	510,434

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

27. SEGMENTAL REPORTING *(Continued)*

Primary reporting format — geographical segments *(Continued)*

A reconciliation of revenue from external customers to total consolidated revenue is provided as follows:

	Group	
	2010	**2009**
	RM'000	*RM'000*
External revenue for reportable segments	189,486	175,334
Dividend income	48	454
Consolidated revenue	189,534	175,788

A reconciliation of total profit from operations to total consolidated profit before taxation is provided as follows:

	Group	
	2010	**2009**
	RM'000	*RM'000*
Profit from operations for reportable segments	58,904	52,714
Other non-reportable segments	(635)	(632)
Expenses managed on central basis	(6,500)	(4,028)
Consolidated profit from operations	51,769	48,054
Share of results of an associate	(753)	(963)
Consolidated profit before taxation	51,016	47,091
Taxation	(13,670)	(4,466)
Consolidated profit for the financial year	37,346	42,625

Reportable segments' assets are reconciled to consolidated total assets as follows:

	Group	
	2010	**2009**
	RM'000	*RM'000*
Total segment assets	532,285	510,434
Other non-reportable segments	9,915	1,412
Assets managed on a central basis	155,373	176,352
Consolidated total assets	697,573	688,198

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

28. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Acquisition of new subsidiaries

On 8 January 2010, Puncak Selasih Sdn. Bhd. ("Puncak"), a wholly-owned subsidiary of the Company entered into a the Conditional Sale and Purchase Agreements ("CSPA") with Mr. Joyo Soetomo and Mr. Didi Ferdinand Korompis (collectively, the "Vendors") to:

(a) acquire 5,743,500 ordinary shares in PT Natura Pasific Nusantara ("PT NPN") representing 70% of all shares issued by PT NPN from the Vendors for an indicative price of approximately RM8.9 million subject to adjustment arising from the due diligence review. PT NPN has approximately 4,335 hectares of land with Hak Guna Usaha.

(b) acquire 7,910,000 ordinary shares in PT Berau Karetindo Lestari ("PT BKL") representing 70% of all shares issued by PT BKL from the Vendors for an indicative price of approximately 10.0 million subject to adjustment arising from the due diligence review. PT BKL has approximately 7,023 hectares of land with Hak Guna Usaha.

On 6 August 2010, Puncak entered into Amendment Agreements with the Vendors to effect the changes of the CSPA as follows:

PT Berau Karetindo Lestari

The deadline to achieve the completion shall be extended to 31 March 2011 or another later date to be mutually agreed by the Vendors and Puncak.

PT Natura Pasific Nusantara

The deadline to achieve the completion shall be extended to 31 December 2010 or another later date to be mutually agreed by the Vendors and Puncak.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 August 2010.

STATEMENT BY DIRECTORS
pursuant to Section 169(5) of the Companies Act 1965

We, **Chan Hua Eng** and **Yaw Chee Ming**, two of the Directors of Glenealy Plantations (Malaya) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 36 to 77 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2010 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act 1965.

Signed on behalf of the Board of Directors in accordance with a resolution dated 24 August 2010.

Chan Hua Eng
Director

Yaw Chee Ming
Director

STATUTORY DECLARATION
pursuant to Section 169(16) of the Companies Act 1965

I, **Goh York Pooi**, the Officer primarily responsible for the financial management of Glenealy Plantations (Malaya) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 77 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

GOH YORK POOI

Subscribed and solemnly declared by the abovenamed Goh York Pooi at Kuala Lumpur in Malaysia on 24 August 2010, before me.

TUAN HAJI SHAFIE B. DAUD
(No. W. 350)
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

to the members of Glenealy Plantations (Malaya) Berhad (Company No: 3453-X)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Glenealy Plantations (Malaya) Berhad, which comprise the balance sheets as at 30 June 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 77.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation 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 Company'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 financial statements have been properly drawn up in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2010 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT
to the members of Glenealy Plantations (Malaya) Berhad (Company No: 3453-X)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MOHAMMAD FAIZ BIN MOHAMMAD AZMI
(No. 2025/03/12 (J))
Chartered Accountant

Kuala Lumpur
24 August 2010

5. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Set out below are the audited financial statements of the Glenealy Group for the year ended 30 June 2009 together with the relevant notes thereto as extracted from the annual report of Glenealy for the year ended 30 June 2009.

All page references set out in this section refer to the corresponding pages of the annual report 2009 of Glenealy. The annual report 2009 of Glenealy is available free of charge, in read only, printable format on Glenealy Group's website http://www.glenealy.com.

In this section, "Company" shall be constructed as Glenealy and "Group" shall be constructed as Glenealy Group.

Income Statements
For the financial year ended 30 June 2009

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	*3*	175,788	247,490	5,524	5,201
Cost of sales		(116,532)	(107,089)	0	0
Gross profit		59,256	140,401	5,524	5,201
Other operating income		5,658	26,782	288	204
Selling and distribution costs		(4,190)	(3,961)	0	0
Administrative expenses		(9,527)	(13,774)	(2,923)	(3,102)
Other operating expenses		(3,143)	(3,690)	0	0
Share of results of an associate		(963)	(1,025)	0	0
Profit from ordinary activities before tax	*4*	47,091	144,733	2,889	2,303
Tax expense					
— Company and subsidiaries	*6*	(4,466)	(32,933)	(171)	(693)
Net Profit for the financial year		42,625	111,800	2,718	1,610
Attributable to:					
Equity holders of the Company		33,187	94,967	2,718	1,610
Minority interests		9,438	16,833	0	0
Net profit for the financial year		42,625	111,800	2,718	1,610
Earnings per share (sen)	*7*	29.09	83.24		
Dividends per share in respect of the financial year (sen)	*8*	10.0	30.0	10.0	30.0

The accounting policies on pages 42 to 51 and the notes on pages 52 to 69 form an integral part of these financial statements.

Balance Sheets
As at 30 June 2009

		Group		Company	
		2009	2008	2009	2008
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
NON CURRENT ASSETS					
Property, plant and equipment	*9*	206,501	160,865	668	995
Prepaid lease payments	*10*	48,238	48,963	0	0
Biological assets	*11*	237,314	224,173	0	0
Investments in subsidiaries	*12*	0	0	319,594	319,594
Advances to a subsidiary	*13*	0	0	0	6,219
Investment in an associate	*14*	777	1,740	0	0
Long term investments	*15*	957	957	957	957
		493,787	436,698	321,219	327,765
CURRENT ASSETS					
Inventories	*16*	10,358	6,208	0	0
Receivables	*17*	17,237	25,143	3,012	8
Tax recoverable		8,014	3,212	1,333	1,004
Deposits, cash and bank balances	*18*	158,802	194,420	2,543	7,816
		194,411	228,983	6,888	8,828
CURRENT LIABILITIES					
Advances from a subsidiary	*13*	0	0	5,981	0
Payables	*19*	53,614	33,666	512	583
Tax liabilities		2,576	12,646	0	0
		56,190	46,312	6,493	583
NET CURRENT ASSETS		138,221	182,671	395	8,245
NON CURRENT LIABILITY					
Deferred tax liabilities	*20*	81,261	83,198	0	0
		81,261	83,198	0	0
		550,747	536,171	321,614	336,010
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	*21*	115,362	115,362	115,362	115,362
Reserves		382,412	367,394	206,252	220,648
		497,774	482,756	321,614	336,010
Minority interests		52,973	53,415	0	0
TOTAL EQUITY		550,747	536,171	321,614	336,010

The accounting policies on pages 42 to 51 and the notes on pages 52 to 69 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2009

		Issued and fully paid ordinary shares of RM1 each									
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Foreign exchange reserves RM'000	Other reserves (Note 22) RM'000	Retained earnings (Note 23) RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group											
At 1 July 2008		115,362	115,362	2,818	(2,423)	202	163,840	202,957	482,756	53,415	536,171
Dividends paid in respect of financial year ended 30 June 2008:											
— final dividend 30 June 2008	8	0	0	0	0	0	0	(8,557)	(8,557)	(4,927)	(13,484)
— special dividend	8	0	0	0	0	0	0	(8,557)	(8,557)	(4,927)	(13,484)
Investment in a local subsidiary company		0	0	0	0	0	0	0	0	(26)	(26)
Net profit for the financial year		0	0	0	0	0	0	33,187	33,187	9,438	42,625
Net loss not recognised in the income statement		0	0	0	0	(1,055)	0	0	(1,055)	0	(1,055)
At 30 June 2009		115,362	115,362	2,818	(2,423)	(853)	163,840	219,030	497,774	52,973	550,747
At 1 July 2007		115,362	115,362	2,818	(2,423)	203	163,840	124,762	404,562	39,948	444,510
Dividends paid in respect of financial year ended 30 June 2007:											
— first and final dividend	8	0	0	0	0	0	0	(8,329)	(8,329)	(392)	(8,721)
30 June 2008 — interim dividend	8	0	0	0	0	0	0	(8,443)	(8,443)	(4,733)	(13,176)
New investment in a foreign subsidiary		0	0	0	0	0	0	0	0	1,759	1,759
Net profit for the financial year		0	0	0	0	0	0	94,967	94,967	16,833	111,800
Net loss not recognised in the income statement		0	0	0	0	(1)	0	0	(1)	0	(1)
At 30 June 2008		115,362	115,362	2,818	(2,423)	202	163,840	202,957	482,756	53,415	536,171

The accounting policies on pages 42 to 51 and the notes on pages 52 to 69 form an integral part of these financial statements.

Company Statement of Changes in Equity
For the financial year ended 30 June 2009

		Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable		
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves (Note 22) RM'000	Retained earnings (Note 23) RM'000	Total RM'000
Company								
At 1 July 2008		115,362	115,362	2,818	(2,423)	163,840	56,413	336,010
Net profit for the financial year		0	0	0	0	0	2,718	2,718
Dividends paid in respect of financial year ended 30 June 2008:								
— special dividend	8	0	0	0	0	0	(8,557)	(8,557)
— final dividend	8	0	0	0	0	0	(8,557)	(8,557)
At 30 June 2009		115,362	115,362	2,818	(2,423)	163,840	42,017	321,614
At 1 July 2007		115,362	115,362	2,818	(2,423)	163,840	71,575	351,172
Net profit for the financial year		0	0	0	0	0	1,610	1,610
Dividends paid in respect of financial year ended 30 June 2007:								
— first and final dividend	8	0	0	0	0	0	(8,329)	(8,329)
Dividends paid in respect of financial year ended 30 June 2008:								
— interim dividend	8	0	0	0	0	0	(8,443)	(8,443)
At 30 June 2008		115,362	115,362	2,818	(2,423)	163,840	56,413	336,010

The accounting policies on pages 42 to 51 and the notes on pages 52 to 69 form an integral part of these financial statements.

Cash Flow Statements
For the financial year ended 30 June 2009

		Group		Company	
		2009	2008	2009	2008
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*
OPERATING ACTIVITIES					
Profit for the financial year		42,625	111,800	2,718	1,610
Adjustments for non-cash items:					
Amortisation					
— biological assets		10,385	9,990	0	0
— prepaid lease payments		682	519	0	0
Depreciation of property, plant and equipment		16,773	12,563	327	325
Write off					
— biological assets		200	425	0	0
— property, plant and equipment		647	84	0	0
— inventories		245	0	0	0
Allowance for doubtful debts		669	0	0	0
(Writeback of)/accrual for cultivation costs		(1,400)	4,400	0	0
Loss on disposal of property, plant and equipment		0	215	0	0
Gain on disposal of prepaid lease		0	(21,596)	0	0
Share of associate's loss		963	1,025	0	0
Dividend income		(454)	(131)	(5,454)	(5,131)
Interest income		(5,382)	(5,022)	(188)	(104)
Taxation		4,466	32,933	171	693
		70,419	147,205	(2,426)	(2,607)
Changes in working capital:					
Inventories		(4,395)	(1,369)	0	0
Receivables		7,369	(8,759)	(4)	25
Restricted fixed deposits		(162)	(43)	0	0
Payables		11,788	2,833	(71)	104
Net cash from/(used in) operations		85,019	139,867	(2,501)	(2,478)
Tax paid		(21,277)	(11,643)	0	925
Net cash flow from/(used in) operating activities		63,742	128,224	(2,501)	(1,553)

The accounting policies on pages 42 to 51 and the notes on pages 52 to 69 form an integral part of these financial statements.

Cash Flow Statements *(Continued)*
For the financial year ended 30 June 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
INVESTING ACTIVITIES					
Additions of property, plant and equipment		(64,360)	(30,427)	0	(42)
Prepaid lease payments					
— additions		(282)	(19,842)	0	0
— proceeds from disposal		0	21,596	0	0
Additions of biological assets		(22,140)	(14,980)	0	0
Interest received		5,382	5,022	188	104
Investment in an associate		0	(1,844)	0	0
Dividends received		454	131	1,954	3,831
Net cash flow (used in)/from investing activities		(80,946)	(40,344)	2,142	3,893
FINANCING ACTIVITIES					
Dividends paid:					
— shareholders		(17,114)	(16,772)	(17,114)	(16,772)
— minority shareholders of a subsidiary		(407)	(2,125)	0	0
Repayment of advances by a subsidiary		0	0	6,219	19,600
Advances received from a subsidiary		0	0	5,981	0
Net cash flow (used in)/from financing activities		(17,521)	(18,897)	(4,914)	2,828
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(34,725)	68,983	(5,273)	5,168
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		192,997	124,014	7,816	2,648
FOREIGN EXCHANGE DIFFERENCE		(1,055)	0	0	0
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	*18*	157,217	192,997	2,543	7,816

The accounting policies on pages 42 to 51 and the notes on pages 52 to 69 form an integral part of these financial statements.

Summary of Significant Accounting Policies

30 June 2009

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

A. BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies and comply with the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act 1965.

The preparation of financial statements in conformity with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results could differ from those estimates.

(a) Standards, amendments to published standards and Issues Committee ("IC") interpretations that are effective and applicable to the Group

The new accounting standards, amendments to published standards and interpretations to existing standards effective for the financial year beginning 1 July 2008 are as follows:

- FRS 107 — Cash Flow Statements
- FRS 111 — Construction Contracts
- FRS 112 — Income Taxes
- FRS 118 — Revenue
- FRS 120 — Accounting for Government Grants and Disclosure of Government Assistance
- FRS 134 — Interim Financial Reporting
- FRS 137 — Provisions, Contingent Liabilities and Contingent Assets
- Amendment to FRS 121 — The Effect of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation
- IC Interpretation 1 — Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2 — Members' Share in Co-operative Entities and Similar Instruments
- IC Interpretation 5 — Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6 — Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
- IC Interpretation 7 — Applying the Restatement Approach under $FRS129_{2004}$ Financial Reporting in Hyperinflationary Economies
- IC Interpretation 8 — Scope of FRS 2

IC Interpretation 1, 2, 5, 6, 7 and 8 are not relevant to the Group and the Company. The adoption of FRS 107, 111, 112, 118, 120, 121, 134 and 137 did not result in any substantial changes to the accounting policies of the Group and the Company nor have any significant financial impact on the financial statements of the Group and the Company.

Summary of Significant Accounting Policies
30 June 2009 (Continued)

A. BASIS OF PREPARATION *(Continued)*

(b) Standards, amendments to published standards and IC. interpretations that are not yet effective and have not been early adopted

The new standards and interpretations that are applicable to the Group and the Company, but which the Group and the Company have not early adopted:

- FRS 7 Financial Instruments: Disclosures (effective for annual periods beginning 1 January 2010). The Group and the Company have applied the transitional provision in FRS 7 which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements.

- FRS 8 Operating Segments (effective for annual periods beginning 1 July 2009) replaces FRS 114_{2004} Segment Reporting. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes.

- FRS 139 Financial Instruments: Recognition and Measurement (effective for annual periods beginning 1 January 2010). This new standard established principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and the Company have applied the transitional provision in FRS 139 which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements.

- FRS 123 Borrowing costs (effective for annual periods beginning 1 January 2010) which replaces FRS 123_{2004}, removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

- FRS 2 Share Based Payment (Amendment) (effective for annual periods beginning 1 January 2010). This new amendment clarifies that vesting conditions are service conditions and performance conditions only and do not include other features of a share based payment; also the amendments clarify that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity.

- FRS 127 Consolidated and Separate Financial Statements (Amendment) (effective for annual periods beginning 1 January 2010). This amendment deals with situations where a parent reorganises its group by establishing a new entity as its parent. Under the new rules, the new parent measures the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date.

- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual periods beginning 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

Summary of Significant Accounting Policies

30 June 2009 (Continued)

A. BASIS OF PREPARATION *(Continued)*

(b) Standards, amendments to published standards and IC. interpretations that are not yet effective and have not been early adopted *(Continued)*

- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual periods beginning 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

- IC Interpretation 11, FRS 2: Group and Treasury Share Transactions (effective for annual periods beginning 1 January 2010) clarifies how share based payment transactions involving its own or another entity's instruments in the same group are to be treated and that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity.

- IC Interpretation 13, Customer Loyalty Programs (effective for annual periods beginning 1 January 2010) explains how entities that grant loyalty award points to its customers should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.

- IC Interpretation 14, FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions (effective for annual periods beginning 1 January 2010) addresses how entities should determine the limit placed on the amount of a surplus in a pension plan they can recognise as an asset. Also, it addresses how a minimum funding requirement affects that limit and when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under FRS 119.

(c) Standards, amendments to published standards and interpretations that are not yet effective and not relevant to the Group's operations

FRS 4 Insurance Contracts is effective for annual periods beginning on 1 January 2010. This new standard exempts entities from disclosing information required under paragraph 30(b) of FRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors".

B. GROUP ACCOUNTING

(i) Subsidiaries

Subsidiaries are those entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiary companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The accounting policy on impairment assets is set out in Note E.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Summary of Significant Accounting Policies

30 June 2009 (Continued)

B. GROUP ACCOUNTING *(Continued)*

(i) Subsidiaries *(Continued)*

Minority interests represent that portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

(ii) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting.

Investments in associate companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The accounting policy on impairment assets is set out in Note E.

Equity accounting involves recognising the Group's share of the post acquisition results of associates in the income statement for the period and its share of post acquisition movements in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

Summary of Significant Accounting Policies

30 June 2009 (Continued)

C. PROPERTY, PLANT AND EQUIPMENT

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of these items.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment, if such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note E on impairment of assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(ii) Depreciation

Depreciation on assets under construction commences when the assets are ready for their intended use. All other property, plant and equipment are depreciated on a straight line basis to write off the costs of the assets over their estimated useful lives at the following annual rates of depreciation:

Buildings	5%–10%
Roads and bridges	4% –10%
Machinery, furniture and equipment	10%–20%
Motor vehicles	20%–25%

Assets under construction is not depreciated. Upon completion, the related costs will be transferred to the respective categories of assets. Depreciation on assets under construction commences when the assets are ready for their intended use.

D. BIOLOGICAL ASSETS

(i) Oil palm plantations

Biological assets in respect of oil palm plantations comprise new planting (incurred from land clearing to the point of harvesting) and replanting expenditure (incurred in replanting old planted areas), represents pre-cropping costs incurred on land preparation, fertilisation, plant and planting, labour and any general overheads directly attributed to the development of the root stock. Such expenditure are capitalised and amortised on a straight line basis over the estimated useful life of root stocks (25 years), or over the period of the lease, whichever is shorter.

(ii) Forest plantations

Forest plantations represent pre-cropping costs incurred on land preparation, fertilisation, plant and planting, labour and any general overheads directly attributable to the development of the root stock.

Forest plantation is stated at cost. All costs are capitalised for each area of growing timber until the first substantial harvest of that area. Cost capitalisation commences or recommences when preparation for forestry activity is initiated. Once the fair value of forest plantations become reliably measurable, upon the trees reaching maturity, the forest plantation is stated at lower of cost or fair value.

Summary of Significant Accounting Policies
30 June 2009 (Continued)

E. IMPAIRMENT OF ASSETS

Property, plant and equipment and other non-current assets (except for advances to a subsidiary) are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

F. INVESTMENTS

Investments in subsidiaries and associates are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. See accounting policy Note E on impairment of assets.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

G. INVENTORIES

Inventories consist of crude palm oil, palm kernel, consumable store items and spare parts. Inventories are stated at the lower of cost and net realisable value. Cost for crude palm oil and palm kernel comprises materials, labour and manufacturing overheads using the first-in, first-out method. Cost for consumable store items and spare parts are determined on the weighted average method.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs to completion and selling expenses.

H. TRADE RECEIVABLES

Trade receivables are carried at invoiced amount less an allowance for doubtful debts. The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of receivables. Bad debts are written off in the period in which they are identified.

I. CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Summary of Significant Accounting Policies
30 June 2009 (Continued)

J. SHARE CAPITAL

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as liability at the balance sheet date. Upon the dividend becoming payable, it will be accounted for as liability.

(iii) Purchase of own shares

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid, including any attributable incremental external costs, net of tax, is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

K. INCOME TAXES

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantially enacted at the balance sheet date are used to determine deferred tax.

L. EMPLOYEE BENEFITS

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

The Group's contribution to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Summary of Significant Accounting Policies
30 June 2009 (Continued)

M. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

N. CONTINGENT LIABILITIES

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

O. REVENUE RECOGNITION

Sales are recognised upon delivery of products or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group.

Interest and rental income are recognised on an accrual basis. Dividend income is recognised when the shareholder's right to receive payment is established.

P. FOREIGN CURRENCIES

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement.

Summary of Significant Accounting Policies
30 June 2009 (Continued)

P. FOREIGN CURRENCIES *(Continued)*

(c) Group companies

The results and financial position of all the group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, exchange differences that were recorded in equity are recognised in the Consolidated Income Statement as part of the gain or loss on disposal.

Q. BORROWINGS

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowing costs are charged to the Consolidated Income Statements as an expense in the period in which they have accrued.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

R. PREPAID LEASE PAYMENTS

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

In the case of lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interest in the land element and buildings element of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

Prepaid lease payments	60 to 99 years

Summary of Significant Accounting Policies
30 June 2009 (Continued)

S. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each of them.

(ii) Fair value estimation for disclosure purposes

The fair value of publicly traded derivatives and securities is based in quoted market prices at the balance sheet date.

In assessing the fair value of financial instruments, the Group uses a variety of methods and make assumptions that are based on market conditions existing at the balance sheet date. Comparisons are made to similar instruments that are publicly traded and estimates based on discounted cash flow techniques are also used. For long term financial liabilities, fair value is estimated by discounting future contractual cash flows at appropriate interest rates.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period less than one year are assumed to approximate their fair values.

T. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Company and its associate's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and action, actual results may differ from these estimates.

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

Other than the above, the Directors do not anticipate that any estimates and assumptions will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Financial Statements
30 June 2009

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objective is to optimise the value creation for its shareholders. In addition, the Group seeks to ensure that adequate financial resources are available for the development of the Group's businesses while managing its risks.

Financial risk management is carried out through risk reviews conducted at all significant operational units. This process is further enhanced by effective internal controls and adherence to the Group's financial risk management policies. The Board of Directors regularly reviews and approves actions taken by management in order to address financial risks.

(i) Credit risk

The Group's credit risk arises from sales made on deferred credit terms. Credit risks and exposures are controlled and monitored on an on-going basis by setting appropriate credit limits and terms after credit evaluations have been performed on customers on a case-by-case basis. Appropriate approval limits are set at different levels of credit limit and terms.

(ii) Interest rate risk

The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are appropriately fixed when necessary. The Group's short term deposits are placed at fixed rate investments which management endeavours to obtain the best rate available in the market.

(iii) Liquidity and cash flow risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure all funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

2. GENERAL INFORMATION

The principal activities of the Company are investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries and an associate are set out in Notes 12 and 14 to the financial statements respectively. There have been no significant changes in activities of the Group and Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Level 42, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia.

Notes to the Financial Statements
30 June 2009 (Continued)

3. REVENUE

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Sale of goods	175,334	247,359	0	0
Management services received from subsidiaries	0	0	70	70
Dividends — unquoted investments in subsidiaries (gross)	0	0	5,000	5,000
Dividends — quoted foreign investments	454	131	454	131
	175,788	247,490	5,524	5,201

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
The following items have been charged/(credited) in arriving at profit from ordinary activities before tax:				
Auditors' remuneration	100	100	28	28
Amortisation				
— biological assets	10,385	9,990	0	0
— prepaid lease payments	682	519	0	0
Depreciation of property, plant and equipment	16,773	12,563	327	325
Write off				
— biological assets	200	425	0	0
— property, plant and equipment	647	84	0	0
— inventory	245	0	0	0
Allowance for doubtful debts	669	0	0	0
(Writeback of)/accrual for cultivation costs	(1,400)	4,400	0	0
Rental of premises	616	504	33	30
Loss on disposal of property, plant and equipment	0	215	0	0
Staff costs (includes Executive Directors' remuneration stated in Note 5)				
— wages, salaries and bonus	31,425	29,736	1,500	1,332
— capitalised in biological assets	(2,447)	(2,334)	0	0
— defined contribution plan	1,583	1,209	126	132
— other staff costs	319	115	160	126
	30,880	28,726	1,786	1,590
Rental income	0	0	100	100
Interest income	5,382	5,022	188	104
Gain on disposal of prepaid lease	0	21,596	0	0

Costs of sales recognised as an expense is in respect of plantation and mill operations amounting to RM116,532,000 (2008: RM107,089,000).

Notes to the Financial Statements
30 June 2009 (Continued)

5. DIRECTORS' REMUNERATION

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Non-Executive Directors — fees	185	185	185	185
Executive Directors				
— fees	90	90	90	90
— salaries and bonus	1,413	1,153	1,413	1,153
— defined contribution plan	246	204	246	204
— other remuneration or emoluments	0	2	0	2
	1,749	1,449	1,749	1,449

The estimated monetary value of benefits-in-kind received by the Directors of the Group amounted to RM101,000 (2008: RM39,000) and of the Company amounted to RM73,000 (2008: RM39,000).

6. TAX EXPENSE

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Current tax:				
Malaysian income tax	9,088	20,034	0	693
Foreign tax	1,053	237	0	0
Deferred taxation *(Note 20)*	1,205	11,038	0	0
	11,346	31,309	0	693
(Over)/under provision in respect of prior years:				
Malaysian income tax	(3,738)	30	171	0
Deferred taxation *(Note 20)*	(3,142)	1,594	0	0
	4,466	32,933	171	693

Notes to the Financial Statements
30 June 2009 (Continued)

6. TAX EXPENSE *(Continued)*

The explanation of the relationship between tax expense and profit from ordinary activities before tax is as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	%	%	%	%
Numerical reconciliation between the average effective tax rate and the Malaysian statutory tax rate				
Malaysian statutory tax rate	25	26	25	26
Tax effects of:				
— expenses not deductible for tax purposes	5	1	3	3
— deductible temporary differences not recognised	0	0	2	2
— (over)/under accrual of taxation in prior years	(8)	0	6	0
— (over)/under accrual of deferred taxation in prior years	(7)	1	0	0
— change in tax rate	0	(1)	0	0
— different tax rates in other countries	1	0	0	0
— income not subject to tax	(7)	(5)	(30)	(1)
Average effective tax rate	9	22	6	30

7. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2009	**2008**
Profit attributable to ordinary equity holders of the Company (RM'000)	33,187	94,967
Weighted average number of ordinary shares in issue ('000)	114,091	114,091
Basic earnings per share (sen)	29.09	83.24

Notes to the Financial Statements
30 June 2009 (Continued)

8. DIVIDENDS

	Group and Company			
	2009		2008	
	Gross dividend per share	Amount of dividends, net of tax	Gross dividend per share	Amount of dividends, net of tax
	Sen	*RM'000*	*Sen*	*RM'000*
Paid:				
— First and final dividend in respect of year ended 30 June 2007	0	0	10	8,329
— Interim dividend in respect of year ended 30 June 2008	0	0	10	8,443
— Special dividend in respect of year ended 30 June 2008	10	8,557	0	0
— Final dividend in respect of year ended 30 June 2008	10	8,557	0	0
	20	17,114	20	16,772
Proposed:				
— final dividend	10	8,557	10	8,557
— special dividend	0	0	10	8,557
	10	8,557	20	17,114

At the forthcoming Annual General Meeting, a final dividend of 10 sen per share less income tax amounting to RM8,556,809 (2008: final dividend of 10 sen per share less income tax (excluding treasury shares) amounting to RM8,556,809 and a special dividend of 10 sen per share less income tax amounting to RM8,556,809) in respect of the financial year ended 30 June 2009 will be proposed for shareholders' approval.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Roads and bridges	Machinery, furniture and equipment	Motor vehicles	Assets under construction	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Group						
Net book value at 1 July 2008	35,414	63,895	18,883	8,257	34,416	160,865
Additions	23,366	11,814	14,761	10,218	4,293	64,452
Written off	(436)	(39)	(13)	(2)	(157)	(647)
Depreciation charge	(4,348)	(4,704)	(5,105)	(4,009)	0	(18,166)
Reclassification	23,174	2,371	3,927	8	(29,480)	0
Exchange differences	0	0	(3)	0	0	(3)
Net book value at 30 June 2009	77,170	73,337	32,450	14,472	9,072	206,501
At 30 June 2009						
Costs	99,674	103,713	67,812	34,573	9,072	314,844
Accumulated depreciation	(22,504)	(30,376)	(35,362)	(20,101)	0	(108,343)
Net book value	77,170	73,337	32,450	14,472	9,072	206,501

Notes to the Financial Statements
30 June 2009 (Continued)

9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation charge for the year is allocated as follows:

	2009 RM'000	2008 RM'000
Income statement	16,773	12,563
Biological assets in respect of immature phases	1,393	2,910
	18,166	15,473

	Buildings RM'000	Roads and bridges RM'000	Machinery, furniture and equipment RM'000	Motor vehicles RM'000	Assets under construction RM'000	Total RM'000
Group						
Net book value at 1 July 2007	37,900	62,875	20,184	8,356	15,682	144,997
Additions	1,944	4,197	3,951	2,814	18,734	31,640
Disposals	0	0	(215)	0	0	(215)
Written off	0	(83)	(1)	0	0	(84)
Depreciation charge	(4,430)	(3,094)	(5,036)	(2,913)	0	(15,473)
Net book value at 30 June 2008	35,414	63,895	18,883	8,257	34,416	160,865
At 30 June 2008						
Costs	54,743	89,831	49,625	26,749	34,416	255,364
Accumulated depreciation	(19,329)	(25,936)	(30,742)	(18,492)	0	(94,499)
Net book value	35,414	63,895	18,883	8,257	34,416	160,865

	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Net book value			
At 1 July 2008	920	75	995
Depreciation charge	(277)	(50)	(327)
At 30 June 2009	643	25	668
At 1 July 2007	1,153	125	1,278
Additions	42	0	42
Depreciation charge	(275)	(50)	(325)
At 30 June 2008	920	75	995

Notes to the Financial Statements
30 June 2009 (Continued)

9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Furniture and equipment	Motor vehicles	Total
	RM'000	*RM'000*	*RM'000*
At 30 June 2009			
Cost	2,776	644	3,420
Accumulated depreciation	(2,133)	(619)	(2,752)
Net book value	643	25	668
At 30 June 2008			
Cost	2,776	644	3,420
Accumulated depreciation	(1,856)	(569)	(2,425)
Net book value	920	75	995

10. PREPAID LEASE PAYMENTS

	2009	2008
	RM'000	*RM'000*
Net book value		
At 1 July	48,963	29,870
Additions	295	19,842
Amortisation	(875)	(749)
Reclassification	(132)	0
Exchange differences	(13)	0
At 30 June	48,238	48,963
At 30 June		
Cost	53,533	53,382
Accumulated amortisation	(5,295)	(4,419)
	48,238	48,963

Depreciation charge for the year is allocated as follows:

	Group	
	2009	2008
	RM'000	*RM'000*
Income statement	682	519
Biological assets	193	230
	875	749

Notes to the Financial Statements
30 June 2009 (Continued)

11. BIOLOGICAL ASSETS

Group	Oil palm plantations *RM'000*	Forest plantations *RM'000*	Total *RM'000*
Net book value			
At 1 July 2008	220,426	3,747	224,173
Additions	23,546	180	23,726
Written off	(200)	0	(200)
Amortisation	(10,385)	0	(10,385)
At 30 June 2009	233,387	3,927	237,314
At 30 June 2009			
Cost	326,597	3,927	330,524
Accumulated amortisation	(93,210)	0	(93,210)
Net book value	233,387	3,927	237,314
Net book value			
At 1 July 2007	213,081	3,387	216,468
Additions	17,760	360	18,120
Written off	(425)	0	(425)
Amortisation	(9,990)	0	(9,990)
At 30 June 2008	220,426	3,747	224,173
At 30 June 2008			
Cost	304,596	3,747	308,343
Accumulated amortisation	(84,170)	0	(84,170)
Net book value	220,426	3,747	224,173

Included in additions of the Group's biological assets are estate expenses and new planting expenses directly attributed to the development of the root stock.

Also included in additions to the Group's biological assets are staff costs directly attributed to oil palm plantations of RM2,447,000 (2008: RM2,334,000).

Notes to the Financial Statements
30 June 2009 (Continued)

12. INVESTMENTS IN SUBSIDIARIES

	Company 2009	Company 2008
	RM'000	*RM'000*
Unquoted investments — at cost	319,594	319,594

Details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective interest 2009	Group's effective interest 2008	Principal activities
		%	%	
Puncak Selasih Sdn. Bhd.	Malaysia	100.00	100.00	Investment holding and road construction
Held by Puncak Selasih Sdn. Bhd.:				
Amalania Koko Berhad	Malaysia	68.51*	68.49	Oil palm plantation
Timor Enterprises Sendirian Berhad	Malaysia	100.00	100.00	Investment holding, operation of oil palm plantation and oil mill and quarry operations
PT. Tunas Borneo Plantations	Indonesia	95.00	95.00	Operation of oil palm plantation and oil mill, and quarry operations
PT. Abdi Borneo Plantations	Indonesia	95.00	95.00	Operation of oil palm plantation and oil mill, and quarry operations
Held by Timor Enterprises Sendirian Berhad:				
Titleland Development Sdn. Bhd.	Malaysia	100.00	100.00	Oil palm plantation
Shariko (M) Sdn. Bhd.	Malaysia	100.00	100.00	Oil palm plantation
Samling Plantation Sdn. Bhd.	Malaysia	70.00	70.00	Operation of oil palm plantation and oil mill, forest plantation, and quarry licensee

* Acquisition of additional shares in Alamania Koko Berhad did not result in any material financial impact.

Notes to the Financial Statements
30 June 2009 (Continued)

13. ADVANCES TO/(FROM) A SUBSIDIARY

Advances to a subsidiary were fully repaid during the financial year.

Advances received from a subsidiary are unsecured, interest free and payable on demand.

The carrying amounts of the advances at the balance sheet date were not reduced to their estimated fair value of RM Nil (2008: RM5,799,217) as these advances are receivable/payable from a profitable wholly-owned subsidiary and the Directors are of the opinion that the amounts are fully recoverable.

14. INVESTMENT IN AN ASSOCIATE

	2009	2008
	RM'000	*RM'000*
Group		
Unquoted shares, at cost	980	980
Share of post-acquisition reserves	(3,264)	(2,301)
	(2,284)	(1,321)
Redeemable preference shares	3,061	3,061
	777	1,740
Represented by:		
Group's share of net assets	777	1,740
Share of capital commitment for the purchase of property, plant and equipment	0	192

Summarised financial information in respect of the Group's effective interest of 49% in associate are as follows:

	2009	2008
	RM'000	*RM'000*
Revenue	689	673
Cost of sales	(1,219)	(1,232)
Gross loss	(530)	(559)
Administrative expenses	(134)	(299)
Other operating income	2	13
Finance cost	(301)	(261)
Loss before tax	(963)	(1,106)
Tax	0	81
Net loss after tax	(963)	(1,025)

Notes to the Financial Statements
30 June 2009 (Continued)

14. INVESTMENT IN AN ASSOCIATE *(Continued)*

Summarised financial information in respect of the Group's effective interest of 49% in associate are as follows: *(Continued)*

	2009 RM'000	2008 RM'000
Non-current assets	4,773	5,157
Current assets	439	521
Current liabilities	(2,296)	(1,589)
Non-current liabilities	(2,139)	(2,349)
	777	1,740

Name	Country of incorporation	Group's effective interest 2009 %	Group's effective interest 2008 %	Principal activities
MG BioGreen Sdn. Bhd. (held by Timor Enterprises Sendirian Berhad, a wholly-owned subsidiary)	Malaysia	49.00	49.00	Organic waste management, manufacturing and marketing of bio-green fertilisers and sublicensing of bio-green fertilisers intellectual property rights to third parties.

15. LONG TERM INVESTMENTS

	Group and Company 2009 RM'000	Group and Company 2008 RM'000
At cost		
Shares in corporation, quoted in Malaysia	1	1
Shares in foreign corporations, quoted outside Malaysia	956	956
	957	957
Market value of quoted shares	2,062	3,251

Notes to the Financial Statements
30 June 2009 (Continued)

16. INVENTORIES

	Group 2009 *RM'000*	Group 2008 *RM'000*
At cost		
Crude palm oil	2,135	1,563
Palm kernel	258	99
Stores and consumables	7,965	4,546
	10,358	6,208

17. RECEIVABLES

	Group 2009 *RM'000*	Group 2008 *RM'000*	Company 2009 *RM'000*	Company 2008 *RM'000*
Trade receivables	8,532	15,811	0	0
Other receivables	7,657	8,703	4	0
Less: Allowance for doubtful debts	(669)	0	0	0
	6,988	8,703	4	0
Deposits	665	201	8	8
Prepayments	1,052	428	0	0
Dividend receivable	0	0	3,000	0
	17,237	25,143	3,012	8

Trade and other receivables are denominated in Ringgit Malaysia.

Credit terms of trade receivables granted by the Group is 7 days (2008: 7 days).

Concentration of credit risk in respect of trade receivables exist due to the Group's limited number of customers. Based on the Group's historical collection of trade receivables, management believes that the trade receivables are fully recoverable.

Notes to the Financial Statements
30 June 2009 (Continued)

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Deposits with:				
Licensed banks	101,250	94,337	0	0
Discount houses	54,285	78,363	2,265	7,527
Cash and bank balances	3,267	21,720	278	289
Deposits, cash and bank balances	158,802	194,420	2,543	7,816
Less: Restricted deposits	(1,585)	(1,423)	0	0
Cash and cash equivalents	157,217	192,997	2,543	7,816

Restricted deposits amounting to RM1,585,000 (2008: RM1,423,000) represent deposits pledged as security for bank guarantee facilities of the subsidiaries.

The currency exposure profile of deposits, cash and bank balances are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Ringgit Malaysia	142,560	176,240	2,537	7,810
US Dollar	14,159	16,524	6	6
Indonesian Rupiah	2,083	1,656	0	0
	158,802	194,420	2,543	7,816

The weighted average interest rates per annum of deposits that were effective as at balance sheet date are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	%	*%*	*%*	*%*
Deposits with licensed banks	2.31	3.5	0	3.5
Deposits with discount houses	1.96	3.4	1.95	3.4

Deposits of the Group and Company have an average maturity period of 3 to 393 days (2008: 30 to 365 days) and 24 days (2008: 30 to 180 days) respectively. Bank balances are deposits held at call with banks and earn no interest.

Notes to the Financial Statements
30 June 2009 (Continued)

19. PAYABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Trade payables	33,057	17,548	0	0
Other payables and accruals	20,557	16,118	512	583
	53,614	33,666	512	583

Included in trade payables is an amount of RM89,314 (2008: RM2,941,663) in respect of the purchase of property, plant and equipment.

Trade and other payables are denominated in Ringgit Malaysia.

Credit terms of trade payables for the Group ranged from 60 to 90 days (2008: 60 to 90 days).

The currency exposure profile of payables are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Ringgit Malaysia	53,571	33,587	512	583
Indonesian Rupiah	43	79	0	0
	53,614	33,666	512	583

20. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2009	**2008**
	RM'000	*RM'000*
Deferred tax liabilities	81,261	83,198

The movement during the financial year relating to deferred tax are as follows:

	Group	**Company**
	RM'000	*RM'000*
As at 1 July 2007	70,566	0
Credited to income statement *(Note 6)*	12,632	0
As at 30 June 2008	83,198	0
Charged to income statement *(Note 6)*	(1,937)	0
As at 30 June 2009	81,261	0

Notes to the Financial Statements
30 June 2009 (Continued)

20. DEFERRED TAXATION *(Continued)*

Deferred tax assets and liabilities are attributable to the following:

	Group		
	Fair value gains	Accelerated tax depreciation	Total
	RM'000	*RM'000*	*RM'000*
Deferred tax liabilities (prior to offsetting)			
At 1 July 2007	39,104	42,787	81,891
(Charged)/credited to income statement	(2,174)	3,797	1,623
At 30 June 2008	36,930	46,584	83,514
(Charged)/credited to income statement	(2,174)	4,668	2,494
At 30 June 2009	34,756	51,252	86,008
Offsetting			(4,747)
Deferred tax liabilities (after offsetting)			81,261

	Group		
	Provisions	Unabsorbed capital allowances	Total
	RM'000	*RM'000*	*RM'000*
Deferred tax assets (prior to offsetting)			
At 1 July 2007	(298)	(11,027)	(11,325)
Charged to income statement	112	10,897	11,009
At 30 June 2008	(186)	(130)	(316)
Credited to income statement	(355)	(4,076)	(4,431)
At 30 June 2009	(541)	(4,206)	(4,747)
Offsetting			4,747
Deferred tax assets (after offsetting)			0

The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group		Company	
	2009	2008	2009	2008
	RM'000	*RM'000*	*RM'000*	*RM'000*
Deductible temporary differences	3,672	3,753	2,030	1,771

Notes to the Financial Statements
30 June 2009 (Continued)

21. SHARE CAPITAL

	Group and Company	
	2009	**2008**
	RM'000	*RM'000*
Authorised ordinary shares of RM1 each:		
At the start and end of the financial year	1,000,000	1,000,000
Issued and paid up share capital of RM1 each:		
At the start and end of the financial year	115,362	115,362

At balance sheet date, the number of outstanding shares in issue after setting treasury shares off against equity is 114,090,792 (2008: 114,090,792).

22. OTHER RESERVES

The other reserves represent distributable reserves arising from the gain on disposal of former subsidiaries in prior years.

23. RETAINED EARNINGS

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

Subject to agreement by the Inland Revenue Board, the Company has tax credits under Section 108(6) of the Income Tax Act 1967 to frank net dividends of approximately RM34,406,000 (2008: RM51,640,000) out of its retained earnings as at 30 June 2009. The extent of the retained earnings not covered at the date by Section 108 credit or tax exempt income amounted to RM4,536,000 (2008: RM2,273,000).

The Company also has tax exempt income under Section 12 of the Income Tax (Amendment) Act 1999 amounting to approximately RM3,075,000 (2008: RM2,620,000) available for distribution as tax exempt dividends.

24. CAPITAL COMMITMENTS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	*RM'000*	*RM'000*	*RM'000*
For the purchase of property, plant and equipment:				
Authorised and contracted	2,591	16,131	0	0
Authorised but not contracted	106,479	56,621	218	0
	109,070	72,752	218	0

Notes to the Financial Statements
30 June 2009 (Continued)

25. CONTINGENT LIABILITIES

The Company had announced on 28 March 2003 that its wholly owned sub-subsidiary company Timor Enterprises Sdn Bhd (hereinafter referred to as "Defendant") had been served with a Writ of Summons on 20 March 2003 in respect of Suit II by Wembley I.B.A.E Sdn Bhd (in Liquidation) (hereinafter referred to as "Plaintiff") which was the Defendant's main contractor for its oil mill factory project in Lahad Datu, Sabah (hereinafter referred to as "Oil Mill"). The Plaintiff's claims against the Defendant which were in respect of the Oil Mill were judgement for the sum alleged to be in arrears of RM799,893.17 plus interest costs before the judgement date up to the date of full settlement, costs of Suit II and any other relief deemed fit and proper by the High Court.

The Board of Directors are of the view that there are no such sums due and owing by the Defendant to the Plaintiff and the Defendant's solicitors had filed a defense and served it upon the solicitors of the Plaintiff on 10 April 2003. The solicitors for the Plaintiff had served a notice to the Defendant to file an affidavit verifying existence of documents on 22 March 2004.

The Defendant had filed an application to strike out the action. The Summons in Chambers was served onto the Plaintiff on 5 October 2004. The learned Senior Assistant Registrar had on 22 March 2005 made an order for the striking out of the Plaintiff's claim. However, the Plaintiff had on 24 March 2005 appealed against the decision. The hearing of the Plaintiff's appeal had been fixed for 14 September 2005.

On 14 September 2005, the learned Judge of the High Court dismissed the Plaintiff's appeal with costs to be paid by the Plaintiff to the Defendant. The Plaintiff has since filed an appeal against the decision of the High Court to the Court of Appeal. At present, no date has been fixed for the hearing of the Plaintiff's appeal to the Court of Appeal and the appeal remains pending determination.

26. SIGNIFICANT RELATED PARTY DISCLOSURES

Related party transactions have been entered into by the Group in the normal course of business and have been transacted on a willing buyer willing seller basis.

In accordance with Section 4.1.5 of Practice Note No. 12/2001 Listing Requirements of the Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 30 June 2009 are disclosed hereunder:

(a) Yaw Holding. Sdn. Bhd. ("Yaw Holding") and its subsidiaries ("Yaw Holding Group")

Yaw Chee Ming, the Managing Director of Glenealy Plantations (Malaya) Berhad, ("Glenealy"), is also a Director in Yaw Holding, Samling Strategic Corporation Sdn. Bhd. ("Samling Strategic Corporation") and Samling Global Limited.

Datuk Yaw Teck Seng is the father of Yaw Chee Ming and Yaw Chee Chik, a Director of Samling Strategic Corporation. Hence, Datuk Yaw Teck Seng, Yaw Chee Ming and Yaw Chee Chik are persons connected to each other.

Datuk Yaw Teck Seng and Yaw Chee Ming are both deemed major shareholders of Glenealy by virtue of their substantial shareholdings through Yaw Holding in Samling Strategic Corporation and Alpenview Sdn. Bhd. ("Alpenview"). Alpenview is a wholly-owned subsidiary of Lingui Developments Berhad ("Lingui"). Yaw Holding, Samling Strategic Corporation and Alpenview are major shareholders of Glenealy.

Cheam Dow Toon, a Director of Glenealy, is also a Director of Samling Global Limited. He also owns 14,000 ordinary shares of RM1.00 each in Glenealy.

Notes to the Financial Statements
30 June 2009 (Continued)

26. SIGNIFICANT RELATED PARTY DISCLOSURES *(Continued)*

(b) Lingui Developments Berhad ("Lingui") and its subsidiaries ("Lingui Group")

Yaw Chee Ming is the Managing Director of Lingui. Datuk Yaw Teck Seng and Yaw Chee Ming are both deemed major shareholders of Lingui by virtue of their substantial shareholdings through Yaw Holding and Samling Strategic Corporation in Samling Global Limited and through Plieran Sdn. Bhd.

Hiew Chung Chin, a Director of Miri Parts Trading Sdn. Bhd., a subsidiary of Lingui, is the brother of Datuk Yaw Teck Seng. Hence, Hiew Chung Chin and Datuk Yaw Teck Seng are deemed persons connected to each other. He owns 100,000 ordinary shares of RM1.00 each in Glenealy and 391,000 ordinary shares of RM0.50 each in Lingui.

Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman and Datuk Abdul Hamed bin Sepawi are both deemed major shareholders of Glenealy by virtue of their substantial shareholdings in Perkapalan Damai Timur.

Chan Hua Eng, is the common Chairman of Glenealy and Lingui. By virtue of his common directorship and his direct and indirect equity interests in Lingui of 58,333 and 4,236,290 ordinary shares of RM0.50 each respectively, he is deemed interested in the recurrent transactions between the Glenealy Group and the Lingui Group. He also owns indirect equity interest of 131,900 ordinary shares in Glenealy.

Cheam Dow Toon is a Director in Lingui. He owns 29,030 ordinary shares of RM0.50 each in Lingui.

(c) Arif Hemat Sdn. Bhd. ("Arif Hemat")

Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman is deemed a major shareholder of Samling Plantation Sdn. Bhd. ("Samling Plantation"), a subsidiary company of the Company, by virtue of his substantial shareholding in Arif Hemat. Arif Hemat is a major shareholder of Samling Plantation.

Arif Hemat is deemed a major shareholder of Insan Sejati Sdn. Bhd. and Kemena Resort Sdn. Bhd. by virtue of its substantial shareholding in Sarawak Land (Miri City) Sdn. Bhd..

The significant related party transactions between the Group and the Company and these related parties are as follows:

	Group	
	2009	**2008**
	RM'000	*RM'000*
Premises rental charged by:		
— Yaw Holding Group	60	60
Hotel accommodation charged by:		
— Yaw Holding Group and Arif Hemat	75	37
Purchase of air tickets from:		
— Yaw Holding Group	46	81

27. SEGMENTAL REPORTING

The Group is principally involved in a single line of business in Malaysia, namely the operations of oil palm plantations, palm oil mills and forest plantations. As such, no segmental analysis is required.

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 18 August 2009.

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, Chan Hua Eng and Yaw Chee Ming, two of the Directors of Glenealy Plantations (Malaya) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 36 to 69 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act 1965.

Signed on behalf of the Board of Directors in accordance with a resolution dated 18 August 2009.

Chan Hua Eng	**Yaw Chee Ming**
Director	*Director*

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, Cheam Dow Toon, the Director primarily responsible for the financial management of Glenealy Plantations (Malaya) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 69 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Cheam Dow Toon

Subscribed and solemnly declared by the abovenamed Cheam Dow Toon at Kuala Lumpur in Malaysia on 18 August 2009, before me.

TUAN HAJI SHAFIE B. DAUD
(No. W. 350)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To The Members Of Glenealy Plantations (Malaya) Berhad
(Incorporated In Malaysia) (Company No:3453-x)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Glenealy Plantations (Malaya) Berhad, which comprise the balance sheets as at 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 69.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation 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 Company'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 financial statements have been properly drawn up in accordance with the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2009 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

To The Members Of Glenealy Plantations (Malaya) Berhad
(Incorporated In Malaysia) (Company No:3453-x) (Continued)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MOHAMMAD FAIZ BIN MOHAMMAD AZMI
(No. 2025/03/10 (J))
Chartered Accountant

Kuala Lumpur
18 August 2009

1. RECONCILIATION OF LINGUI

Set out below is the reconciliation of Lingui for the financial years ended 30 June 2009, 2010 and 2011. Since the financial year ended 30 June 2011, Lingui had adopted the same accounting policy as that of SGL, and as hence, there are no material differences in accounting policies for the financial year ended 30 June 2011 and the six months ended 31 December 2011. There is no reconciliation presented for the financial year ended 30 June 2011 and the six months ended 31 December 2011. The reconciliation for the financial year ended 30 June 2011 is presented to summarise the financial impact of a prior year adjustment, as described in Note 1(a) on pages IV-10 to IV-11. The reconciliation below should be read in conjunction with the audited consolidated financial statements of Lingui for the three financial years ended 30 June 2009, 2010 and 2011, as set out respectively under section 5, 4 and 3 of Appendix II.

Differences between Accounting Policies Adopted by SGL (SGL Group Accounting Policies) and Lingui Developments Berhad ("Lingui") (Financial Reporting Standards (FRSs) issued by Malaysian Accounting Standards Board ("MASB"))

As described in "Waiver from requirement to prepare an Accountants' Report on SGL" under the paragraph headed "5. Implications under the Listing Rules" set out in the section headed "Malaysian Proposals" to this document, the Company has applied to the Stock Exchange for, and has been granted, a waiver to produce an Accountants' Report on SGL in accordance with Rule 14.69(4)(a)(i) of the Listing Rules.

Instead, this circular contains the copy of the:

(a) Lingui's Financial Statements as prepared in accordance with FRSs issued by MASB. Your attention is drawn to the basis of preparation of the financial statements as set out in Note 2 to the audited consolidated financial statements for each of the years ended 30 June 2009, 2010 and 2011, and the opinion of KPMG Malaysia, the independent auditor of Lingui; and

(b) Lingui's Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2011 as prepared in accordance with FRSs issued by MASB. Your attention is drawn to the basis of preparation of the financial statements and the review opinion of KPMG Malaysia, the independent auditor of Lingui,

(together the "Financial Information on the Lingui Group" as set out in Appendix II.)

The Financial Information on the Lingui Group cover the financial position of the Lingui Group as at 30 June 2009, 2010 and 2011 and 31 December 2011, and the financial performance of the Lingui Group for the three (3) years ended 30 June 2009, 2010 and 2011 and six (6) months ended 31 December 2011 (the "Relevant Periods").

The unaudited interim financial statements of Lingui as at and for the six months ended 31 December 2011 and 2010 were reviewed by Lingui's independent auditors in accordance with ISRE 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Malaysian Institute of Accountants. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements. An interim review does not provide such assurance.

The accounting policies adopted in the preparation of the Financial Information on the Lingui Group differ in certain material respects from the accounting policies presently adopted by the Company, which comply with International Financial Reporting Standards ("IFRS"). Differences, other than presentational differences, which would have a significant effect on the Financial Information on the Lingui Group had they been prepared in accordance with the accounting policies currently adopted by the Company rather than in accordance with FRSs issued by MASB, are set out below in the section entitled "Accounting Policies Reconciliation".

In particular, the reconciliation is set out providing:

(a) A comparison between Lingui's consolidated income statements as extracted from the Financial Information on the Lingui Group on one hand (prepared in accordance with FRSs issued by MASB), and a restatement of such income statements had they instead been prepared in accordance with the accounting policies presently adopted by SGL that are consistent with the requirements of IFRS. The process taken in preparation of such restatement is set out below;

(b) A comparison between Lingui's consolidated statement of financial position as extracted from the Financial Information on the Lingui Group on one hand (prepared in accordance with FRSs issued by MASB), and a restatement of such consolidated statement of financial position had they instead been prepared in accordance with the accounting policies presently adopted by SGL that are consistent with the requirements of IFRS. The process taken in preparation of such restatement is set out below; and

(c) A discussion of the material financial statements line item differences arising out the restatement exercise outlined in (a) and (b) above,

(together the "Accounting Policies Reconciliation").

Basis of preparation

The Accounting Policies Reconciliation has been prepared by Lingui by comparing the differences between the accounting policies adopted by Lingui for the Relevant Periods for its statutory financial statements which are prepared in accordance with FRSs issued by MASB, and the accounting policies presently adopted by SGL in compliance with accounting policies presently adopted by SGL that are consistent with the requirements of IFRS on the other hand, and quantifying the relevant material financial effects of such differences as discussed in Note 1 to Note 3 in the Accounting Policies Reconciliation to illustrate the financial position and performance of Lingui if Lingui were to adopt the accounting policies of SGL to prepare its financial statements. Your attention is drawn to the fact that the Accounting Policies Reconciliation has not been subject to an independent audit. Accordingly, it may not truly and fairly represent Lingui's financial position for the Relevant Periods, nor the results for each of the Relevant Periods then ended, under the accounting policies presently adopted by SGL that are consistent with the requirements of IFRS.

In the preparation of the Accounting Policies Reconciliation, IFRS 1, First Time Adoption of International Financial Reporting Standards has not been applied. Hence, if the financial statements of Lingui have been prepared in compliance with IFRS 1, the figures may differ from those presented in Accounting Policies Reconciliation.

Lingui auditor, KPMG Malaysia was engaged by Lingui to conduct work on the Accounting Policies Reconciliation in accordance with International Standard on Assurance Engagements, ISAE 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" issued by the International Auditing and Assurance Standards Board ("IAASB"). The procedures included:

(i) comparing historical financial information of Lingui from the audited financial statements, for the financial years ended 30 June 2009, 30 June 2010, and 30 June 2011 and the unaudited condensed consolidated interim financial statements for the six months period ended 31 December 2011 ("Unadjusted Financial Information") prepared under FRSs issued by MASB with the audited financial statements for the financial years ended 30 June 2009, 2010 and 2011, and the reviewed condensed consolidated financial statements for the six months financial period ended 31 December 2011 prepared under FRSs issued by MASB, with a view to ascertain that the Unadjusted Financial Information have been properly extracted from the audited and reviewed financial statements;

(ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the Accounting Policies Reconciliation in accordance with SGL Group Accounting Policies, which included reviewing the material differences between Lingui's Accounting Policies and SGL Group Accounting Policies; and

(iii) determining that the Unaudited Financial Information under SGL Group Accounting Policies in the Accounting Policies Reconciliation is arithmetically accurate.

KPMG Malaysia has concluded that:

(i) The Unadjusted Financial Information of Lingui as set out in the Reconciliation Statement prepared under FRSs issued by MASB, is appropriately extracted from the audited statutory financial statements of Lingui for the financial years ended 30 June 2009, 2010 and 2011, and the reviewed condensed consolidated financial statements for the six months financial period ended 31 December 2011;

(ii) The Unaudited Financial Information under SGL Group Accounting Policies are compiled in accordance with basis and adjustments as set out on pages IV-10 to IV-12 in the Reconciliation Statement; and

(iii) The Unaudited Financial Information under SGL Group Accounting Policies in the Reconciliation Statement is arithmetically accurate.

KPMG Malaysia's engagement did not involve independent examination of any of the underlying financial information nor constitute an audit in accordance with the Approved Standards on Auditing in Malaysia. KPMG Malaysia's engagement was intended solely for the use of SGL Directors in connection with this document and may not be suitable for another purpose.

Lingui's Unaudited Financial Information Under SGL Group Accounting Policies

Lingui's consolidated financial statements for the two years ended 30 June 2009 and 30 June 2010 have been prepared and presented under FRSs issued by MASB. There are no material differences between the accounting policies adopted by Lingui in its preparation of the Lingui's consolidated financial statements for the two financial years ended 30 June 2009 and 30 June 2010 as presented under Lingui's then FRSs issued by MASB accounting policies, compared to that applying the policies presently adopted by the Company in compliance with accounting policies presently adopted by the Company that are consistent with the requirements of IFRS, other than as set out below:

(a) Biological Assets; and

(b) Financial Instruments: Recognition and Measurement

Lingui has adopted FRS 139, Financial Instruments: Recognition and Measurement (equivalent of IAS 39, Financial Instruments: Recognition and Measurement) for the financial year beginning 1 July 2010. At the same time, Lingui has changed the accounting policy of the biological assets by adopting IAS 41, Agriculture, to be consistent with the accounting policies of SGL. As such there are no material differences in accounting policies for the financial year ended 30 June 2011 and for the six (6) months ended 31 December 2011.

In view of the above, Lingui has only prepared the Accounting Policies Reconciliation for the financial year ended 30 June 2009 and 30 June 2010 respectively. Notwithstanding, the Accounting Policies Reconciliation for the financial year ended 30 June 2011 is presented to account for the financial impact of a prior year adjustment as explained in Note 1(a) to the Accounting Policies Reconciliation. Lingui has corrected the error through the adjustments as explained in Note 1(a) to the Accounting Policies Reconciliation and the condensed consolidated interim financial statements for the six months period ended 31 December 2011, but have not amended the profits and investments in associates and jointly-controlled entities for the financial year ended 30 June 2010, which are included as comparative information in the audited financial statements for the financial year ended 30 June 2011, issued by Lingui on 9 September 2011. Therefore, the comparative information of 2010 as included in the audited financial statement of Lingui for the financial year ended 30 June 2011 will not equate to the 2010 financial information under SGL Group Accounting Policies, by the effect of the prior year adjustments of RM15,878,000.

The following unaudited consolidated income statement for 30 June 2009 and 30 June 2010 and the unaudited consolidated statement of financial position as at 30 June 2009 and 2010, of Lingui (collectively the "Unaudited Financial Information under SGL Group Accounting Policies") are adopted from the consolidated financial statements for each of the years ended 30 June 2009 and 2010, as included in this Appendix I. The consolidated statements of cash flows are not presented as there are no significant differences except for presentational differences.

Your attention is drawn that the Unaudited Financial Information under SGL Group Accounting Policies has not been subject to an independent audit. Accordingly, it may not truly present the operations during the Relevant Periods and the financial positions ended on those dates under IFRS. The actual financial information could be different if the accounts are prepared using IFRS if the requirements of IFRS 1 had been applied.

Accounting Policies Reconciliation — Unaudited Consolidated Statement of Financial Position

		As at 30 June 2009			As at 30 June 2010			As at 30 June 2011		
RM'000	*Note*	**Unadjusted Financial Information under Malaysian FRS issued by MASB** *Audited*	**Adjustments** *Unaudited*	**Financial Information under SGL Group Accounting Policies** *Unaudited*	**Unadjusted Financial Information under Malaysian FRS issued by MASB** *Audited*	**Adjustments** *Unaudited*	**Financial Information under SGL Group Accounting Policies** *Unaudited*	**Unadjusted Financial Information under Malaysian FRS issued by MASB** *Audited*	**Adjustments** *Unaudited*	**Financial Information under SGL Group Accounting Policies** *Unaudited*
Assets										
Property, plant and equipment	*1*	667,440	68,429	735,869	641,894	67,435	709,329	696,002	—	696,002
Biological assets	*1*	1,086,152	(405,156)	680,996	1,037,670	(322,042)	715,628	786,984	—	786,984
Timber concessions		37,064	—	37,064	30,529	—	30,529	23,994	—	23,994
Prepaid lease payments		48,332	—	48,332	47,051	—	47,051	45,770	—	45,770
Investment properties		19,616	—	19,616	19,327	—	19,327	37,804	—	37,804
Investments in associates and jointly-controlled entities	*1*	250,268	62,416	312,684	263,706	62,191	325,897	447,101	(15,878)	431,223
Deferred tax assets		200	—	200	195	—	195	137	—	137
Total non-current assets		2,109,072	(274,311)	1,834,761	2,040,372	(192,416)	1,847,956	2,037,792	(15,878)	2,021,914
Currents Assets										
Inventories	*1*	200,184	1,360	201,544	195,688	1,255	196,943	217,149	—	217,149
Trade and other receivables	*2*	388,008	—	388,008	345,883	(13,700)	332,183	295,055	—	295,055
Dividend receivable		—	—	—	1,900	—	1,900	1,425	—	1,425
Current tax assets		33,813	—	33,813	22,474	—	22,474	11,651	—	11,651
Cash and cash equivalents		130,996	—	130,996	69,017	—	69,017	104,280	—	104,280
Total current assets		753,001	1,360	754,361	634,962	(12,445)	622,517	629,560	—	629,560
Total assets		2,862,073	(272,951)	2,589,122	2,675,334	(204,861)	2,470,473	2,667,352	(15,878)	2,651,474

Accounting Policies Reconciliation — Unaudited Consolidated Statement of Financial Position

		As at 30 June 2009			As at 30 June 2010			As at 30 June 2011		
		Unadjusted Financial Information under Malaysian FRS issued by MASB	**Adjustments**	**Financial Information under SGL Group Accounting Policies**	**Unadjusted Financial Information under Malaysian FRS issued by MASB**	**Adjustments**	**Financial Information under SGL Group Accounting Policies**	**Unadjusted Financial Information under Malaysian FRS issued by MASB**	**Adjustments**	**Financial Information under SGL Group Accounting Policies**
RM'000	*Note*	*Audited*	*Unaudited*	*Unaudited*	*Audited*	*Unaudited*	*Unaudited*	*Audited*	*Unaudited*	*Unaudited*
Equity										
Share capital		329,815	—	329,815	329,815	—	329,815	329,815	—	329,815
Reserves	*1, 2, 3*	1,193,803	(180,276)	1,013,527	1,203,217	(126,756)	1,076,461	1,330,641	(15,878)	1,314,763
Total equity attributable to owners of Lingui		1,523,618	(180,276)	1,343,342	1,533,032	(126,756)	1,406,276	1,660,456	(15,878)	1,644,578
Liabilities										
Borrowings		594,878	—	594,878	479,674	—	479,674	442,925	—	442,925
Deferred tax liabilities	*3*	243,715	(114,854)	128,861	223,795	(96,390)	127,405	133,721	—	133,721
Total non-current liabilities		838,593	(114,854)	723,739	703,469	(96,390)	607,079	576,646	—	576,646
Current liabilities										
Trade and other payables	*2*	286,984	22,179	309,163	275,797	18,285	294,082	242,747	—	242,747
Borrowings		209,855	—	209,855	159,428	—	159,428	180,620	—	180,620
Current tax liabilities		3,023	—	3,023	3,608	—	3,608	6,883	—	6,883
Total current liabilities		499,862	22,179	522,041	438,833	18,285	457,118	430,250	—	430,250
Total liabilities		1,338,455	(92,675)	1,245,780	1,142,302	(78,105)	1,064,197	1,006,896	—	1,006,896
Total equity and liabilities		2,862,073	(272,951)	2,589,122	2,675,334	(204,861)	2,470,473	2,667,352	(15,878)	2,651,474

Accounting Policies Reconciliation — Unaudited Consolidated Income Statement

		For the year ended 30 June 2009			For the year ended 30 June 2010			For the year ended 30 June 2011		
		Unadjusted Financial Information under Malaysian FRS issued by MASB	**Adjustments**	**Financial Information under SGL Group Accounting Policies**	**Unadjusted Financial Information under Malaysian FRS issued by MASB**	**Adjustments**	**Financial Information under SGL Group Accounting Policies**	**Unadjusted Financial Information under Malaysian FRS issued by MASB**	**Adjustments**	**Financial Information under SGL Group Accounting Policies**
RM'000	*Note*	*Audited*	*Unaudited*	*Unaudited*	*Audited*	*Unaudited*	*Unaudited*	*Audited*	*Unaudited*	*Unaudited*
Revenue		1,292,792	—	1,292,792	1,441,977	—	1,441,977	1,651,043	—	1,651,043
Cost of sales	*1*	(1,246,214)	1,244	(1,244,970)	(1,366,787)	8,088	(1,358,699)	(1,515,450)	—	(1,515,450)
Gross profit		46,578	1,244	47,822	75,190	8,088	83,278	135,593	—	135,593
Other income		10,954	—	10,954	9,266	—	9,266	9,646	—	9,646
Distribution expenses		(14,033)	—	(14,033)	(15,235)	—	(15,235)	(14,672)	—	(14,672)
Administrative expenses		(50,613)	—	(50,613)	(42,545)	—	(42,545)	(50,087)	—	(50,087)
Other operating expenses		(313)	—	(313)	(233)	—	(233)	(5,625)	—	(5,625)
Gain from changes in fair value of biological assets less estimated point-of-sale costs	*1*	—	13,144	13,144	—	48,163	48,163	14,455	—	14,455
Results from operating activities		(7,427)	14,388	6,961	26,443	56,251	82,694	89,310	—	89,310
Finance costs	*1, 2*	(69,396)	12,912	(56,484)	(30,259)	14,136	(16,123)	(20,337)	—	(20,337)
Interest income		222	—	222	332	—	332	35,587	—	35,587
Operating (loss)/profit		(76,601)	27,300	(49,301)	(3,484)	70,387	66,903	104,560	—	104,560
Share of profit after tax and non-controlling interest of equity accounted associates and jointly-controlled entities	*1*	876	(122)	754	18,542	(229)	18,313	100,694	—	100,694
(Loss)/profit before taxation		(75,725)	27,178	(48,547)	15,058	70,158	85,216	205,254	—	205,254
Taxation	*3*	(8,527)	(7,526)	(16,053)	8,385	(17,157)	(8,772)	(13,541)	—	(13,541)
(Loss)/profit attributable to owners of Lingui		(84,252)	19,652	(64,600)	23,443	53,001	76,444	191,713	—	191,713

Accounting Policies Reconciliation — Unaudited Consolidated Statement of Comprehensive Income

		For the year ended 30 June 2009			For the year ended 30 June 2010			For the year ended 30 June 2011		
		Unadjusted Financial Information under Malaysian FRS issued by MASB	**Adjustments**	**Financial Information under SGL Group Accounting Policies**	**Unadjusted Financial Information under Malaysian FRS issued by MASB**	**Adjustments**	**Financial Information under SGL Group Accounting Policies**	**Unadjusted Financial Information under Malaysian FRS issued by MASB**	**Adjustments**	**Financial Information under SGL Group Accounting Policies**
RM'000	*Note*	*Audited*	*Unaudited*	*Unaudited*	*Audited*	*Unaudited*	*Unaudited*	*Audited*	*Unaudited*	*Unaudited*
(Loss)/profit for the year		(84,252)	19,652	(64,600)	23,443	53,001	76,444	191,713	—	191,713
Foreign currency translation differences for foreign operations	*1*	(68,353)	28,318	(40,035)	(9,082)	519	(8,563)	51,536	—	51,536
Total comprehensive (loss)/income for the year, attributable to owners of Lingui		(152,605)	47,970	(104,635)	14,361	53,520	67,881	243,249	—	243,249

Note 1: Biological Assets

Lingui through its wholly owned subsidiary, Hikurangi Forest Farms Limited and its 38.33% associate, Glenealy Plantations (Malaya) Berhad ("Glenealy"), owns forest farms and oil palm plantations respectively. In accordance with SGL Group Accounting Policies, these biological assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in profit or loss. 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 biological assets is determined independently by a professional valuer.

In the financial year ended 30 June 2011, Lingui had adopted the same accounting policy as that of SGL to be consistent with the accounting policies of SGL. Prior to the adoption of the new accounting policy, biological assets include freehold forest land and forest crops. Freehold forest land is not depreciated and forest crops are stated at cost less the timber assets harvested and less impairment, if any. The plantation development expenditure of an associate company is capitalised at cost and amortised over the useful life of the rootstock (25 years) commencing from the date of maturity of the rootstock.

Resulting from the adoption of IAS 41, *Agriculture*, Lingui's accounting policy is aligned with that of the accounting policy of SGL with effect from 1 July 2010. As such, there is no reconciliation is presented for the financial year ended 30 June 2011 and the six months ended 31 December 2011 in respect of IAS 41.

Resulting from the adoption of IAS 41, *Agriculture*, the fair valuation reserve which arose from the share of gain in fair value adjustment in the associate in the previous years has been transferred to retained earnings to conform with the accounting treatment on gain on fair valuation of biological assets.

Had Lingui adopted IAS 41 for the financial years ended 30 June 2009 and 2010, the impact of the adjustments on the consolidated income statement and statement of comprehensive income and the carrying amounts of property, plant and equipment, biological assets, investment in associates and jointly-controlled entities, inventories and reserves would have been as follows:

	Year ended 30 June		
	2009	**2010**	**2011**
	RM'000	*RM'000*	*RM'000*
	Unaudited	*Unaudited*	*Unaudited*
Increase in property, plant and equipment	68,429	67,435	—
Decrease in biological assets	(405,156)	(322,042)	—
Increase/(decrease) in investments in associates and jointly-controlled entities	62,416	62,191[N1]	(15,878)[N1]
Increase in inventories	1,360	1,255	—
Decrease in reserves	(272,951)	(191,161)[N1]	(15,878)[N1]
Decrease/increase in loss/profit before taxation for the year	41,027	79,964[N1]	—

N1: Includes prior year adjustment of RM15,878,000. See Note 1(a).

Note 1(a): Biological Assets — Prior year adjustments

Lingui equity accounts for its share of the profits of Glenealy based on the information provided by that entity in accordance with the Lingui's accounting policy. Lingui adopted IAS 41, *Agriculture*, with effect from 1 July 2010.

Glenealy has certain biological assets located in Malaysia. These biological assets were independently valued by HASB Consultants Sdn. Bhd. ("HASB") at each balance sheet date. During the course of preparing an investment circular in connection with the proposed privatisation of Lingui by SGL Group, it was brought to the Lingui Directors' attention that a formula error had been found in the calculations which supported the valuations of biological assets of Glenealy, and that these calculations were adopted by HASB in forming their conclusions on the fair values of the biological assets, which were included in the previously issued valuation reports on the fair value of the biological assets as at 31 December 2011, 30 June 2011, 31 December 2010 and 30 June 2010, dated 9 February 2012, 19 August 2011, 14 February 2011 and 27 August 2010, respectively ("original valuation reports").

On 12 April 2012, HASB re-issued the valuation reports on the biological assets of Glenealy as at 31 December 2011, 30 June 2011, 31 December 2010 and 30 June 2010 ("re-issued valuation reports") to replace the original valuation reports to correct the formula error and restate the fair values of the biological assets of Glenealy as at those dates.

As the gain or loss from changes in fair value of biological assets less estimated point-of-sale costs would be recognised in the income statement of Glenealy under the same accounting policies adopted by Lingui, any material changes in the fair value of Glenealy's biological assets would have a consequential impact on the share of profit less losses of associates and interests in associates recognised in the financial statements of Lingui.

Specifically, based on the re-issued valuation reports, the Directors of Lingui determined that Lingui's investments in associates and jointly-controlled entities as at 30 June 2010 and 30 June 2011, and the profits for the year ended 30 June 2010 as reported in the Lingui's consolidated financial statements issued on 9 September 2011, should be reduced by RM15,878,000 in order to correct this error. This correction of an error had no material impact on profits reported for the year ended 30 June 2011.

The effect of the prior year adjustments for each financial statement line item in respect of the financial year ended 30 June 2011 is summarised as follows:

	As previously reported	Prior year adjustments	As restated
	RM'000	*RM'000*	*RM'000*
Consolidated statement of financial position at 30 June 2011			
Investments in associates and jointly controlled entities	447,101	(15,878)	431,223
Reserves	1,330,641	(15,878)	1,314,763
Total equity attributable to owners of Lingui	1,660,456	(15,878)	1,644,578

The effect of the prior year adjustments for each financial statement line item in respect of the financial year ended 30 June 2010, of RM15,878,000 has also been discussed in note 22 to the condensed consolidated interim financial statements for the six months financial period ended 31 December 2011.

Note 2: Financial Instruments

Lingui Group entered into certain interest rate swaps and foreign exchange forward contracts as part of its financial risk management policy. In accordance with SGL Group Accounting Policies, these derivative financial instruments are to be initially recognised at fair value and to be remeasured at the end of each balance sheet date. The gain or loss on remeasurement of fair value is recognised immediately in the profit or loss.

In the financial year ended 30 June 2011, Lingui had adopted FRS 139, *Financial Instruments: Recognition and Measurement* (equivalent of IAS 39, *Financial Instruments: Recognition and Measurement*). Prior to the adoption of FRS 139, derivative contracts were only recognised in the financial statements on settlement date. Trade and other receivables and trade and other payables were initially recorded at cost.

Following the adoption of FRS 139, Lingui's accounting policy is aligned with that of the accounting policy of SGL Group with effect from 1 July 2010. As such, there are no reconciliation items for the financial year ended 30 June 2011 and no Reconciliation Statement is presented for the six months financial period ended 31 December 2011 in respect of FRS 139 (With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in profit or loss. Derivative contracts are classified under trade and other payables or trade and other receivables, depending on its net position).

Had Lingui adopted IAS 39, for financial years ended 30 June 2009 and 30 June 2010, the impact of the adjustment on the consolidated income statement for the year and the carrying amount of trade and other receivables, reserves and trade and other payables would have been as follows:

	Year ended 30 June	
	2009	**2010**
	RM'000	*RM'000*
	Unaudited	*Unaudited*
Decrease in trade and other receivables	—	(13,700)
Increase in trade and other payables	22,179	18,285
Decrease in reserves	(22,179)	(31,985)
Increase/decrease in loss/profit before taxation for the year	(13,849)	(9,806)

Note 3: Deferred tax

The deferred tax effects have been considered as the consequential effects of the application of the new accounting policies on biological assets and financial instruments as stated in Note 1 and Note 2 respectively. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of asset and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. This is consistent with the SGL Group Accounting Policies.

Had Lingui adopted the accounting policies mentioned in Note 1 and Note 2, the impact of the adjustment on the consolidated income statement for the year and the carrying amount of reserves and deferred tax liabilities would have been as follows:

	Year ended 30 June	
	2009	**2010**
	RM'000	*RM'000*
	Unaudited	*Unaudited*
Decrease in deferred tax liabilities	(114,854)	(96,390)
Increase in reserves	114,854	96,390
Increase in taxation for the year	(7,526)	(17,157)

2. RECONCILIATION STATEMENT OF GLENEALY

Set out below is the extraction of the reconciliation statement of Glenealy for the financial years ended 30 June 2009, 2010 and 2011 and for the six months ended 31 December 2011. The reconciliation statement below should be read in conjunction with the audited consolidated financial statements of Glenealy for the three financial years ended 30 June 2009, 2010 and 2011 set out under section 3 "Audited consolidated financial statements for the year ended 30 June 2011", section 4 "Audited consolidated financial statements for the year ended 30 June 2010" and section 5 "Audited consolidated financial statements for the year ended 30 June 2009" to Appendix III "Financial Information on the Glenealy Group", as well as the unaudited condensed consolidated interim financial statements of Glenealy for the six months ended 31 December 2011 set out under section 2 "Unaudited condensed consolidated interim financial information for the six months ended 31 December 2011".

Differences between Accounting Policies Adopted by SGL (SGL Group Accounting Policies) and Glenealy Plantations (Malaya) Berhad ("Glenealy") (Financial Reporting Standards issued by Malaysian Accounting Standards Board ("MASB"))

As described in "Waiver from requirement to prepare an Accountants' Report on SGL" under the paragraph headed "5. Implications under the Listing Rules" set out in the section headed "Malaysian Proposals" to this document, SGL has applied to the Stock Exchange for, and has been granted, a waiver to produce an Accountants' Report on Glenealy in accordance with Rule 14.69(4)(a)(i) of the Listing Rules.

Instead, this document contains the copy of the Glenealy's Financial Statements as prepared in accordance with Financial Reporting Standards ("MGAAP") issued by MASB. Your attention is drawn to the basis of preparation of the financial statements as set out in Note A to the audited consolidated financial statements for each of the years ended 30 June 2009, 2010 and 2011, and the opinion of PwC Malaysia, the independent auditor of Glenealy, as well as in Note 1 to the unaudited condensed consolidated interim financial statements for the six months ended 31 December 2011, and the review report from PwC Malaysia, the reporting accountant of Glenealy (together the "Glenealy Historical Track Record Accounts" as set out in Appendix III to this document).

The Glenealy Historical Track Record Accounts cover the financial positions of the Glenealy Group as at 30 June 2009, 2010 and 2011, and 31 December 2011, and the results and cash flows of the Glenealy Group for the three financial years ended 30 June 2009, 2010 and 2011 and for the six months ended 31 December 2011 (the "Relevant Periods").

The accounting policies adopted in the preparation of the Glenealy Historical Track Record Accounts differ in certain material respects from the accounting policies presently adopted by SGL which comply with IFRS. Differences, other than presentational differences, which would have a significant effect on the Glenealy Historical Track Record Accounts had they been prepared in accordance with the accounting policies presently adopted by the Company rather than in accordance with MGAAP issued by MASB and IFRS respectively, are set out below in the section entitled "Glenealy's unaudited financial information under IFRS".

In particular, disclosure is set out providing:

(a) a comparison between Glenealy's statements of comprehensive income as extracted from the Glenealy Historical Track Record Accounts on the one hand (prepared in accordance with FRSs issued by MASB), and a restatement of such statements of comprehensive income had they instead been prepared in accordance with the accounting policies presently adopted by the SGL in IFRS. The process taken in the preparation of such restatement is set out below;

(b) a comparison between Glenealy's consolidated balance sheets as extracted from the Glenealy Historical Track Record Accounts on the one hand (prepared in accordance with FRSs issued by MASB), and a restatement of such balance sheets had they instead been prepared in accordance with the accounting policies presently adopted by the SGL in IFRS. The process taken in the preparation of such restatement is also set out below; and

(c) a discussion of the material financial statements line item differences arising out of the restatement exercise outlined in (a) and (b) above, together the "Reconciliation Information".

Reconciliation Process

The Reconciliation Information has been prepared by the directors of SGL by comparing the differences between the accounting policies adopted by Glenealy for the three years ended 30 June 2009, 2010 and 2011 and for the six months ended 31 December 2011 prepared in accordance with FRSs issued by MASB respectively on the one hand, and the accounting policies presently adopted by SGL in compliance with IFRS on the other hand, and quantifying the relevant material financial effects of such differences. Your attention is drawn to the fact that the Reconciliation Information has not been subject to an independent audit. Accordingly, it may not truly and fairly present Glenealy's financial positions as at 30 June 2009, 2010 and 2011 and 31 December 2011, nor the results and cash flows for each of the Relevant Periods then ended, under the accounting policies presently adopted by SGL in IFRS. Your attention is drawn that the unaudited financial information does not constitute Glenealy first set of financial statements prepared in accordance with International Financial Reporting Standards.

Glenealy's auditor, PwC Malaysia was engaged by SGL to conduct work on the Reconciliation Information in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Malaysian Institute of Accountants, which is consistent with the version issued by International Auditing and Assurance Standards Board ("IAASB"). The work primarily consist of:

(a) comparing historical financial information of Glenealy from the audited financial statements, for the financial years ended 30 June 2009, 30 June 2010, and 30 June 2011 and the unaudited consolidated condensed interim financial information for the six months ended 31 December 2011 ("Unadjusted Financial Information") prepared under MGAAP issued by MASB with the audited financial statements for the financial years ended 30 June 2009, 2010 and 2011, and the reviewed consolidated condensed financial statements for the six months financial period ended 31 December 2011;

(b) reviewing the Unadjusted Financial Information of Glenealy prepared under MGAAP issued by MASB against that of SGL as prepared by the Directors of SGL and considering the "Adjustments" made and evidence supporting the adjustments made in arriving at the "Unaudited Financial Information" set out below in the section entitled "Glenealy's Unaudited Financial Information under IFRS";

(c) checking the arithmetic accuracy of the computation of the Unaudited Financial Information under IFRS; and

(d) discussing the Unaudited Financial Information with Directors of SGL.

PwC Malaysia's engagement did not involve independent examination of any of the underlying financial information nor constitute an audit in accordance with Approved Standards on Auditing in Malaysia. PwC Malaysia's engagement was intended solely for the use of the directors of SGL in connection with this document and may not be suitable for another purpose. Based on the work performed, PwC Malaysia has concluded that:

(a) The Unadjusted Financial Information of Glenealy as set out in the Reconciliation Statement prepared under MGAAP issued by MASB, is appropriately extracted from the audited statutory financial statements of Glenealy for the financial years ended 30 June 2009, 2010 and 2011, and the reviewed consolidated condensed interim financial information for the six months ended 31 December 2011;

(b) the "Adjustments" made in arriving at the Unaudited Financial Information set out below in the section entitled "Glenealy Unaudited Financial Information under IFRS" reflect in all material respects, differences between Glenealy's accounting policies and SGL's accounting policies as set out on pages IV-22 to IV-25 and pages IV-29 to IV-30 in the Reconciliation Statement; and

(c) the computation of the Unaudited Financial Information under IFRS is arithmetically accurate.

GLENEALY'S UNAUDITED FINANCIAL INFORMATION UNDER IFRS

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2009, 2010 AND 2011

Introduction

The "Unaudited Financial Information" have been prepared for illustrative purposes only, to show the effects of "Adjustments" had Glenealy Plantations (Malaya) Berhad ("Glenealy" or the "Company") adopted Samling Global Limited ("SGL")'s accounting policies as of and for the financial years ended 30 June 2009, 2010 and 2011.

The "Unadjusted Financial Information under MGAAP" as at and for the financial years ended 30 June 2009, 2010 and 2011 of Glenealy, for which the Directors of Glenealy are solely responsible, have been extracted from the audited statutory financial statements of the Company for the financial years ended 30 June 2009, 2010 and 2011 which have been prepared in accordance with MGAAP.

The "Adjustments", which the Directors of SGL are solely responsible for identifying, shows the effects of aligning the accounting policies of the Company to SGL as detailed in Notes 1, 2, 3 and 4.

Unaudited Financial Information

		For the financial year ended 30 June								
		2009			2010			2011		
	Note	Unadjusted Financial Information under MGAAP *RM'000*	Adjustments *RM'000*	Unaudited Financial Information *RM'000*	Unadjusted Financial Information under MGAAP *RM'000*	Adjustments *RM'000*	Unaudited Financial Information *RM'000*	Unadjusted Financial Information under MGAAP *RM'000*	Adjustments *RM'000*	Unaudited Financial Information *RM'000*
Revenue		175,788	—	175,788	189,534	—	189,534	258,662	—	258,662
Cost of sales	*1*	(116,532)	10,385	(106,147)	(123,378)	12,320	(111,058)	(122,672)	12,595	(110,077)
Gross profit		59,256	10,385	69,641	66,156	12,320	78,476	135,990	12,595	148,585
Other operating income		5,658	—	5,658	3,093	—	3,093	4,569	—	4,569
Selling and distribution costs		(4,190)	—	(4,190)	(4,938)	—	(4,938)	(4,763)	—	(4,763)
Administrative expenses		(9,527)	—	(9,527)	(10,773)	—	(10,773)	(11,701)	—	(11,701)
Other operating expenses		(3,143)	—	(3,143)	(1,769)	—	(1,769)	(5,161)	—	(5,161)
Share of results of an associate		(963)	—	(963)	(753)	—	(753)	(23)	—	(23)
Changes in fair value of biological assets	*1*	—	(37,843)	(37,843)	—	(14,681)	(14,681)	—	214,865	214,865
Profit before tax		47,091	(27,458)	19,633	51,016	(2,361)	48,655	118,911	227,460	346,371
Tax expense	*1*	(4,466)	10,667	6,201	(13,670)	590	(13,080)	(32,223)	(56,865)	(89,088)
Net profit for the financial year		42,625	(16,791)	25,834	37,346	(1,771)	35,575	86,688	170,595	257,283

		For the financial year ended 30 June								
		2009			2010			2011		
	Note	Unadjusted Financial Information under MGAAP RM'000	Adjustments RM'000	Unaudited Financial Information RM'000	Unadjusted Financial Information under MGAAP RM'000	Adjustments RM'000	Unaudited Financial Information RM'000	Unadjusted Financial Information under MGAAP RM'000	Adjustments RM'000	Unaudited Financial Information RM'000
Net profit for the financial year		42,625	(16,791)	25,834	37,346	(1,771)	35,575	86,688	170,595	257,283
Other comprehensive (loss)/income:										
Foreign currency translation differences of foreign subsidiaries	2	—	(1,055)	(1,055)	—	621	621	(699)	—	(699)
Fair value of available-for-sale financial assets	3	—	(1,189)	(1,189)	—	226	226	303	—	303
Other comprehensive (loss)/income for the financial year (net of tax)		—	(2,244)	(2,244)	—	847	847	(396)	—	(396)
Total comprehensive income for the financial year	1	42,625	(19,035)	23,590	37,346	(924)	36,422	86,292	170,595	256,887

		For the financial year ended 30 June								
		2009			2010			2011		
	Note	Unadjusted Financial Information under MGAAP RM'000	Adjustments RM'000	Unaudited Financial Information RM'000	Unadjusted Financial Information under MGAAP RM'000	Adjustments RM'000	Unaudited Financial Information RM'000	Unadjusted Financial Information under MGAAP RM'000	Adjustments RM'000	Unaudited Financial Information RM'000
Profit attributable to:										
Owners of the Parent		33,187	(10,491)	22,696	29,759	(631)	29,128	71,308	153,737	225,045
Non-controlling interests	1	9,438	(6,300)	3,138	7,587	(1,140)	6,447	15,380	16,858	32,238
Net profit for the financial year		42,625	(16,791)	25,834	37,346	(1,771)	35,575	86,688	170,595	257,283
Total comprehensive income attributable to:										
Owners of the Parent		33,187	(12,735)	20,452	29,759	216	29,975	70,912	153,737	224,649
Non-controlling interests	1	9,438	(6,300)	3,138	7,587	(1,140)	6,447	15,380	16,858	32,238
Total comprehensive income for the financial year		42,625	(19,035)	23,590	37,346	(924)	36,422	86,292	170,595	256,887
Earnings per ordinary share attributable to equity holders of the Company (sen)		29.09	(9.20)	19.89	26.08	(0.55)	25.53	62.50	134.75	197.25

		As at 30 June								
		2009			2010			2011		
	Note	Unadjusted Financial Information under MGAAP *RM'000*	Adjustments *RM'000*	Unaudited Financial Information *RM'000*	Unadjusted Financial Information under MGAAP *RM'000*	Adjustments *RM'000*	Unaudited Financial Information *RM'000*	Unadjusted Financial Information under MGAAP *RM'000*	Adjustments *RM'000*	Unaudited Financial Information *RM'000*
NON-CURRENT ASSETS										
Property, plant and equipment		206,501	—	206,501	225,726	—	225,726	231,312	—	231,312
Prepaid lease payments		48,238	—	48,238	48,780	—	48,780	49,609	—	49,609
Biological assets	*1*	237,314	276,251	513,565	260,098	273,890	533,988	283,508	501,350	784,858
Investment in an associate		777	—	777	23	—	23	—	—	—
Long term investments/available-for-sale financial assets	*3*	957	1,105	2,062	957	1,331	2,288	2,591	—	2,591
		493,787	277,356	771,143	535,584	275,221	810,805	567,020	501,350	1,068,370
CURRENT ASSETS										
Inventories		10,358	—	10,358	9,863	—	9,863	17,209	—	17,209
Receivables		15,131	—	15,131	21,620	—	21,620	36,949	—	36,949
Amount due from an associate		2,106	—	2,106	3,341	—	3,341	811	—	811
Tax recoverable		8,014	—	8,014	7,508	—	7,508	4,260	—	4,260
Deposits, cash and bank balances		158,802	—	158,802	119,657	—	119,657	151,930	—	151,930
		194,411	—	194,411	161,989	—	161,989	211,159	—	211,159
TOTAL ASSETS		688,198	277,356	965,554	697,573	275,221	972,794	778,179	501,350	1,279,529

		As at 30 June								
		2009			2010			2011		
	Note	Unadjusted Financial Information under MGAAP *RM'000*	Adjustments *RM'000*	Unaudited Financial Information *RM'000*	Unadjusted Financial Information under MGAAP *RM'000*	Adjustments *RM'000*	Unaudited Financial Information *RM'000*	Unadjusted Financial Information under MGAAP *RM'000*	Adjustments *RM'000*	Unaudited Financial Information *RM'000*
CAPITAL AND RESERVES										
EQUITY ATTRIBUTABLE TO: OWNERS OF THE PARENT										
Share capital		115,362	—	115,362	115,362	—	115,362	115,362	—	115,362
Reserves	*4*	382,412	166,653	549,065	404,235	166,248	570,483	467,921	318,654	786,575
		497,774	166,653	664,427	519,597	166,248	685,845	583,283	318,654	901,937
NON-CONTROLLING INTERESTS	*1*	52,973	41,640	94,613	58,894	40,501	99,395	60,574	57,359	117,933
TOTAL EQUITY		550,747	208,293	759,040	578,491	206,749	785,240	643,857	376,013	1,019,870
CURRENT LIABILITIES										
Payables		53,614	—	53,614	33,718	—	33,718	32,709	—	32,709
Tax liabilities		2,576	—	2,576	1,033	—	1,033	7,050	—	7,050
		56,190	—	56,190	34,751	—	34,751	39,759	—	39,759
NON-CURRENT LIABILITIES										
Deferred tax liabilities	*1*	81,261	69,063	150,324	84,331	68,472	152,803	94,563	125,337	219,900
TOTAL LIABILITIES		137,451	69,063	206,514	119,082	68,472	187,554	134,322	125,337	259,659
TOTAL EQUITY AND LIABILITIES		688,198	277,356	965,554	697,573	275,221	972,794	778,179	501,350	1,279,529

EFFECTS ON UNAUDITED FINANCIAL INFORMATION

Note 1: Accounting for Biological Assets

In accordance with Glenealy Plantations (Malaya) Berhad's ("Glenealy") accounting policy for the financial years ended 30 June 2009, 2010 and 2011, biological assets in respect of oil palm plantations comprise of new planting (incurred from land clearing to the point of harvesting) and replanting expenditure (incurred in replanting old planted areas), represents pre-cropping costs incurred on land preparation, fertilisation, plant and planting, labour and any general overheads directly attributed to the development of the root stock. Such expenditure are capitalised and amortised on the straight-line basis to the cost of sales over the estimated useful life of root stocks (25 years), or over the period of the lease, whichever is shorter.

Under Samling Global Limited's ("SGL") accounting policy on biological assets, biological assets are measured on initial recognition and at subsequent reporting dates at fair value less estimated point-of-sale costs, with any changes in fair value of the plantation assets during a period 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.

Had Glenealy adopted SGL's accounting policy on biological assets and the fair values adopted by SGL in accounting for the biological assets, the impact of the adjustments for the financial years ended 30 June 2009, 2010 and 2011 would have been as follows:

	Unadjusted Financial Information under MGAAP	**Adjustments**	**Unaudited Financial Information**
	RM'000	*RM'000*	*RM'000*
Statements of comprehensive income for the financial year ended:			
30 June 2009:			
Cost of sales	(116,532)	10,385	(106,147)
Change in fair value of biological assets	—	(37,843)	(37,843)
Tax expenses	(4,466)	10,667	6,201
30 June 2010:			
Cost of sales	(123,378)	12,320	(111,058)
Change in fair value of biological assets	—	(14,681)	(14,681)
Tax expenses	(13,670)	590	(13,080)
30 June 2011:			
Cost of sales	(122,672)	12,595	(110,077)
Change in fair value of biological assets	—	214,865	214,865
Tax expenses	(32,223)	(56,865)	(89,088)

	Unadjusted Financial Information under MGAAP	Adjustments	Unaudited Financial Information
	RM'000	*RM'000*	*RM'000*
Statements of financial position as at:			
30 June 2009:			
Biological assets	237,314	276,251	513,565
Non-controlling interests	52,973	41,640	94,613
Deferred tax liabilities	81,261	69,063	150,324
30 June 2010:			
Biological assets	260,098	273,890	533,988
Non-controlling interests	58,894	40,501	99,395
Deferred tax liabilities	84,331	68,472	152,803
30 June 2011:			
Biological assets	283,508	501,350	784,858
Non-controlling interests	60,574	57,359	117,933
Deferred tax liabilities	94,563	125,337	219,900

The fair values of the biological assets as at 30 June 2009, 2010 and 2011 are extracted from reports by an external consultant, HASB Consultants Sdn Bhd dated 12 April 2012 respectively. These valuations were carried out by discounting future income stream of the biological assets using value-in-use model by employing the following key assumptions:

(i) Single life cycle planting of existing crop of 25 years

(ii) Adoption of the Malaysia Palm Oil Board ("MPOB") Fresh Fruit Bunch (the "FFB") prices as at the 30 June 2009, 2010 and 2011 for the first two years and thereafter the 10 years average of MPOB FFB prices

(iii) Current industry cost of production

(iv) Discount rate of 12%

The table below summarises the range of FFB prices and costs of production used in the valuation:

	2009	2010	2011
For the first 2 years:			
MPOB FFB Price (RM/mt)	351 to 469	401 to 491	645 to 758
Cost for production (RM/mt)	185 to 215	209 to 277	288 to 309
For year 3 onwards:			
10 years average of MPOB FFB Price (RM/mt)	351 to 392	385 to 431	NA
10 years average of:			
8 years average of MPOB FFB Price plus MPOB price at one point in time as of 1 Dec 2010 and 1 July 2011 (RM/mt)	NA	NA	479 to 529

Note: The above FFB prices and costs for production are shown in a range due to differing yield and cost structure for various locations which the oil palm plantations are located.

The key assumptions used to derive the fair values have been extracted from these valuation reports by HASB Consultants Sdn Bhd and are consistent with those previously reported to SGL for the purpose of preparing its consolidated financial statements for the financial years ended 30 June 2009, 2010 and 2011.

These valuations were not incorporated in Glenealy's statutory audited financial statements prepared in accordance with MGAAP.

Note 2: Presentation of Financial Statements

Prior to the financial year ended 30 June 2011, presentation of items of income and expenses (that is, "non-owner changes in equity") are shown in the statements of changes in equity. For the financial year ended 30 June 2011, Glenealy adopted FRS 101 "Presentation of Financial Statements" (which became effective for financial periods beginning on or after 1 January 2010) which requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement. 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. The Group has opted for a single performance statement.

Had Glenealy adopted SGL's accounting policy on presentation of financial statements in accordance with IAS 1 (revised 2007), foreign currency translation differences of foreign subsidiaries would be presented separately in the performance statement and the impact of the adjustments on statements of comprehensive income for the financial years ended 30 June 2009 and 2010 would have been as follows:

	Unadjusted Financial Information under MGAAP	**Adjustments**	**Unaudited Financial Information**
	RM'000	*RM'000*	*RM'000*
Statements of comprehensive income for the financial year ended:			
30 June 2009:			
Other comprehensive income:			
— Foreign currency translation differences of foreign subsidiaries	—	(1,055)	(1,055)
30 June 2010:			
Other comprehensive income:			
— Foreign currency translation differences of foreign subsidiaries	—	621	621

Note 3: Accounting for Financial Instruments

In accordance with Glenealy's accounting policy for the financial years ended 30 June 2009 and 2010 investments in other non-current investments were stated at cost less allowance for diminution in value where, in the opinion of the Directors, the decline in value is other than temporary. Under SGL's accounting policy, investments in other non-current investments (which is classified as available for sale (AFS)) is stated at fair value less impairment losses. Changes in fair value of AFS are recognised in other comprehensive income.

Glenealy adopted Financial Reporting Standard 139 (equivalent to IAS 39) in its financial statements for the financial year ended 30 June 2011 as the standard became effective during that financial year. Had Glenealy adopted SGL's accounting policy on financial instruments, the impact of the adjustments on statements of comprehensive income for the financial years ended 30 June 2009 and 2010 and the carrying amount of long term investments would have been as follows:

	Unadjusted Financial Information under MGAAP	**Adjustments**	**Unaudited Financial Information**
	RM'000	RM'000	RM'000
Statements of comprehensive income for the financial year ended:			
30 June 2009:			
Other comprehensive income:			
— Fair value of available-for-sale financial assets	—	(1,189)	(1,189)
30 June 2010:			
Other comprehensive income:			
— Fair value of available-for-sale financial assets	—	226	226
Statements of financial position as at:			
30 June 2009:			
Long term investment/available-for-sale financial assets	957	1,105	2,062
30 June 2010:			
Long term investment/available-for-sale financial assets	957	1,331	2,288

Note 4: Effects of Accounting for Biological Assets and Financial Instruments on Reserves

	Unadjusted Financial Information under MGAAP	**Adjustments for**		**Unaudited Financial Information**
		Accounting for Biological Assets	**Accounting for Financial Instruments**	
	RM'000	*RM'000*	*RM'000*	*RM'000*
Statements of financial position as at:				
30 June 2009:				
Reserves	382,412	165,548	1,105	549,065
30 June 2010:				
Reserves	404,235	164,917	1,331	570,483
30 June 2011:				
Reserves	467,921	318,654	—	786,575

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

Introduction

The "Unaudited Financial Information" have been prepared for illustrative purposes only, to show the effects of "Adjustments" had Glenealy Plantations (Malaya) Berhad ("Glenealy" or the "Company") adopted Samling Global Limited ("SGL")'s accounting policies as of 30 June 2011 and 31 December 2011 and for six months ended 31 December 2010 and 2011.

The "Unadjusted Financial Information under MGAAP" as of 30 June 2011 and 31 December 2011 and for six months ended 31 December 2010 and 2011 of Glenealy, for which the Directors of Glenealy are solely responsible, have been extracted from the statutory audited financial statements of the Company as of 30 June 2011 and the consolidated condensed interim financial information of the Company as of 31 December 2010 and 2011 and for six months ended 31 December 2010 and 2011 which have been prepared in accordance with Financial Reporting Standards in Malaysia ("MGAAP").

The "Adjustments", which the Directors of SGL are solely responsible for identifying, shows the effects of aligning the accounting policies of the Company to SGL as detailed in Note 1.

		For six months ended 31 December					
		2010			2011		
	Note	**Unadjusted Financial Information under MGAAP** *RM'000 Unaudited*	**Adjustments** *RM'000 Unaudited*	**Unaudited Financial Information** *RM'000*	**Unadjusted Financial Information under MGAAP** *RM'000 Unaudited*	**Adjustments** *RM'000 Unaudited*	**Unaudited Financial Information** *RM'000*
Revenue		112,670	—	112,670	142,297	—	142,297
Cost of sales	*1*	(56,981)	6,309	(50,672)	(74,866)	6,277	(68,589)
Gross profit		55,689	6,309	61,998	67,431	6,277	73,708
Other operating income		1,701	—	1,701	2,556	—	2,556
Selling and distribution costs		(2,212)	—	(2,212)	(2,720)	—	(2,720)
Administrative expenses		(5,417)	—	(5,417)	(6,794)	—	(6,794)
Other operating expenses		284	—	284	(1,289)	—	(1,289)
Share of result of an associate		(23)	—	(23)	—	—	—
Changes in fair value of biological assets	*1*	—	91,747	91,747	—	(21,464)	(21,464)
Profit before tax		50,022	98,056	148,078	59,184	(15,187)	43,997
Tax expense	*1*	(13,058)	(24,514)	(37,572)	(15,699)	3,797	(11,902)
Net profit for the financial period		36,964	73,542	110,506	43,485	(11,390)	32,095
Other comprehensive income:							
Foreign currency translation differences of foreign subsidiaries		(1,342)	—	(1,342)	(174)	—	(174)
Fair value of available-for-sale financial assets		171	—	171	(552)	—	(552)
Other comprehensive loss for the financial period (net of tax)		(1,171)	—	(1,171)	(726)	—	(726)
Total comprehensive income for the financial period	*1*	35,793	73,542	109,335	42,759	(11,390)	31,369
Profit attributable to:							
Owners of the parent		29,759	65,720	95,479	36,152	(11,833)	24,319
Non-controlling interests	*1*	7,205	7,822	15,027	7,333	443	7,776
Net profit for the financial period		36,964	73,542	110,506	43,485	(11,390)	32,095
Total comprehensive income attributable to:							
Owners of the parent		28,588	65,720	94,308	35,426	(11,833)	23,593
Non-controlling interests	*1*	7,205	7,822	15,027	7,333	443	7,776
Total comprehensive income for the financial period		35,793	73,542	109,335	42,759	(11,390)	31,369
Earnings per ordinary share attributable to equity holders of the Company (sen)		26.08	57.60	83.69	31.69	(10.37)	21.32

		As at 30 June 2011			As at 31 December 2011		
		Unadjusted Financial Information under MGAAP	**Adjustments**	**Unaudited Financial Information**	**Unadjusted Financial Information under MGAAP**	**Adjustments**	**Unaudited Financial Information**
	Note	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
					Unaudited	*Unaudited*	
NON-CURRENT ASSETS							
Property, plant and equipment		231,312	—	231,312	241,230	—	241,230
Prepaid lease payments		49,609	—	49,609	50,310	—	50,310
Biological assets	*1*	283,508	501,350	784,858	297,717	486,163	783,880
Long term investments/available-for-sale financial assets		2,591	—	2,591	2,039	—	2,039
		567,020	501,350	1,068,370	591,296	486,163	1,077,459
CURRENT ASSETS							
Inventories		17,209	—	17,209	18,432	—	18,432
Receivables		36,949	—	36,949	33,735	—	33,735
Amount due from an associate		811	—	811	—	—	—
Tax recoverable		4,260	—	4,260	2,933	—	2,933
Deposits, cash and bank balances		151,930	—	151,930	166,105	—	166,105
		211,159	—	211,159	221,205	—	221,205
TOTAL ASSETS		778,179	501,350	1,279,529	812,501	486,163	1,298,664
CAPITAL AND RESERVES EQUITY ATTRIBUTABLE TO: OWNERS OF THE PARENT							
Share capital		115,362	—	115,362	115,362	—	115,362
Reserves	*1*	467,921	318,654	786,575	490,511	306,821	797,332
		583,283	318,654	901,937	605,873	306,821	912,694
NON-CONTROLLING INTERESTS	*1*	60,574	57,358	117,932	66,075	57,801	123,876
TOTAL EQUITY		643,857	376,012	1,019,869	671,948	364,622	1,036,570
CURRENT LIABILITIES							
Payables		32,709	—	32,709	30,713	—	30,713
Tax liabilities		7,050	—	7,050	9,441	—	9,441
		39,759	—	39,759	40,154	—	40,154
NON-CURRENT LIABILITIES							
Deferred tax liabilities	*1*	94,563	125,338	219,901	100,399	121,541	221,940
TOTAL LIABILITIES		134,322	125,338	259,660	140,553	121,541	262,094
TOTAL EQUITY AND LIABILITIES		778,179	501,350	1,279,529	812,501	486,163	1,298,664

Effects on unaudited financial information

Note 1: Accounting for Biological Assets

In accordance with Glenealy Plantations (Malaya) Berhad's ("Glenealy") accounting policy for the financial year ended 30 June 2011 and for six months ended 31 December 2010 and 2011, biological assets in respect of oil palm plantations comprise of new planting (incurred from land clearing to the point of harvesting) and replanting expenditure (incurred in replanting old planted areas), represents pre-cropping costs incurred on land preparation, fertilisation, plant and planting, labour and any general overheads directly attributed to the development of the root stock. Such expenditure are capitalised and amortised on the straight-line basis to the cost of sales over the estimated useful life of root stocks (25 years), or over the period of the lease, whichever is shorter.

Under Samling Global Limited's ("SGL") accounting policy on biological assets, biological assets are measured on initial recognition and at subsequent reporting dates at fair value less estimated point-of-sale costs, with any changes in fair value of the plantation assets during a period 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.

Had Glenealy adopted SGL's accounting policy on biological assets and the fair values adopted by SGL in accounting for the biological assets, the impact of the adjustments to the financial information as of 30 June 2011 and 31 December 2011 and for six months ended 31 December 2010 and 2011 would have been as follows:

	Unadjusted Financial Information under MGAAP	Adjustments	Unaudited Financial Information
	RM'000	*RM'000*	*RM'000*
Statements of comprehensive income for six months ended:			
31 December 2010: *(unaudited)*			
Cost of sales	(56,981)	6,309	(50,672)
Change in fair value of biological assets	—	91,747	91,747
Tax expenses	(13,058)	(24,514)	(37,572)
31 December 2011: *(unaudited)*			
Cost of sales	(74,866)	6,277	(68,589)
Change in fair value of biological assets	—	(21,464)	(21,464)
Tax expenses	(15,699)	3,797	(11,902)
Statements of financial position as at:			
30 June 2011: *(audited)*			
Biological assets	283,508	501,350	784,858
Reserves	467,921	318,654	786,575
Non-controlling interests	60,574	57,358	117,932
Deferred tax liabilities	94,563	125,338	219,901
31 December 2011: *(unaudited)*			
Biological assets	297,717	486,163	783,880
Reserves	490,511	306,821	797,332
Non-controlling interests	66,075	57,801	123,876
Deferred tax liabilities	100,399	121,541	221,940

The fair values of the biological assets as at 31 December 2010, 30 June 2011 and 31 December 2011 are extracted from reports by an external consultant, HASB Consultants Sdn Bhd dated 12 April 2012 respectively. These valuations were carried out by discounting future income stream of the biological assets using value-in-use model by employing the following key assumptions:

(i) Single life cycle planting of existing crop of 25 years

(ii) Adoption of the Malaysia Palm Oil Board ("MPOB") Fresh Fruit Bunch (the "FFB") prices as at the 31 December 2010, 30 June 2011 and 31 December 2011 for the first two years and thereafter the 10 years average of MPOB FFB prices

(iii) Current industry cost of production

(iv) Discount rate of 12%

The table below summarises the range of FFB prices and costs of production used in the valuation:

	As at 31.12.2010	**As at 30.6.2011**	**As at 31.12.2011**
For the first 2 years:			
MPOB FFB Price (RM/mt)	624 to 730	645 to 758	763 to 794
Cost for production (RM/mt)	211 to 262	288 to 309	281 to 298
For year 3 onwards:			
10 years average of MPOB FFB Price (RM/mt)	391 to 435	N/A	454 to 503
10 years average of:			
8 years average of MPOB FFB Price plus			
MPOB price at one point in time as of			
1 December 2010 and 1 July 2011 (RM/mt)		479 to 529	

Note: The above FFB prices and costs for production are shown in a range due to differing yield and cost structure for various locations which the oil palm plantations are located.

The key assumptions used to derive the fair values have been extracted from these valuation reports by HASB Consultants Sdn Bhd and are consistent with those previously reported to SGL for the purpose of preparing its consolidated financial statements as at 30 June 2011 and the consolidated condensed interim financial information as of and for six months ended 31 December 2011.

These valuations were not incorporated in Glenealy's consolidated condensed interim financial information and statutory audited financial statements prepared in accordance with MGAAP.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF ENLARGED SGL GROUP

Set out below is the unaudited pro forma financial information of the Enlarged SGL Group ("Unaudited Pro Forma Financial Information") prepared in accordance with Rule 4.29 of the Listing Rules for illustrating the effect of the Malaysian Proposals on the Enlarged SGL Group financial information for illustration purpose only.

A. Introduction

On 20 February 2012, SSC requested SGL and SGL agreed to put forward a proposal to the SGL Scheme Shareholders for the privatisation of SGL by way of a scheme of arrangement under section 99 of the Companies Act of Bermuda.

In conjunction with the SGL Scheme, SSC has also requested the SGL Board to consider and put forward a proposal to the board of directors of each of Lingui and Glenealy for the privatisation of Lingui and Glenealy (as the case may be) by SGL by way of a scheme of arrangement under section 176 of the Companies Act of Malaysia. The proposal for the privatisation of each of Lingui and Glenealy is conditional upon, among other things, the SGL Proposal becoming unconditional, including that the SGL Scheme becoming effective.

The Unaudited Pro Forma Financial Information of the Enlarged SGL Group has been prepared by the SGL Directors in accordance with Rule 4.29(1) of the Listing Rules to illustrate the effect of the Malaysian Proposals as if such transactions had been completed on 1 July 2010 in the case of the pro forma consolidated balance sheet of the Enlarged SGL Group and 1 July 2010, the beginning of the financial year of the SGL Group ended 30 June 2011, in the case of the pro forma consolidated income statement, pro forma consolidated statement of comprehensive income and pro forma consolidated cash flow statement of the Enlarged SGL Group.

The Unaudited Pro Forma Financial Information of the Enlarged SGL Group is prepared based on:

- the audited consolidated balance sheet of the SGL Group as at 30 June 2011, and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the SGL Group for the year then ended, as set forth in Appendix I of this document;
- the unaudited consolidated balance sheet of the Glenealy Group as at 30 June 2011, and the consolidated income statement and consolidated statement of comprehensive income of the Glenealy Group for the year then ended, which are prepared under IFRS, as set forth in Appendix IV of this document;
- the unaudited consolidated cash flow statement of the Glenealy Group for the year ended 30 June 2011, prepared in accordance with IFRS by the management; and
- the pro forma adjustments as described below. A narrative description of the pro forma adjustments that are (i) directly attributable to the Malaysian Proposals and not relating to future events or decisions; and (ii) factually supportable, is summarised in the notes below.

The Unaudited Pro Forma Financial Information is prepared to provide information on the Enlarged SGL Group as a result of the completion of the Malaysian Proposals. As it is prepared for illustrative purposes only, the accompanying Unaudited Pro Forma Financial Information does not purport to give a true picture of the financial position, results or cash flows of the Enlarged SGL Group that would have been attained had the Malaysian Proposals been completed as at the specified date. Further, the Unaudited Pro Forma Financial Information of the Enlarged SGL Group does not purport to predict the future financial position, results or cash flow of the Enlarged SGL Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the SGL Group for the year ended 30 June 2011 set forth in Appendix I of this document, the financial information of the Lingui Group and the Glenealy Group set forth in Appendices II and III of this document respectively, the reconciliation information of the Lingui Group and the Glenealy Group set forth in Appendix IV of this document, and other financial information included elsewhere in this document.

B. Unaudited pro forma consolidated income statement of the Enlarged SGL Group for the year ended 30 June 2011

	The SGL Group for the year ended 30 June 2011	The Glenealy Group for the year ended 30 June 2011	The Glenealy Group for the year ended 30 June 2011	Pro forma adjustments				The Enlarged SGL Group for the year ended 30 June 2011
				Adj (A)		*Adj (B)*		
	US$'000	*MYR'000*	*US$'000*	*US$'000*		*US$'000*		*US$'000*
	Note (1)		*Note (2)*		*Notes*		*Notes*	
Revenue	729,047	258,662	84,055					813,102
Cost of sales	(645,837)	(110,077)	(35,771)					(681,608)
Gross profit	83,210	148,585	48,284					131,494
Other operating income	11,256	4,569	1,485					12,741
Gain on previously held equity interest in Glenealy	—	—	—			33,110	*(6)*	33,110
Distribution costs	(24,574)	(4,763)	(1,548)					(26,122)
Administrative expenses	(41,012)	(11,701)	(3,802)					(44,814)
Other operating expenses	(8,736)	(5,161)	(1,677)					(10,413)
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	1,585	214,865	69,823					71,408
Profit from operations	21,729	346,394	112,565					167,404
Financial income	17,880	—	—					17,880
Financial expenses	(13,640)	—	—					(13,640)
Net financing income	4,240	—	—					4,240
Share of profits less losses of associates	31,819	(23)	(7)			(26,819)	*(7)*	887
						(4,106)	*(8)*	
Share of profits less losses of jointly controlled entities	(11)	—	—					(11)
Profit before taxation	57,777	346,371	112,558					172,520
Income tax	(12,160)	(89,088)	(28,950)					(41,110)
Profit for the year	45,617	257,283	83,608					131,410
Attributable to:								
Equity shareholders of the SGL Group/the Glenealy Group/ the Enlarged SGL Group	20,746	225,045	73,132	20,415	*(4)*	33,110	*(6)*	104,033
						(26,819)	*(7)*	
						(4,106)	*(8)*	
						(12,445)	*(9)*	
Non-controlling interests	24,871	32,238	10,476	(20,415)	*(4)*	12,445	*(9)*	27,377
Total equity	45,617	257,283	83,608					131,410

C. Unaudited pro forma consolidated statement of comprehensive income of the Enlarged SGL Group for the year ended 30 June 2011

	The SGL Group for the year ended 30 June 2011	The Glenealy Group for the year ended 30 June 2011	The Glenealy Group for the year ended 30 June 2011	Pro forma adjustments				The Enlarged SGL Group for the year ended 30 June 2011
				Adj (A)		*Adj (B)*		
	US$'000	*MYR'000*	*US$'000*	*US$'000*		*US$'000*		*US$'000*
	Note (1)		*Note (2)*		*Notes*		*Notes*	
Profit for the year	45,617	257,283	83,608			2,185	*(6), (7) & (8)*	131,410
Other comprehensive income:								
Exchange difference on re-translation of financial statements of subsidiaries	60,690	(699)	17,329			(3,669)	*(7)*	74,350
Fair value of available-for-sale financial assets	—	303	98					98
Total comprehensive income:	106,307	256,887	101,035					205,858
Attributable to:								
Equity shareholders of the SGL Group/the Glenealy Group/the Enlarged SGL Group	65,047	224,649	88,384	33,388	*(4)*	2,185	*(6), (7) & (8)*	169,575
						(3,669)	*(7)*	
						(15,760)	*(9)*	
Non-controlling interests	41,260	32,238	12,651	(33,388)	*(4)*	15,760	*(9)*	36,283
Total equity	106,307	256,887	101,035					205,858

D. Unaudited pro forma consolidated balance sheet of the Enlarged SGL Group as at 30 June 2011

	The SGL Group as at 30 June 2011	The Glenealy Group as at 30 June 2011	The Glenealy Group as at 30 June 2011	Pro forma adjustments				The Enlarged SGL Group as at 30 June 2011
				Adj (A)		*Adj (B)*		
	US$'000	*MYR'000*	*US$'000*	*US$'000*		*US$'000*		*US$'000*
	Note (1)		*Note (2)*		*Notes*		*Notes*	
Non-current assets								
Fixed assets								
— Investment properties	23,020	—	—					23,020
— Other property, plant and equipment	381,556	231,312	76,150			4,888	*(6)*	462,594
Construction in progress	2,614	—	—					2,614
Interests in leasehold land held under operating leases	42,396	49,609	16,332			62,901	*(6)*	121,629
Intangible assets	39,116	—	—			6,436	*(6)*	45,552
Plantation assets	285,321	784,858	258,381					543,702
Interests in associates	137,179	—	—			(68,404)	*(6)*	32,108
						(37,680)	*(7) & (8)*	
						1,013	*(10)*	
Interests in jointly controlled entities	12,266	—	—					12,266
Available-for-sale financial assets	325	2,591	853					1,178
Deferred tax assets	7,416	—	—					7,416
Total non-current assets	931,209	1,068,370	351,716					1,252,079
Current assets								
Inventories	161,802	17,209	5,665					167,467
Trade and other receivables	144,271	37,760	12,431					156,702
Current tax recoverable	16,594	4,260	1,402					17,996
Pledged bank deposits	3,873	3,837	1,263					5,136
Cash and cash equivalents	125,980	148,093	48,753	(113,657)	*(3)*	(127,844)	*(6)*	144,552
				1,081	*(5)*	1,341	*(10)*	
						208,898	*(11)*	
Total current assets	452,520	211,159	69,514					491,853
Total assets	1,383,729	1,279,529	421,230					1,743,932

	The SGL Group as at 30 June 2011	The Glenealy Group as at 30 June 2011	The Glenealy Group as at 30 June 2011	Pro forma adjustments				The Enlarged SGL Group as at 30 June 2011
				Adj (A)		*Adj (B)*		
	US$'000	*MYR'000*	*US$'000*	*US$'000*		*US$'000*		*US$'000*
	Note (1)		*Note (2)*		*Notes*		*Notes*	
Current liabilities								
Bank loans and overdrafts	132,926	—	—					132,926
Obligations under finance leases	15,529	—	—					15,529
Trade and other payables	162,214	32,709	10,768					172,982
Current tax payable	5,779	7,050	2,321					8,100
Total current liabilities	316,448	39,759	13,089					329,537
Net current assets	136,072	171,400	56,425					162,316
Total assets less current liabilities	1,067,281	1,239,770	408,141					1,414,395
Non-current liabilities								
Bank loans and overdrafts	161,782	—	—					161,782
Loan from SSC	—	—	—			208,898	*(11)*	208,898
Obligations under finance leases	18,623	—	—					18,623
Deferred tax liabilities	57,033	219,900	72,393			16,947	*(6)*	146,373
Total non-current liabilities	237,438	219,900	72,393					535,676
Total liabilities	553,886	259,659	85,482					865,213
Capital and reserves								
Share capital	430,174	115,362	37,978			(37,978)	*(6)*	430,174
Reserves	192,063	786,575	258,946	31,562	*(3)*	(173,344)	*(6)*	326,224
				33,388	*(4)*	(6,034)	*(6)*	
						(17,244)	*(6), (7), (8) & (9)*	
						4,106	*(8)*	
						2,781	*(10)*	
Total equity attributable to equity shareholders of the SGL Group/ the Glenealy Group/the Enlarged SGL Group	622,237	901,937	296,924					756,398
Non-controlling interests	207,606	117,933	38,824	(145,219)	*(3)*	(7,192)	*(8)*	122,321
				(33,388)	*(4)*	61,036	*(9)*	
				1,081	*(5)*	(427)	*(10)*	
Total equity	829,843	1,019,870	335,748					878,719
Total liabilities and equity	1,383,729	1,279,529	421,230					1,743,932

E. Unaudited pro forma consolidated cashflow statement of the Enlarged SGL Group for the year ended 30 June 2011

	The SGL Group for the year ended 30 June 2011	The Glenealy Group for the year ended 30 June 2011	The Glenealy Group for the year ended 30 June 2011	Pro forma adjustments				The Enlarged SGL Group for the year ended 30 June 2011
				Adj (A)		*Adj (B)*		
	US$'000	*MYR'000*	*US$'000*	*US$'000*		*US$'000*		*US$'000*
	Note (1)		*Note (2)*		*Notes*		*Notes*	
Operating activities								
Profit before taxation	57,777	346,371	112,558			2,185	*(6), (7) & (8)*	172,520
Adjustments for:								
Gain on disposal of fixed assets	(389)	(351)	(114)					(503)
Depreciation and amortisation	71,378	26,768	8,699					80,077
Write off of fixed assets	277	673	219					496
Write off of plantation assets	—	579	188					188
Reversal of impairment losses on fixed assets	(1,358)	—	—					(1,358)
Interest income	(2,868)	(3,427)	(1,114)					(3,982)
Interest expense	13,530	—	—					13,530
Net gain on changes in fair value of financial instruments	(1,229)	—	—					(1,229)
Write off of available-for-sale financial assets	36	—	—					36
Reversal of provision for cultivation	—	(3,000)	(975)					(975)
Impairment losses on interests in associates	66	—	—					66
Share of profits less losses of associates	(31,819)	23	7			30,925	*(7)&(8)*	(887)
Gain on previously held equity interest in Glenealy	—	—	—			(33,110)	*(6)*	(33,110)
Dividend income	—	(71)	(23)					(23)
Share of profits less losses of jointly controlled entities	11	—	—					11
Harvested timber transferred to inventories	15,752	—	—					15,752
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	(1,585)	(214,865)	(69,823)					(71,408)
Net unrealised foreign exchange gain	(9,072)	—	—					(9,072)
Changes in working capital:								
Increase in inventories	(7,476)	(7,346)	(2,387)					(9,863)
Increase in trade and other receivables	(17,316)	(12,565)	(4,083)					(21,399)
Increase in trade and other payables	2,467	837	272					2,739
Net cash generated from operations	88,182	133,626	43,424					131,606
Income tax and withholding tax paid	(14,910)	(13,537)	(4,399)					(19,309)
Income tax refunded	3,605	811	264					3,869
Net cash generated from operating activities	76,877	120,900	39,289					116,166

	The SGL Group for the year ended 30 June 2011	The Glenealy Group for the year ended 30 June 2011	The Glenealy Group for the year ended 30 June 2011	Pro forma adjustments				The Enlarged SGL Group for the year ended 30 June 2011
				Adj (A)		*Adj (B)*		
	US$'000	*MYR'000*	*US$'000*	*US$'000*		*US$'000*		*US$'000*
	Note (1)		*Note (2)*		*Notes*		*Notes*	
Investing activities								
Payment for the purchase of fixed assets	(27,540)	(33,303)	(10,822)					(38,362)
Acquisition of interests in leasehold land held under operating leases	(3,832)	(1,783)	(579)					(4,411)
Payment for construction in progress	(536)	—	—					(536)
Capital expenditure on plantation assets	(14,637)	(34,521)	(11,218)					(25,855)
Proceeds from disposal of fixed assets	7,329	469	152					7,481
Payment for subscription of shares in an associate	(20,000)	—	—					(20,000)
Additional investment in an associate	(3,086)	—	—			(127,844)	*(6)*	(130,930)
Dividends received from associates	3,791	—	—			(1,013)	*(10)*	2,778
Payment for the purchase of available-for-sale financial assets	(325)	—	—					(325)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(2,442)	—	—					(2,442)
Additional investment in a subsidiary	—	—	—	(113,657)	*(3)*			(113,657)
Decrease/(increase) in pledged deposits	3,483	(2,241)	(728)					2,755
Dividends received	—	71	23					23
Interest received	2,868	3,193	1,038					3,906
Net cash used in investing activities	(54,927)	(68,115)	(22,134)					(319,575)
Financing activities								
Capital element of finance lease rentals paid	(24,396)	—	—					(24,396)
Dividends paid to equity shareholders of the company	(3,441)	(8,557)	(2,781)			2,781	*(10)*	(3,441)
Dividends paid by subsidiaries to non-controlling interests	(3,347)	(13,700)	(4,452)	1,081	*(5)*	(427)	*(10)*	(7,145)
Proceeds from bank loans	61,217	—	—					61,217
Proceeds from loan from SSC	—	—	—			208,898	*(11)*	208,898
Repayment of bank loans	(63,456)	—	—					(63,456)
Interest paid on bank loans and finance lease rentals	(19,600)	—	—					(19,600)
Net cash (used in)/generated from financing activities	(53,023)	(22,257)	(7,233)					152,077
Net (decrease)/increase in cash and cash equivalents	(31,073)	30,528	9,922					(51,332)
Cash and cash equivalents at the beginning of the year	139,998	118,061	38,867					178,865
Effect of foreign exchange rate changes	6,000	(496)	(36)					5,964
Cash and cash equivalents at the end of the year	114,925	148,093	48,753					133,497

Reconciliation of cash and cash equivalents as at 30 June 2011 in the pro forma consolidated balance sheet and the pro forma cash flow statement

Cash and cash equivalents in the pro forma consolidated balance sheet	125,980	148,093	48,753	(112,576)	*(3)&(5)*	82,395	*(6), (10) & (11)*	144,552
Bank overdrafts	(11,055)	—	—					(11,055)
Cash and cash equivalents in the pro forma consolidated cash flow statement	114,925	148,093	48,753					133,497

Notes to the Unaudited Pro Forma Financial Information of the Enlarged SGL Group

1. As Lingui is a subsidiary of SGL as at 1 July 2010, the investment in Lingui has been consolidated into the consolidated financial statements of SGL. For the purpose of this Unaudited Pro Forma Financial Information, the financial information of Lingui is therefore not separately presented.

2. For the purpose of this Unaudited Pro Forma Financial Information, the balance sheet items of Glenealy at 1 July 2010 and 30 June 2011 are converted into US$ at the exchange rates of MYR3.2455: US$1 and MYR3.0376: US$1, respectively. The consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Glenealy Group for the year ended 30 June 2011 as included in this Appendix V, which are stated in MYR are translated into US$ at the exchange rate of MYR3.0773 : US$1. The transactions and balances arising from the Malaysian Proposals that are stated in MYR are converted into US$ at the exchange rates of MYR3.0773: US$1 and MYR3.0376: US$1, respectively, except for the considerations for the Lingui Scheme and the Glenealy Scheme, which are denominated in MYR and converted into US$ at the exchange rate of MYR 3.1: US$1. No representation is made that the MYR amounts have been, could have been or may be converted to US$ or vice versa, at those rates.

Adjustments (A) – the Lingui Scheme

3. In connection with the SGL Scheme dated 20 February 2012, SGL agreed to propose the Lingui Scheme, in which SGL will acquire 32.77% equity interest in Lingui from the Lingui Scheme Shareholders. Upon completion of the Lingui Scheme, Lingui will become a wholly owned subsidiary of SGL.

   In accordance with International Accounting Standard 27 "Consolidated and separate financial statements", the changes in ownership interests while retaining control are accounted for as transactions with equity shareholders in their capacity as equity shareholders. As a result, no gain or loss on such changes is recognised in profit or loss but rather in equity.

   On the basis of the Lingui Scheme Offer Price of MYR1.63 per Lingui Scheme Share and 216,156,673 Lingui Scheme Shares in issue as at 1 July 2010, the total consideration for the implementation of Lingui Scheme would be approximately MYR352,335,000 (equivalent to approximately US$113,657,000). The consideration is expected to be satisfied in cash.

   For the purpose of this Unaudited Pro Forma Financial Information, a gain of approximately US$31,562,000 arising from the Lingui Scheme was derived from the total consideration of approximately US$113,657,000 less non-controlling interests of Lingui as at 1 July 2010 of US$145,219,000 based on the financial information of SGL set forth in Appendix I of this document. Such gain from the Lingui Scheme of US$31,562,000 is credited to reserves at 1 July 2010.

4. The profit, other comprehensive income and total comprehensive income attributable to the non-controlling interests of Lingui for the year ended 30 June 2011 amounted to approximately US$20,415,000, US$12,973,000 and US$33,388,000 respectively.

This is an adjustment to reclassify the profit and other comprehensive income attributable to the non-controlling interests to profit and total comprehensive income attributable to the equity shareholders of SGL as if Lingui Scheme had been completed on 1 July 2010.

5. Lingui paid dividends of approximately US$1,081,000 to Lingui Scheme Shareholders during the year ended 30 June 2011. These dividends are reversed and cash and cash equivalents are debited on the pro forma consolidated balance sheet as if the Lingui Scheme had been completed on 1 July 2010 and SGL had received such dividends during the year ended 30 June 2011.

Adjustments (B) – The Glenealy Scheme

6. In connection with the SGL scheme dated 20 February 2012, SGL agreed to propose the Glenealy Scheme, in which SGL will acquire 46.32% equity interest in Glenealy from the Glenealy Scheme Shareholders. Glenealy will become a subsidiary of SGL upon completion of the Glenealy Scheme.

   On the basis of the Glenealy Scheme Offer Price of MYR7.50 per Glenealy Scheme Share and 52,842,270 Glenealy Scheme Shares as acquired at 1 July 2010, the total consideration for the implementation of Glenealy Scheme would be approximately MYR396,317,000 (equivalent to approximately US$127,844,000). The consideration is expected to be satisfied in cash.

   As Glenealy is an associate of SGL as at 1 July 2010, the Glenealy Scheme should be treated as a business combination achieved in stages under International Financial Reporting Standard 3 "Business Combinations" ("IFRS 3"). In accordance with IFRS 3, the acquisition method is applied in the normal manner for such business combination achieved in stages. The treatment effectively considers that the investment (i.e. 36.42% equity interest held at 1 July 2010) held by SGL prior to obtaining control is sold and subsequently repurchased at the acquisition date. Upon obtaining control any amounts recognised in other comprehensive income related to the interest in Glenealy are recognised on the same basis as would be required if SGL had disposed of the previously held 36.42% equity interest in Glenealy (i.e. all other comprehensive income recognised in equity prior to obtaining control is recognised in profit or loss upon disposal).

   With reference to the independent valuation performed at 31 March 2011, the directors estimate the fair value adjustments on the identifiable assets and liabilities of the Glenealy Group at 1 July 2010 amounted to MYR165,008,000 (equivalent to US$50,842,000), including adjustments on interests in leasehold land held under operating leases, fixed assets and the related deferred tax liabilities of MYR204,145,000, MYR15,866,000, MYR55,003,000 respectively (equivalent to US$62,901,000, US$4,888,000 and US$16,947,000 respectively). The directors consider the additional depreciation and amortisation charge arising from the fair value adjustments on interests in leasehold land held under operating leases and fixed assets for the year ended 30 June 2011 is to be insignificant.

For the purpose of Unaudited Pro Forma Financial Information, the gain on previously held equity interest in Glenealy and the goodwill arising from the Glenealy Scheme as if the Glenealy Scheme had been completed on 1 July 2010 is calculated as follows:

Gain on previously held interest in Glenealy recognised in profit or loss

	MYR'000	*USD'000*
Carrying amount of net assets attributable to equity shareholders of the Glenealy Group at 1 July 2010	685,845	211,322
Fair value adjustments on the identifiable assets and liabilities of the Glenealy Group at 1 July 2010	165,008	50,842
Estimated fair values of the identifiable assets and liabilities attributable to equity shareholders of Glenealy at 1 July 2010	850,853	262,164
Estimated fair value of 36.42% equity interest previously held by SGL at 1 July 2010 *(Note a)*		95,480
Less:		
Carrying amount of 36.42% equity interest previously held by SGL at 1 July 2010		68,404
		27,076
Add: Unrealised foreign exchange gains recognised previously in other comprehensive income		6,034
Gain on previously held interest in Glenealy recognised in profit or loss *(Note b)*		33,110

Goodwill arising from the Glenealy Scheme

	MYR'000	*USD'000*
Consideration for the Glenealy Scheme	396,317	127,844
Add: Estimated fair value of 36.42% equity interest previously held by SGL at 1 July 2010		95,480
		223,324
Estimated fair value of the identifiable assets and liabilities attributable to equity shareholders of Glenealy at 1 July 2010		262,164
Less: Non-controlling interests (17.27%) of Glenealy after the Glenealy Scheme		45,276
Fair value of identifiable net assets acquired		216,888
Goodwill *(Note b)*		6,436

Notes:

(a) For the purpose of Unaudited Pro Forma Financial Information, the directors assume the amount of control premium paid for the Glenealy Scheme is insignificant. Accordingly, the directors estimated the fair value of 36.42% equity interest previously held by SGL on a pro-rated basis based on the fair values of the identifiable assets and liabilities attributable to equity shareholders of Glenealy at 1 July 2010.

(b) The actual fair values of the identifiable assets and liabilities of Glenealy Group at the actual date of completion may be different from the estimated fair values used in the preparation of the Unaudited Pro Forma Financial Information. Accordingly, the actual amount of gain on previously held equity interest in Glenealy and goodwill may be different from the amount as adopted in this Unaudited Pro Forma Financial Information. The directors have performed a preliminary review of impairment on goodwill in accordance with International Accounting Standard 36 "Impairment of Assets" and considered there is no indication of impairment on the goodwill.

7. During the year ended 30 June 2011, the share of profit of Glenealy recognised in SGL's profit or loss amounted to approximately US$26,819,000 while the exchange gain arising from the translation of investment in Glenealy recognised in SGL's other comprehensive income amounted to approximately US$3,669,000.

   This is an adjustment to eliminate SGL's shares of profit from investment in Glenealy and foreign exchange gain recognised in other comprehensive income arising from the translation of investment in Glenealy during the year ended 30 June 2011 as if the Glenealy Scheme had been completed on 1 July 2010.

8. During the year ended 30 June 2011, SGL has further purchased 2,180,000 shares, representing 1.91% equity interest in Glenealy through Lingui at a cash consideration of US$3,086,000. A negative goodwill of approximately US$4,106,000 was credited to SGL's profit or loss (included under share of profits less losses of associates) during the year ended 30 June 2011. Such negative goodwill was derived from the total consideration of US$3,086,000 less the fair value of net assets acquired of approximately US$7,192,000.

   The acquisition of 1.91% equity interest in Glenealy would be treated as an acquisition of non-controlling interests as if the Glenealy Scheme had been completed on 1 July 2010. The negative goodwill arising from the acquisition of 1.91% equity interest in Glenealy of US$4,106,000 is reversed and credited directly to reserves, together with the total consideration of US$3,086,000, US$7,192,000 is debited to the non-controlling interests on the pro forma consolidated balance sheet as at 30 June 2011.

9. Glenealy would become a subsidiary of SGL as if the Glenealy Scheme had been completed on 1 July 2010, however, Glenealy is not a wholly owned subsidiary of SGL with 17.27% equity interest held by SSC and public shareholders at 1 July 2010. This is an adjustment to recognise the non-controlling interest as at 1 July 2010 and profit and other comprehensive income attributable to non-controlling interests during the year ended 30 June 2011 as if the Glenealy Scheme had been completed on 1 July 2010.

   Based on the financial information of Glenealy set forth in Appendix IV and the equity interest held by the non-controlling interest of Glenealy, the net assets attributable to non-controlling interests as at 1 July 2010 amounted to approximately US$45,276,000, profit, other comprehensive income and total comprehensive income attributable to non-controlling interests of Glenealy during the year ended 30 June 2011 are approximately US$12,445,000, US$3,315,000 and US$15,760,000 respectively.

10. During the year ended 30 June 2011, Glenealy paid dividends to SGL and non-controlling interests (as if the Glenealy Scheme had been completed on 1 July 2010) amounted to approximately US$1,013,000 and US$427,000 respectively. This is an adjustment to eliminate these dividends paid against interest in associates and non-controlling interests on the pro forma consolidated balance sheet respectively.

    On the other hand, Glenealy paid dividends of approximately US$1,341,000 to the Glenealy Scheme Shareholders. These dividends are reversed and cash and cash equivalents are debited on the pro forma consolidated balance sheet as if the Glenealy Scheme had been completed on 1 July 2010 and SGL had received such dividends during the year ended 30 June 2011.

11. As disclosed in the paragraph "Financial resources" as set forth in section 1 of the section "Malaysian Proposal" of this document, SSC will provide funding to SGL in respect of the Lingui Scheme and the Glenealy Scheme. The funding to be obtained from SSC would approximately equal to 86.5% of total consideration for the Lingui Scheme and the Glenealy Scheme, which is approximately US$208,898,000. The adjustment represents a loan of an equivalent amount issued by SSC to SGL as if the Lingui Scheme and the Glenealy Scheme had been completed on 1 July 2010.

The directors have not taken into account the financing costs incurred for the loan from SSC on the assumption that the impact is not significant. The related costs will be recognised as expenses when incurred.

12. The directors have not taken into account the transaction cost of both the Lingui Scheme and the Glenealy Scheme on the assumption that the impact is not significant. The related costs will be recognised as expenses when incurred.

13. No adjustment has been made to eliminate the intra-group balances and transactions between the SGL Group and the Glenealy Group as the directors consider these intra-group balances and transactions are not significant.

2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF SAMLING GLOBAL LIMITED

Set out below is the text of the report received from KPMG Hong Kong, the reporting accountant of SGL, on the unaudited pro-forma financial information for the purpose of incorporation in this document.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

The Directors
Samling Global Limited
30 April 2012

Dear Sirs,

Samling Global Limited ("the Company")

We report on the unaudited pro forma financial information ("the Pro Forma Financial Information") of the Company and its subsidiaries ("the Group") and Glenealy Plantations (Malaya) Berhad ("Glenealy") set out on pages V-1 to V-14 in Appendix V of the circular dated 30 April 2012 ("the Circular"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed privatisation of Lingui Developments Berhad and Glenealy Plantations (Malaya) Berhad might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out in notes on pages V-9 to V-14 in Appendix V of the Circular.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2011 or any future date; or
- the results of the Group for year ended 30 June 2011 or any future periods.

Opinion

In our opinion:

(a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company, and

(c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE SGL GROUP

Set out below is the management discussion and analysis on the SGL Group for the three years ended 30 June 2011 and the six months ended 31 December 2011:

(a) For the year ended 30 June 2009

Liquidity and Financial Resources

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

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

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

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

	US$ million
Secured	214.7
Unsecured	155.1
Total	369.8

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

Segment Information

The SGL Group operated certain business segments with a global presence during the financial year ended 30 June 2009, namely log trading, plywood and veneer, upstream support, flooring products and other operations. There was no change in the business or service provided to the customers during the year.

Log Trading

Log trading, a major business segment, accounted for approximately 34.5% and 31.9% of total revenue for the financial year ended 30 June 2009 and the preceding financial year respectively.

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

The volume of hardwood logs sold in the financial year ended 30 June 2009 represented approximately 55.9% of total hardwood logs extracted with the balance being processed in the SGL Group's downstream mills. The volume of hardwood logs extracted included 292,689 m^3 of salvage logs extracted from an area earmarked for tree plantations under a supply agreement signed with a local buyer. Excluding the volume of salvage logs sold under this contract, the volume of logs extracted were lower than the preceding financial year principally due to the SGL Group's strategy of preserving its timber resources instead of harvesting and selling at lower prices. Demand for logs from the SGL Group's downstream plants was also lower as production levels fell. The average hardwood log export prices achieved for the financial year under review was US$174.3 per m^3 compared to US$172.1 per m^3 achieved in the preceding financial year.

For the financial year ended 30 June 2009, the New Zealand subsidiary company, Hikurangi Forest Farms Limited ("HFF") sold 399,730 m^3 of softwood logs as compared to 236,265 m^3 of softwood logs sold in the preceding financial year. Production from the New Zealand forest will be ramped up gradually in line with the maturity profile of the maturing radiata pine trees. The average softwood log prices achieved was 5.1% lower at US$63.6 per m^3 compared to the preceding financial year. The SGL Group views the New Zealand forest as a long term strategic asset to complement its tropical hardwood resource in increasing coverage in high value-added products to new and existing markets.

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

The log trading segment results for the financial year ended 30 June 2009 were generally affected by higher operating costs. As a consequence, log trading recorded a gross profit of US$21.3 million, a drop of US$5.9 million compared to US$27.2 million achieved in the preceding financial year. Gross profit margin also decreased to 9.3% from 10.4% in the preceding financial year.

The changes in fair value of plantation assets less estimated point-of-sale costs was a loss of US$2.0 million compared to a loss of US$3.0 million in the preceding financial year. The loss from changes in fair value for the financial year ended 30 June 2009 was due to the impact of lower prices and generally higher operating costs which offset the value of growth of the planted trees.

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

Plywood and Veneer

Plywood and veneer contributed 40.0% to the SGL Group's total revenue for the financial year ended 30 June 2009.

The SGL Group sold 384,535 m^3 of plywood and 126,962 m^3 of veneer to external parties which when compared to 561,690 m^3 of plywood and 187,140 m^3 of veneer sold in the preceding financial year was 31.5% and 32.2% lower respectively. Exported plywood prices recorded a decrease of 4.2% as compared to the preceding financial year. The drop in demand and prices which were most pronounced in the second half of the financial year was principally due to the slowdown in demand from Japan and US. As one of the use of veneer is for the production of plywood, its prices have a correlation with the movement in plywood prices. Veneer export prices, which averaged US$309.8 per m^3 for the preceding financial year, decreased to an average of US$307.6 per m^3 for the financial year ended 30 June 2009.

The SGL Group's total veneer sales from its veneer mills totalled 164,768 m^3 of which 22.9% was used internally in the SGL Group's plywood factories as a raw material input with the balance sold to external customers. The slowdown in demand due to the economic climate similarly affected veneer sales as buyers who purchase the veneer for plywood production also faced a slowdown in plywood demand. On the production front, the SGL Group focused on the maximising the production and sale of face and back veneer which provided better gross profit margins. The SGL Group's focus in the financial year ended 30 June 2009 was on maximising log recovery and production of higher percentage of face and back veneer.

As demand dropped, the SGL Group temporarily curtailed its plywood and veneer production and produced enough to meet customer requirements in order to avoid an inventory build-up. In the financial year ended 30 June 2009, operating costs for plywood and veneer have increased significantly due to the impact of higher diesel and glue prices in the first half of financial year as well as the impact of fixed production cost being allocated over a lower production volume.

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 SGL Group's equipment fleet.

Revenue from upstream support for external sales decreased by US$3.8 million, or approximately 34.2%, to US$7.3 million for the financial year ended 30 June 2009 from US$11.1 million for the preceding financial year. Total revenue from billings to internal companies for the financial year ended 30 June 2009 amounted to US$163.1 million compared to US$205.2 million for the preceding financial year. This decrease in revenue was in line with the lower level of harvesting activities in the SGL Group's forests as demand for logs felled. For the financial year ended 30 June 2009, gross profit achieved from the upstream support services was US$0.3 million which was US$2.5 million lower than that of the preceding financial year. In terms of gross profit margin, it decreased to 0.1% compared to 1.3% in the preceding financial year. The decrease in gross profit margin was mainly due to a higher operating cost per m^3 as a result of the semi-fixed and fixed operating costs being allocated over the lower volumes extracted.

Flooring Operations

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

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

For the financial year ended 30 June 2009, engineered flooring sales totalled 1,126,131 m^2 at an average selling price of US$21.4 per m^2. Export sales, principally to the US, were sluggish with lower housing development activities as the economic crisis worsens.

Elegant Living companies' sales of laminated flooring were principally for the domestic PRC market. For the financial year ended 30 June 2009, Elegant Living companies sold 961,096 m^2 of laminated flooring at an average selling price of US$8.0 per m^2. Demand for laminated flooring was strong as many Chinese households started to use laminated flooring, which was priced at about 60.0% below engineered flooring, when they undertook renovation works in their homes.

Other Timber Operations

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

Revenue from other timber operations increased by US$18.2 million or approximately 33%, to US$73.2 million in the financial year ended 30 June 2009 from US$55.0 million in the preceding financial year. This increase was primarily due to the inclusion of full year results of Brewster Pty. Ltd. ("Brewster"), the newly acquired distribution subsidiary in Australia, which was acquired in December 2007.

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

Other Operations

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

Revenue from other operations decreased by US$1.3 million or approximately 12.4% to US$9.2 million in the financial year ended 30 June 2009 from US$10.5 million in the preceding financial year due to lower sales achieved by rubber retread compound operations as a result of slow down in local tyre retreading business.

Other operations achieved a gross profit of US$2.6 million for the financial year ended 30 June 2009 compared to US$2.9 million achieved in the preceding financial year. The major contributor to the gross profit was from the quarry operations at US$1.9 million.

Charge on the SGL Group's assets

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

Investments

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

As referred to above, on 26 August 2008, the SGL Group completed the acquisition of the Elegant Living companies for an initial consideration of US$38.3 million and a contingent consideration of up to approximately US$25.7 million if certain profit targets were achieved within three years after acquisition.

Other than the above, the SGL Group did not make any significant investment, and there were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 30 June 2009.

Capital Structure

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

- ensuring that appropriate funding strategies are adopted to meet the SGL 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 SGL 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 SGL Group borrowed both fixed and floating interest rate loans. Several of its secured and unsecured debt facilities carried interest at floating rates. Exposure to floating interest rates presented the SGL Group with risk when there are unexpected adverse interest rate movements. The SGL Group policy is to manage such interest rate risk, working with an established framework, pursuant to which it selectively enters into swap or interest rate hedging transactions to ensure that it is not unduly exposed to significant interest rate movements and rates are appropriately fixed as necessary. As part of its interest rate hedging framework, the SGL Group monitors and controls its interest rate exposure by regularly monitoring relevant interest rates and their outlook. When the SGL 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 SGL Group entered into swap or interest rate hedging transactions in connection with some, but not all, of these debt facilities, considering their tenure.

Foreign Exchange Risk

Most of the SGL Group's sales were denominated in US Dollars and some in Japanese Yen, while it incurred 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 SGL 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 were 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 2009 of US$54.8 million. As HFF's functional currency is the New Zealand dollar, exchange differences on the value of the HFF's US Dollars loans are recognised as part of the financial income and expense.

The SGL Group has entered into foreign currency swap agreements to hedge against the foreign currency risk. The SGL 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.

Contingent Liabilities

As at 30 June 2009, the SGL Group had no material contingent liabilities except for the following:

(i) *Legal claims from inhabitants of longhouses*

In 2007, a subsidiary of the SGL Group, Merawa Sdn. Bhd. (''Merawa''), together with the Director of Forests and the State Government of Sarawak, were jointly sued in the Malaysian courts by certain inhabitants of longhouses and settlements situated on timber concessions held by Merawa. The action commenced in 2007 and the plaintiffs are claiming various relief including a declaration that they have native customary rights over claimed land located within the relevant timber concession areas. Merawa denied the claim and also counterclaimed for damages, costs, interest and/or other relief. As at 30 June 2009, the above proceeding remained pending before the Malaysian courts.

The SGL Directors believe that the SGL Group has merit in their defence to the claims and has 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 SGL Group, the SGL Group may be ordered to terminate its 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 SGL Directors believe that these proceedings will not have a material adverse impact on the SGL Group's business, results of operations or financial condition.

(ii) *Contingent consideration in respect of business combination*

The SGL Group has recognised contingent consideration of US$8.3 million for the acquisition of the business of Elegant Living companies (as defined in the paragraph under "Flooring Operations" above) to the consolidated financial statements of SGL Group as set out in the 2009 annual report of SGL which represents the SGL Directors estimate of the most likely contingent consideration payable. The SGL Group may be required to pay additional contingent consideration of up to US$17.4 million under the terms of the acquisition.

(iii) *Environmental contingencies*

The SGL 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 SGL Group for violations for existing conditions attached to the licences whether or not caused or known by the SGL Group. The financial position of the SGL Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The SGL Directors were not aware of any environmental liabilities as at 30 June 2009. The SGL Directors were also not aware of any violation to existing conditions attached to the SGL Group's timber concession and tree plantation licences, or subject to any significant costs, expenses, penalties and liabilities.

Capital Commitment

The SGL Group's authorised but not contracted for total capital commitments, mostly on machinery and equipment of the SGL Group as at 30 June 2009, amounted to US$49.0 million, which will be financed by the SGL Group's internal resources and external financing.

Employees

As at 30 June 2009, the SGL Group employed a total of 11,459 employees.

(b) For the year ended 30 June 2010

Liquidity and Financial Resources

As at 30 June 2010, the SGL 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 26.2% 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 ended 30 June 2010 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 SGL Group had 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 was 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%.

Segment Information

The SGL Group operated certain business segments with a global presence during the year ended 30 June 2010, namely log trading, plywood and veneer, upstream support, flooring products and other operations. There was no change in the business or service provided to the customers during the year.

Log Trading

Log trading, a major business segment, accounted for approximately 36.8% and 34.5% of total revenue for the financial year ended 30 June 2010 and the preceding financial year respectively. It continued to be the largest contributor to operating profits at US$27.2 million.

The SGL 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 ended 30 June 2010 represented approximately 62.7% of total hardwood logs extracted with the balance being processed in the SGL 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 SGL 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 ended 30 June 2010 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 ended 30 June 2010, the New Zealand subsidiary company, 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. 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.

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 ended 30 June 2010 was due to the impact of higher selling prices of the New Zealand plantation and the value of growth of the planted trees.

Plywood and Veneer

Plywood and veneer contributed 30.3% to the SGL Group's total revenue for the financial year ended 30 June 2010.

In the financial year ended 30 June 2010, the SGL 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 their 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 ended 30 June 2010, an increase of 2.5% compared to US$272.6 per m^3 for the preceding financial year.

The veneer plants recorded a marginal increase in external sales by 2.4% as less volumes were used for internal plywood production.

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 SGL 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.

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 SGL 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 ended 30 June 2010 from US$7.3 million for the preceding financial year. With the increase in extraction volumes, total revenue from billings to companies within the SGL Group for the financial year ended 30 June 2010 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.

Flooring Products

In the financial year ended 30 June 2010, the SGL Group consolidated the full financial year results of the Elegant Living group based in the PRC, whose 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 SGL Group's results as the acquisition was completed on 1 September 2008. This acquisition formed part of the SGL Group's strategy to reach further down the supply chain and enlarge its distribution presence in the PRC.

For the financial year ended 30 June 2010, 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 ended 30 June 2010, 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 households started to use laminated flooring, which was priced at about 58.5% below engineered flooring, when they undertook renovation works in their homes.

For the financial year ended 30 June 2010, 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 SGL Group.

Other Operations

Other operations mainly comprised the operations of housing products, chipboard, wood chip processing and selling and distribution of building materials. These operations were efforts by the SGL Group to move further downstream into more value-added products, using either the SGL 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 ended 30 June 2010 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.

Charge on the SGL Group's assets

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

Investments

On 20 May 2010, the SGL Group 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 SGL Group did not make any significant investments, and there were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 30 June 2010.

Capital Structure

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

- ensuring that appropriate funding strategies are adopted to meet the SGL 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 SGL 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 SGL Group borrowed both fixed and floating interest rate loans. Exposure to floating interest rates presented it with risk when there are unexpected adverse interest rate movements. The SGL Group's policy is to manage such interest rate risk, working with an established framework, pursuant to which it selectively enters into swap or interest rate hedging transactions to ensure that it is not unduly exposed to significant interest rate movements and rates are appropriately fixed as necessary. As part of its interest rate hedging framework, the SGL Group monitors and controls its interest rate exposure by regularly monitoring relevant interest rates and their outlook. When the SGL 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 SGL Group entered into swap or interest rate hedging transactions in connection with some, but not all, of these debt facilities, considering their tenure.

Foreign Exchange Risk

Most of the SGL Group's sales were denominated in US Dollars and some in Japanese Yen, while it incurred 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 SGL 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 were 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 SGL Group has entered into foreign currency swap agreements to hedge against the foreign currency risk. The SGL 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.

Contingent Liabilities

As at 30 June 2010, the SGL Group had no material contingent liabilities except the following:

(i) *Legal claims from inhabitants of longhouses*

(a) In 2007, a subsidiary of the SGL Group, Merawa, together with the Director of Forests and the State Government of Sarawak, were 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 SGL Group's subsidiaries, Samling Plywood (Lawas) Sdn. Bhd. ("Samling Plywood Lawas") and Samling Reforestation (Bintulu) Sdn. Bhd. ("Samling Reforestation") together with the Director of Forests, Sarawak and State of Government of Sarawak were jointly sued by certain inhabitants of longhouses and settlements situated at and around the timber concessions held by Samling Plywood Lawas and planted forest held by Samling Reforestation respectively. The plaintiffs are claiming various orders, reliefs and damages including declarations that issuance of the forest timber licences and licences for planted forests by the Director of Forests, Sarawak to Samling Plywood Lawas and Samling Reforestation which overlap the Plaintiffs' claimed areas are unlawful, unconstitutional, null and void.

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

The SGL Directors believe that the SGL 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 SGL Group, the SGL Group may be ordered to terminate its 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 they consider just.

Although the outcome of these litigations cannot be ascertained at this stage and the monetary value involved cannot be reliably quantified, the SGL Directors believe that these proceedings will not have a material adverse impact on the SGL 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 to the consolidated financial statements of SGL Group set out in the 2010 annual report of SGL) in 2008, contingent consideration of US$8.3 million 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 to the consolidated financial statements of SGL Group set out in the 2010 annual report of SGL. (A copy of the annual report 2010 of SGL is available free of charge, in read only, printable format on SGL Group's website *http://www.samling.com*) The Group may be required to pay additional contingent consideration of up to US$17.4 million 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 SGL 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 SGL Group for violations for existing conditions attached to the licences whether or not caused or known by the SGL Group. The financial position of the SGL Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The SGL Directors are not aware of any environmental liabilities as at 30 June 2010. The SGL Directors are also not aware of any violation to existing conditions attached to the SGL Group's timber concession and tree plantation licences, or subject to any significant costs, expenses, penalties and liabilities.

Capital Commitment

The SGL Group's authorised but not contracted for total capital commitments, mostly on machinery and equipment of the SGL Group as at 30 June 2010, amounted to US$59.9 million, which will be financed by the SGL Group's internal resources and external financing.

Employees

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

(c) For the year ended 30 June 2011

Liquidity and Financial Resources

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

The gearing ratio was 23.8% and 26.2% as at 30 June 2011 and 30 June 2010, respectively. The gearing ratio is derived by dividing the total of bank overdrafts, loans and obligations under finance leases by total assets. The gearing ratio remained relatively stable in the financial year ended 30 June 2011 compared to 30 June 2010.

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

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

	US$ million
Secured	171.6
Unsecured	157.3
Total	328.9

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

Segment Information

The SGL Group operated certain business segments with a global presence during the year ended 30 June 2011, namely log trading, plywood and veneer, flooring products and other operations. There was no change in the business or service provided to the customers during the year.

Logs

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

Logs segment accounted for approximately 46.1% and 42.8% of total revenue for the financial year ended 30 June 2011 and the corresponding preceding financial year respectively. For the financial year ended 30 June 2011, the logs segment contribution to the SGL Group's revenue and gross profit was about US$336.2 million and US$46.0 million respectively.

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

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

To improve on overall machine productivity, capital expenditure totalling US$16.0 million was incurred in the financial year ended 30 June 2011 as part of a replacement programme to replace the SGL Group's older logging fleet.

Plywood and Veneer

Plywood and veneer contributed 26.1% to the SGL Group's total revenue for the financial year ended 30 June 2011. Total external plywood sales for the financial year ended 30 June 2011 was 291,635 m^3 which was 15.8% lower than that achieved in the preceding financial year mainly due to weak demand from Japan as buyers unwilling to commit to more volumes due to uncertainty. However, average prices achieved was US$505.0 per m^3 compared to US$418.6 per m^3 in the preceding financial year.

In the financial year ended 30 June 2011, the volume of veneer sold by the SGL Group was 5.4% higher than the preceding financial year. Average prices also improved to US$312.1 per m^3 from US$279.3 per m^3 achieved in the preceding financial year. The SGL Group increased its veneer production to capitalise on its demand by plywood producers who were not able to get sufficient log supplies during the rainy periods in Sarawak, Malaysia and were willing to pay higher prices for veneer. The improvement in prices was mainly brought about by the increased focus on the production of higher valued face and back veneer and the co-related effects on veneer prices brought about by the spike in plywood prices after the Japanese earthquake.

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

Flooring Products

In the financial year ended 30 June 2011, the SGL Group continued to increase on its flooring products sales through the PRC based Elegant Living group of companies. Revenue from external flooring sales improved to US$91.9 million, an increase of 58.4% compared to the preceding financial year. In terms of sales mix, 61% of the sales were from laminated flooring and the remaining was from engineered flooring and solid flooring. Although the flooring products market in the US was still relatively weak, this was largely mitigated by the strong domestic demand in the PRC, mainly from the still buoyant housing sector.

In terms of gross profits, the flooring products segment achieved US$16.0 million which was 37.6% higher than that of the preceding financial year. However gross profit margins at 17.4% was lower than the preceding financial year due to higher sales of laminated flooring which has lower margins, in the financial year ended 30 June 2011.

Other Operations

Other operations mainly comprised of the production and sale of housing products, kitchen cabinets and wood chip, which were efforts by the SGL Group to move further downstream into more value added products, using either the SGL Group's primary product of plywood or wood waste from the plywood operations as production input. This segment also includes quarry operations, rubber retread compound and property investment operations.

Revenue from other operations increased by US$7.9 million, or approximately 7.7%, to US$110.9 million in the financial year ended 30 June 2011 from US$103.0 million in the preceding financial year. This increase was primarily due to the higher sales by the distribution company in Australia and the housing products division. In term of gross profit, other operations achieved US$18.4 million which was 1.7% higher than the preceding financial year.

Charge on the SGL Group's assets

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

Investments

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

On 23 March 2011, a subsidiary of the SGL Group further purchased 2,180,000 shares, representing a 1.91% equity interest, in Glenealy for a cash consideration of US$3.1 million.

Other than the above, the SGL Group did not make any significant investments, and there were no material acquisitions or disposals of subsidiaries and associated companies during the financial year ended 30 June 2011.

Capital Structure

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

- ensuring that appropriate funding strategies are adopted to meet the SGL 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 SGL 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 SGL Group borrowed both fixed and floating interest rate loans. Exposure to floating interest rates presented it with risk when there are unexpected adverse interest rate movements. The SGL Group's policy is to manage such interest rate risk, working with an established framework, pursuant to which it selectively enters into swap or interest rate hedging transactions to ensure that it is not unduly exposed to significant interest rate movements and rates are appropriately fixed as necessary. Several of the secured and unsecured debt facilities carry interest at floating rates, and the SGL Group entered into swap or interest rate hedging transactions in connection with some, but not all, of these debt facilities, considering their tenure.

Foreign Exchange Risk

Most of the SGL Group's sales were denominated in US Dollars and some in Japanese Yen, while it incurred 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 SGL 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 were 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 as of 30 June 2011 of US$46.4 million. As HFF's functional currency is the New Zealand Dollar, exchange differences on the value of the HFF's US Dollars loans are recognised as part of the financial income and expense.

The SGL Group has entered into foreign currency swap agreements to hedge against the foreign currency risk. The SGL 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.

Contingent Liabilities

As at 30 June 2011, the SGL Group had no material contingent liabilities except for the following:

(i) *Legal claims from inhabitants of longhouses*

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

(2) Four of the SGL Group's subsidiaries, Samling Plywood Lawas, Samling Plywood Miri, Ravenscourt Sdn. Bhd. ("Ravenscourt") and Samling Reforestation together with the Director of Forests, Sarawak and State of Government of Sarawak were jointly sued by certain inhabitants of longhouses and settlements situated at and around the timber concessions held by Samling Plywood Lawas, Samling Plywood Miri and Ravenscourt and planted forest held by the Samling Reforestation respectively. The plaintiffs are claiming various orders, reliefs and damages including declarations that issuance of the forest timber licences and licences for

planted forests by the Director of Forests, Sarawak to Samling Plywood Lawas, Samling Plywood Miri, Ravenscourt and Samling Reforestation which overlap the plaintiffs' claimed areas are unlawful, unconstitutional, null and void.

As at 30 June 2011, the above proceedings remained pending before the Malaysian courts.

The SGL Directors believe that the SGL 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 SGL Group, the SGL 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 they consider just.

(ii) *Environmental contingencies*

The SGL 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 SGL Group for violations for existing conditions attached to the licences whether or not caused or known by the SGL Group. The financial position of the SGL Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The SGL Directors were not aware of any environmental liabilities as at 30 June 2011. The SGL Directors were also not aware of any violation to existing conditions attached to the SGL Group's timber concession and tree plantation licences, or subject to any significant costs, expenses, penalties and liabilities.

Capital Commitment

The SGL Group's authorised but not contracted for total capital commitments, mostly on machinery and equipment of the SGL Group as at 30 June 2011, amounted to US$89.7 million, which will be financed by the SGL Group's internal resources and external financing.

Employees

As at 30 June 2011, the SGL Group employed a total of 12,953 employees.

(d) For the six months ended 31 December 2011

Liquidity and Financial Resources

As at 31 December 2011, the SGL Group's cash and bank balances amounted to US$116.0 million compared to US$126.0 million as at 30 June 2011.

The gearing ratio was 23.9% and 23.8% as at 31 December 2011 and 30 June 2011, 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 period under review compared to 30 June 2011.

Available facilities that were not drawn down as at 31 December 2011 amounted to US$55.5 million compared to US$50.3 million as at 30 June 2011. At 31 December 2011, the SGL Group had outstanding indebtedness of US$320.1 million compared to US$328.9 million as at 30 June 2011. Of the US$320.1 million of indebtedness, US$131.1 million was repayable within one year with the balance of US$189.0 million having a maturity of more than one year as presented below:

	US$ million
Within one year	131.1
After one year but within two years	54.6
After two years but within five years	130.4
After five years	4.0
Total	320.1

	US$ million
Secured	174.1
Unsecured	146.0
Total	320.1

The indebtedness carry interest rates ranging from 2.0% to 8.5% per annum.

Segment Information

The SGL Group operated certain business segments with a global presence during the six months ended 31 December 2011, namely logs, plywood and veneer, flooring products and other operations. There was no change in the business or service provided to the customers during the period.

Logs

Logs segment accounted for approximately 48.8% and 45.6% of the SGL Group's total revenue for the six months ended 31 December 2011 and the corresponding preceding financial period respectively. For the six months ended 31 December 2011, the logs segment's contribution to the SGL Group's revenue and gross profit was approximately US$197.9 million and US$24.6 million respectively. The total volume of hardwood logs sold to external customers was 1.1 million m^3, of which 0.4 million m^3 was exported, was 24.9% higher than that of the corresponding preceding financial period. Average export prices achieved was US$223.4 per m^3 which was US$35.9 per m^3 higher than the corresponding preceding financial period. Similarly, softwood logs sales volume and average prices improved to 0.3 million m^3 and US$100.3 per m^3 respectively, which was 15.5% and 2.9% higher than the corresponding preceding financial period.

Plywood and Veneer

Plywood and veneer contributed 24.0% to the SGL Group's total revenue for the six months ended 31 December 2011. Total external plywood volumes sold for the six-months ended 31 December 2011 was 133,294 m^3 which was 10.2% lower than the corresponding preceding financial period mainly due to weak demand from Japan. However, average prices achieved was 23.1% higher compared to the corresponding preceding financial period.

In the six months ended 31 December 2011, the volume of veneer sold by the SGL Group to external customers was 5.1% lower than the corresponding preceding financial period. Average veneer prices improved to US$329.7 per m^3 from US$283.0 per m^3 in the corresponding preceding financial period. The improvement in prices was a result of the increased focus on the production of higher valued face and back veneer and the co-related effects on veneer prices brought about by the spike in plywood prices after the Japanese earthquake. The effects of the spike in prices was still felt in the financial period ended 31 December 2011, although there were signs of prices gradually easing off.

The plywood and veneer segment reported gross profit margin of 5.0%, which improved over the negative margin of 2.5% in the corresponding preceding financial period. As margins remained slim, the SGL Group continued to place emphasis on the cash cost of production to ensure that at all times on cash cost basis, gross profit is positive.

Flooring Products

In the six months ended 31 December 2011, the SGL Group continued to increase its flooring products sales through its PRC based Elegant Living group of companies. Revenue from external flooring sales improved to US$61.3 million, an increase of 38.0% compared to the corresponding preceding financial period. In terms of sales mix, 65.3% of the sales were from laminated flooring and the remaining was from engineered flooring and solid flooring. In terms of gross profit and gross profit margins, the flooring products segment achieved US$14.0 million and 22.8% which was 61.5% and 30.3% respectively higher than that of the corresponding preceding financial period.

Other Operations

Other operations mainly comprised the production and sale of housing products, kitchen cabinets and wood chip which is the SGL Group's long term strategy to move further downstream into producing more value added products, using either the SGL Group's primary product of plywood or wood waste from its plywood operations as production input. This segment also includes quarry operations, rubber retread compound and property investment operations. With higher sales by the housing products division offset by lower sales recorded by the SGL Group's distribution business in Australia, revenue from other operations of US$49.2 million was 16.2% lower than the corresponding preceding financial period. In term of gross profit, other operations achieved US$7.6 million which was 30.2% lower than the corresponding preceding financial period.

Charge on the SGL Group's assets

As at 31 December 2011, the SGL Group pledged assets with aggregate carrying value of US$316.5 million to secure bank loans facilities of the SGL Group.

Investments

The SGL Group did not make any significant investments, and there were no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 31 December 2011.

Capital Structure

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

- ensuring that appropriate funding strategies are adopted to meet the SGL 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 SGL 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.

Contingent Liabilities

The status of the legal claims stated under the paragraph "Contingent Liabilities" in section 1(c) above remained unchanged as at 31 December 2011.

Except as disclosed thereunder, the SGL Group had no other material contingent liabilities as at 31 December 2011.

Capital Commitment

The SGL Group's authorised and contracted for and authorised but not contracted for total capital commitments, mostly on machinery and equipment of the SGL Group as at 31 December 2011, amounted to US$6.0 million and US$58.0 million respectively, which will be financed by the SGL Group's internal resources and external financing.

Employees

As at 31 December 2011, the SGL Group employed a total of 13,560 employees.

Review of operations and future prospects

According to the IMF's January 2012 World Economic Outlook Update report, global recovery is threatened by intensifying strains in the Eurozone and economic fragility in various parts of the world. Financial conditions have deteriorated, growth prospects have dimmed, and downside risks have escalated. This is largely because the Eurozone's economy is now expected to go into a mild recession in 2012 as a result of the rise in sovereign yields, the effects of bank deleveraging on the real economy, and the impact of additional fiscal consolidation. Growth in emerging and developing economies is also expected to slow down because of the worsening external environment and a weakening of internal demand.

The SGL Directors believe that the performance of the SGL Group in the second half of the current financial year is expected to be under much pressure unless demand of logs from the PRC and India improves and post-earthquake reconstruction activities in Japan accelerate.

The SGL Directors also believe that the timing of Japan's major reconstruction activities in areas affected by the earthquake and tsunami will be a key impetus for an increase in plywood demand and hopefully selling prices. The PRC's large population with its rapid urbanisation and rising level of affluence is expected to provide the foundation for the PRC economy to remain relatively robust. In spite of a slowdown in economic activities, the PRC will remain a large importer of wood products globally. However, there will likely be more competition amongst producer countries to supply to this important market. India, even with its economy possibly growing at a slower pace, will continue to be a key market for the harder log species, the natural specifications of which meet Indian consumers' requirements.

Operating under a challenging environment with uncertain outlook and likely greater competition, as various producers strive to increase or at least maintain market share in a likely lower demand base, the SGL Group recognises the continuing need to be lean and efficient.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE LINGUI GROUP

Set out below is the management discussion and analysis on the Lingui Group for the three years ended 30 June 2011 and the six months ended 31 December 2011. The financials for the three financial years ended 30 June 2011 and six months ended 31 December 2011 were prepared under the FRS in Malaysia. All data should be read in conjunction with the consolidated financial statements of the Lingui Group set out set out in Appendix II to this document.

(a) For the year ended 30 June 2009

Liquidity and Financial Resources

The Lingui Group maintains sufficient cash and bank funding lines to enable it to meet its short term and long term cash flow requirements. The Lingui Group's policy is to finance long term assets with long term funding and short term assets with short term funding. Short term bridging finance may be used when an urgent need arises to complete an acquisition of a long term asset. In such cases, action will be taken immediately after the completion of such acquisition to re-arrange the short term bridging finance into a longer term funding structure which matches the cash flows of the long term asset.

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 Lingui Group's earnings as well as cash flows and liquidity. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Lingui Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

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

(a) ensuring that appropriate funding strategies are adopted to meet the Lingui 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 Lingui Group;

(b) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

(c) ensuring that credit risks on sales to customers on deferred terms are properly managed.

As at 30 June 2009, the Lingui Group had outstanding borrowings of approximately MYR804.7 million, comprising secured term loans of approximately MYR275.3 million, unsecured term loans of approximately MYR325.9 million and finance lease liabilities of approximately MYR74.4 million. The other loans are unguaranteed, unsecured and repayable within one year. The gearing ratio (calculated by dividing the interest bearing borrowings of the Lingui Group over the equity attributable to equity holders of Lingui) was 53% for the financial year ended 30 June 2009. 47% of the total term loans' maturity are over 5 years.

The Lingui Group is exposed to interest rate risk primarily from borrowings. As at 30 June 2009, carrying amounts of fixed rate interest-bearing borrowings were approximately MYR309.5 million, while for the floating rate borrowings were approximately MYR495.2 million. Interest rate swap agreements have been entered into for loans with a notional contract amount of USD46.8 million, New Zealand Dollar 24.4 million and MYR59.3 million respectively to ensure that the exposure to changes in interest rates are fixed for the respective tranches throughout the tenure of the loans with swap rate between 4.65% to 7.31% per annum throughout the loan period.

The Lingui Group's exposure to foreign currency exchange risk results from transactions entered into by Lingui and its subsidiaries in currencies other than MYR. The Lingui Group's main income from timber related business is mostly derived in US Dollar. The Lingui Group primarily enters into forward foreign currency exchange contracts to limit the exposure on foreign currency trade receivables and payables.

The Lingui Group's investment in a New Zealand subsidiary, which holds the forest assets, may also expose the Lingui Group to foreign currency exchange risk. Future sales derived from the forest assets are expected to be made in the international markets and generally would be denominated in US Dollar. The Lingui Group is exposed to a certain degree of risk resulting from the fluctuation in New Zealand Dollar against US Dollar.

Capital Structure

The Lingui Group manages the capital structure in response to the changes in the economic conditions as well as the risk exposures of the Lingui Group's assets to provide returns for Lingui Shareholders and ensure the Lingui Group's ability to continue as going concern.

During the financial year ended 30 June 2009 there was no material change in the capital structure of the Lingui Group.

Credit Risk

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

Segment Information

The Lingui Group operates its business by divisions, which are organized by business line. The Lingui Group has identified four reportable segments, namely logs, plywood and veneer, upstream support, and other operations. There was no change in the business or services provided to customers during the financial year ended 30 June 2009.

The Lingui Group segments are managed principally from Malaysia, but operate facilities in Malaysia and New Zealand.

Log Trading Segment

The Log trading segment primarily sells timber logs from concession and forest plantation areas. For the financial year ended 30 June 2009, the log trading segment achieved approximately MYR331.2 million revenue from external customers, contributing MYR45.9 million profit before interest and taxation.

Total sales volume of hardwood logs was recorded at 422,520 m^3, which was 21% lower than that of 2008. The decrease in log sales was affected by lower production and the tightening of credit which resulted in customers facing difficulty in accessing trading facilities. The average hardwood log export price achieved in 2009 was USD181/m^3 compared to USD179/m^3 in the preceding financial year.

The New Zealand subsidiary company, HFF sold 399,730 m^3 of softwood logs in 2009 as compared to 236,265 m^3 of softwood logs sold in 2008. The average softwood log prices achieved was 4% lower at USD64/m^3 compared to that in 2008. Despite its disappointing performance to date due to unfavourable prices obtained for its softwood log production, the Lingui Group views the New Zealand forest as a long term strategic asset to complement its tropical hardwood resource in increasing coverage in high value-added products to new and existing markets.

In view of the declining demand and depressed prices, the Lingui Group's strategy is to preserve its timber resources and harvest logs that provide a reasonable return against the cash cost of production.

Plywood and Veneer Segment

Plywood and veneer segment primarily manufactures and sells plywood and veneer. For the financial year ended 30 June 2009, the plywood and veneer segment achieved approximately MYR588.4 million revenue from external customers, accounted for approximately 46% of the Lingui Group's total revenue. However, the segment recorded an operating loss of MYR31.1 million in the financial year ended 30 June 2009, due to the drop in demand for plywood and veneer.

The depressed demand for plywood and veneer resulted lower plywood sales of 330,005 m^3, which was 25% lower than that recorded in 2008. In line with the decrease in demand level, export plywood prices recorded a decrease of 3% compared to 2008.

The slowdown in demand due to the economic climate similarly affected veneer sales. Average selling prices for veneer was USD274/m^3 which was 5% lower than that in 2008. Veneer export prices, which averaged USD305/m^3 was lower than that in 2008 as well.

Upstream support and Other operations

Upstream support involves the provision of supporting services such as tree-falling and barging. Revenue from upstream support was lower at MYR339.5 million compared to MYR369.5 million in the preceding financial year. The segment recorded a loss of MYR13.6 million before interest and taxation, compared to a profit of MYR0.6 million in 2008.

Other operations involve the manufacturing and sales of timber related products such as doorskin, housing products, kitchen retail; manufacturing and sales of granite aggregate, rubber compound and glue, logistic services, power generating facilities, property investment and investment companies.

Charge on the Lingui Group's assets

As at 30 June 2009, the Lingui Group pledged assets with aggregate carrying value of MYR1,198.2 million to secure bank loans of the Group.

Investments

Save for the investment in quoted and unquoted equities of the subsidiaries, associates and jointly controlled entities, the Lingui Group did not make or hold any significant investments during the financial year ended 30 June 2009. The Lingui Group did not acquire or dispose of any subsidiary or associated company during the financial year ended 30 June 2009.

Contingent Liabilities

No contingent or other liability became enforceable or is likely to become enforceable within the twelve-month period after the end of the financial year ended 30 June 2009 which may have affected the ability of Lingui or the Lingui Group to meet their obligations when they fall due.

Capital Commitment

As at 30 June 2009, the Lingui Group had in aggregate approximately MYR46.9 million of purchases of property, plant and equipment authorised but not contracted for, and approximately MYR5.0 million of purchases of property, plant and equipment contracted but not provided for. In addition, the Lingui Group had in aggregate approximately MYR14.0 million of purchases of investment property contracted but not provided for. The Lingui Group intends to finance the said investment by its internal resources and external financing.

Employees

As at 30 June 2009, the Lingui Group had more than 5,200 employees. Staff costs incurred during the year amounted to approximately MYR118.9 million.

(b) For the year ended 30 June 2010

Liquidity and Financial Resources

The Lingui Group maintains sufficient cash and bank funding lines to enable it to meet its short term and long term cash flow requirements. The Lingui Group's policy is to finance long term assets with long term funding and short term assets with short term funding. Short term bridging finance may be used when an urgent need arises to complete an acquisition of a long term asset. In such cases, action will be taken immediately after the completion of such acquisition to re-arrange the short term bridging finance into a longer term funding structure which matches the cash flows of the long term asset.

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 a significant impact on the Lingui Group's earnings as well as cash flows and liquidity. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Lingui Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

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

(a) ensuring that appropriate funding strategies are adopted to meet the Lingui 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 Lingui Group;

(b) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

(c) ensuring that credit risks on sales to customers on deferred terms are properly managed.

As at 30 June 2010, the Lingui Group had outstanding borrowings of approximately MYR639.1 million, comprising secured term loans of approximately MYR207.3 million, unsecured term loans of approximately MYR249.1 million and finance lease liabilities of approximately MYR55.7 million. The other loans are unguaranteed, unsecured and repayable within one year. The gearing ratio (calculated by dividing the interest bearing borrowings of the Lingui Group over the equity attributable to equity holders of Lingui) was 42% for the financial year ended 30 June 2010. Most of the term loans will mature within the coming 5 years following the financial year ended 30 June 2010.

The Lingui Group is exposed to interest rate risk primarily from borrowings. As at 30 June 2010, carrying amounts of fixed rate interest-bearing financial instruments were approximately MYR241.2 million, while for the floating rate instruments were approximately MYR397.9 million. Interest rate swap agreements have been entered into for loans with a notional contract amount of USD47 million, New Zealand Dollar 26 million and MYR59.3 million respectively to ensure that the exposure to changes in interest rates are fixed for the respective tranches throughout the tenure of the loans with swap rate between 4.65% to 7.31% per annum throughout the loan period.

The Lingui Group's exposure to currency risk results from transactions entered into by Lingui and its subsidiaries in currencies other than MYR. The Lingui Group's main income from timber related business is mostly derived in US Dollars. The Lingui Group primarily enters into forward foreign currency exchange contracts to limit the exposure on foreign currency trade receivables and payables.

The Lingui Group's investment in a New Zealand subsidiary, which is holding the forest assets, may also expose the Lingui Group to foreign currency exchange risk. Future sales derived from the forest assets are expected to be made in the international markets and generally would be denominated in US Dollar. The Lingui Group is exposed to a certain degree of risk resulting from the fluctuation in New Zealand Dollar against US Dollar.

Capital Structure

The Lingui Group manages the capital structure in response to the changes in the economic conditions as well as the risk exposures of the Lingui Group's assets to provide returns for Lingui Shareholders and ensure the Lingui Group's ability to continue as going concern.

During the financial year ended 30 June 2010 there was no material change in the capital structure of the Lingui Group.

Segment Information

The Lingui Group operates its business by divisions, which are organized by business line. The Lingui Group has identified four reportable segments, namely logs, plywood and veneer, upstream support, and other operations.

Log Trading Segment

The log trading segment primarily sells timber logs from concession and forest plantation area. For the financial year ended 30 June 2010, the log trading segment continued to be the largest contributor to the Lingui Group's operating profit, achieving approximately MYR450.5 million revenue from external customers, contributing MYR44.6 million profit before interest and taxation.

Total sales volume of logs was recorded at 1,118,492 m^3, comprising 671,414 m^3 of hardwood logs and 447,078 m^3 of softwood logs, which was 59% and 12% respectively higher than that of 2009. The increase in hardwood sales on the back of a recovery in demand was spurred on by conducive weather conditions in Malaysia which enabled higher log extraction and output to meet demand. In New Zealand, higher softwood log sales was attributed to the continuous ramp-up of production in line with the growing maturity of more planted areas.

The average hardwood log export price achieved during the financial year ended 30 June 2010 was USD167/m^3 compared to USD181/m^3 in the preceding financial year. Due to strong demand from China, the average softwood log price achieved was 33% higher at USD85/m^3 compared to USD64/m^3 in the preceding financial year.

Plywood and Veneer Segment

The plywood and veneer segment primarily manufactures and sells plywood and veneer. For the financial year ended 30 June 2010, the plywood and veneer segment achieved approximately MYR593.8 million revenue from external customers, accounted for approximately 41% of the Lingui Group's total revenue. The segment recorded a loss of MYR19.2 million, before interest and taxation, in the financial year ended 30 June 2010.

In 2010, the Lingui Group recorded plywood sales of 316,841 m^3, compared with the sales of 330,005 m^3 achieved in 2009.

The Lingui Group achieved USD447/m^3 in export plywood prices which was 5% higher than the preceding financial year.

Veneer sales increased by 22% to 129,056 m^3 compared to the preceding financial year backed by local demand and demand from Taiwan. The demand for veneer generally parallels the trend of demand for plywood which improved in 2010. Average selling prices for veneer was USD283/m^3 which was 3% higher than that in 2009.

Upstream Support Segment and Other operations

Upstream support involves the provision of supporting services such as tree-falling and barging. Due to higher log requirements, revenue from upstream support was higher at MYR355.7 million compared to MYR339.5 million in financial year 2009. The segment recorded approximately MYR0.9 million profit before interest and taxation.

Other operations involve the manufacturing and sales of timber related products such as doorskin, housing products, kitchen retail; manufacturing and sales of granite aggregate, rubber compound and glue, logistic services, power generating facilities, property investment and investment companies.

Charge on the Lingui Group's assets

As at 30 June 2010, the Lingui Group pledged assets with aggregate carrying value of MYR1,068.4 million to secure borrowing facilities of the Lingui Group.

Investments

Save for the investment in quoted and unquoted equities of the subsidiaries, associates and jointly controlled entities of Lingui, the Lingui Group did not make or hold any significant investments during the financial year ended 30 June 2010. The Lingui Group did not acquire or dispose of any subsidiary or associated company during the financial year ended 30 June 2010.

Contingent Liabilities

On 15 December 2009, the Lingui Group's subsidiary, Samling Plywood (Lawas) Sdn. Bhd. ("Samling Plywood Lawas") together with the Director of Forests, Sarawak and State of Government of Sarawak were jointly sued by certain inhabitants of longhouses and settlements situated on timber concessions held by Samling Plywood Lawas. The plaintiffs are claiming various orders, reliefs and damages including declarations that issuance of the forest timber licence by the Director of Forests, Sarawak to Samling Plywood Lawas which overlap the plaintiffs' claimed areas are unlawful, unconstitutional, null and void.

As at 30 June 2010, the above proceedings remained pending before the court.

Save for the above, no contingent or other liability became enforceable within the period of twelve months after the end of the financial year ended 30 June 2010 which may have affected the ability of Lingui or the Lingui Group to meet their obligations when they fell due.

Capital Commitment

As at 30 June 2010, the Lingui Group had in aggregate approximately MYR43.1 million of purchases of property, plant and equipment authorised but not contracted for, and approximately MYR9.6 million of purchases of property, plant and equipment contracted but not provided for. In addition, the Lingui Group had in aggregate approximately MYR4.9 million of purchases of investment property contracted but not provided for. The Lingui Group intends to finance the said investment by its internal resources and external financing.

Employees

As at 30 June 2010, the Lingui Group had approximately 6,600 employees. Staff costs incurred during the year amounted to approximately MYR128.9 million.

(c) For the year ended 30 June 2011

Liquidity and Financial Resources

The Lingui Group's strategy on managing capital was to maintain a strong capital base and safeguard the Lingui Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The strategy was unchanged from the financial year ended 30 June 2011. The directors monitored and were determined to maintain an optimal debt-to-equity ratio that complied with debt covenants and regulatory requirements, which were targeted at not more than 50%.

As at 30 June 2011, the Lingui Group had outstanding borrowings of approximately MYR623.5 million, comprising secured term loans of approximately MYR231.7 million, unsecured term loans of approximately MYR241.1 million and finance lease liabilities of approximately MYR55.3 million. The other loans were unguaranteed, unsecured and repayable within one year. The Gearing ratio was calculated by dividing the interest bearing borrowings of the Lingui Group by the equity attributable to equity holders of Lingui and was 38% for the financial year ended 30 June 2011. Most of the term loans will mature within the coming 5 years from the end of the financial year ended 30 June 2011.

The Lingui Group is exposed to interest rate risk primarily from borrowings. As at 30 June 2011, carrying amounts of fixed rate interest-bearing borrowings were approximately MYR438.4 million, while amounts for the floating rate borrowings were approximately MYR185.2 million. Interest rate swap agreements were entered into for loans with a notional contract amount of USD43 million, New Zealand Dollar 13 million and MYR34.5 million respectively to ensure that the exposure to changes in interest rates are fixed for the respective tranches throughout the tenure of the loans with swap rate between 4.65% to 7.31% per annum throughout the loan period. The swaps will mature over the next 4 years following the end of the financial year ended 30 June 2011 matching the maturity of the related loans.

The Lingui Group is exposed to foreign currency exchange risk on receivables, payables and borrowings that are denominated in a currency other than the respective functional currencies of the Lingui Group. The currency giving rise to this risk is primarily United State Dollars, New Zealand Dollars and Japanese Yen. The Lingui Group has entered into forward exchange contracts for United States Dollars and Japanese Yen with a notional contract of USD16.4million and Japanese Yen 274 million respectively as at 30 June 2011 to manage the Lingui Group's exposure to transactions in these foreign currencies. The foreign exchange contracts will mature within the twelve months from the end of the financial year ended 30 June 2011.

Capital Structure

The Lingui Group manages the capital structure in response to the changes in the economic conditions as well as the risk exposures of the Lingui Group's assets to provide returns for Lingui Shareholders and ensure the Lingui Group's ability to continue as going concern.

During the financial year ended 30 June 2011 there was no material change in the capital structure of the Lingui Group.

Segment Information

The Lingui Group operates its business by divisions, which are organized by business line. The Lingui Group has identified four reportable segments, namely logs, plywood and veneer, upstream support, and other operations. There was no change in the business or services provided to customers during the financial year ended 30 June 2011.

The Lingui Group segments are managed principally from Malaysia, but operate facilities in Malaysia and New Zealand.

Log Trading Segment

The log trading segment primarily sells timber logs from concession and forest plantation area. For the financial year ended 30 June 2011, the log trading segment continued to be the largest contributor to the Lingui Group's operating profit, achieving approximately

MYR552.7 million revenue from external customers, contributing MYR78.7 million operating profit before gain from changes in fair value of biological assets less estimated point-of-sale costs.

During the financial year ended 30 June 2011, India and China remained as the Lingui Group's key markets for logs with revenue from these countries accounting for approximately 60% of the Lingui Group's total log export revenue. India's demand for the harder tropical wood species was primarily driven by an increasingly affluent population and rapid urbanisation. Demand for both hardwood and softwood logs from China remained consistently firm as its economy surged ahead with strong growth particularly in the housing and infrastructure sector. The strong demand from India and China boosted the log export prices sharply, the hardwood log export prices achieved for the financial year ended 30 June 2011 was US$197 per m^3 compared to US$167 per m^3 in year 2010, while the average prices for softwood log was 28% higher at US$109 per m^3, compared to the financial year ended 30 June 2010.

In order to capitalise on the higher price, the Lingui Group increased its log production volumes and sold 806,838 m^3 of hardwood logs and 513,622 m^3 of softwood logs, which were 20% and 15% higher respectively than that of the preceding financial year. In line with the maturity profile of the New Zealand forest plantation, the Lingui Group ramped up its softwood log production to approximately 520,000 m^3 in the financial year ended 30 June 2011, an increase of 71,000 m^3 from the preceding financial year.

Plywood and Veneer Segment

The plywood and veneer segment primarily manufactures and sells plywood and veneer. For the financial year ended 30 June 2011, the Plywood and veneer segment achieved approximately MYR581.6 million revenue from external customers, and accounted for approximately 35% of the Lingui Group's total revenue. However, the segment recorded an operating loss of MYR4.0 million in the financial year ended 30 June 2011, due to sluggish demand for plywood and veneer.

The Lingui Group's plywood segment was operating under extremely challenging trading conditions due to the lack of new opportunities from Japan, the key market for the Lingui Group's plywood exports.

During the financial year ended 30 June 2011, the Lingui Group produced 190,377 m^3 of veneer which was 1% above that of the preceding financial year. The demand for veneer generally parallels the trend of demand for plywood which was generally weak in the financial year ended 30 June 2011. The Lingui Group achieved a higher export selling price of US$324 per m^3 compared to US$303 per m^3 in the preceding financial year. The improvement in prices was mainly driven by two factors: firstly, the shift of focus by the Lingui Group to boost its production of higher valued face and back veneer; and secondly, the related effects on veneer prices brought about by the spike in plywood prices after the Japanese natural disasters.

Upstream Support Segment and Other Operations

Upstream support involves the provision of supporting services such as tree-falling and barging. Revenue from upstream support was higher at MYR462.9 million compared to MYR355.7 million during the financial year ended 30 June 2010.

During the financial year ended 30 June 2011, the upstream support division spent approximately MYR25.7 million on capital expenditure as part of its replacement programme to rotate out the older logging fleet to improve on overall productivity.

Other operations involve the manufacturing and sales of timber related products such as doorskin, housing products, kitchen retail; manufacturing and sales of granite aggregate, rubber compound and glue, logistic services, power generating facilities, property investment and investment companies.

Charge on the Lingui Group's assets

As at 30 June 2011, the Lingui Group had pledged assets with an aggregate carrying value of MYR912.3 million to secure borrowing facilities of the Lingui Group.

Investments

Save for the investment in quoted and unquoted equities of the subsidiaries, associates and jointly controlled entities, the Lingui Group did not make or hold any significant investments during the financial year ended 30 June 2011.

On 23 March 2011, Lingui acquired 2,180,000 quoted ordinary shares representing 1.91% equity interest in its associate, Glenealy, at the purchase price of MYR4.30 per share. The gain recognized amounted to approximately MYR13 million and was included as part of the share of associated companies' profit for the year.

Save for the above, Lingui Group did not acquire or dispose of any subsidiary or associated company during the financial year ended 30 June 2011.

Contingent Liabilities

Two of the Lingui Group's subsidiaries, Samling Plywood Lawas and Samling Plywood Miri together with the Director of Forests, Sarawak and State of Government of Sarawak were jointly sued by certain inhabitants of longhouses and settlements situated on timber concessions held by Samling Plywood Lawas and Samling Plywood Miri. The plaintiffs are claiming various orders, reliefs and damages including declarations that issuance of the forest timber licence by the Director of Forests, Sarawak to Samling Plywood Lawas and Samling Plywood Miri which overlap the plaintiffs' claimed areas are unlawful, unconstitutional, null and void.

Save for the above, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year ended 30 June 2011 which may affect the ability of Lingui or the Lingui Group to meet their obligations when they fall due.

Capital Commitment

As at 30 June 2011, the Lingui Group had in aggregate approximately MYR143.0 million of purchases of property, plant and equipment authorized but not contracted for, and approximately MYR12.8 million of purchases of property, plant and equipment contracted but not provided for. The Lingui Group intends to finance the said investment by its internal resources and external financing.

Employees

As at 30 June 2011, the Lingui Group had approximately 6,400 employees. Staff costs incurred during the year amounted to approximately MYR142.7 million.

(d) For the six months ended 31 December 2011

Liquidity and Financial Resources

As at 31 December 2011, the Lingui Group had outstanding borrowings of approximately MYR622.2 million, comprising secured term loans of approximately MYR234.8 million, unsecured term loans of approximately MYR259.5 million and finance lease liabilities of approximately MYR59.5 million. The other loans were unguaranteed, unsecured and repayable within one year from 31 December 2011. The gearing ratio was calculated by dividing the interest bearing borrowings of the Lingui Group by the equity attributable to equity holders of Lingui was 38% for the six months ended 31 December 2011. Most of the term loans will mature within the coming 5 years from 31 December 2011.

The Lingui Group is exposed to foreign currency exchange risk on receivables, payables and borrowings that are denominated in a currency other than the respective functional currencies of the Lingui Group. The currency giving rise to this risk is primarily United State Dollars and Japanese Yen.

Capital Structure

The Lingui Group manages the capital structure in response to the changes in the economic conditions as well as the risk exposures of the Lingui Group's assets to provide returns for Lingui Shareholders and ensure the Lingui Group's ability to continue as going concern.

During the period there was no material change in the capital structure of the Lingui Group.

Segment Information

The Lingui Group has identified four reportable segments, namely logs, plywood and veneer, upstream support, and other operations. There was no change in the business or services provided to customers during the six months ended 31 December 2011.

Log Trading Segment

The log trading segment achieved an operating profit (before changes in fair value of biological assets less estimated point-of-sale costs) of MYR34.0 million during the six-months ended 31 December 2011. For the six months ended 31 December 2011, the Lingui Group sold 454,704 m^3 of hardwood logs and 299,833 m^3 of softwood logs with average prices of MYR469/m^3 and MYR310/m^3 respectively. The log trading segment continued to be the key contributor to the Lingui Group's profits, supported by demand from China and India.

Plywood and Veneer Segment

Plywood and veneer contributed 33% to the Lingui Group's total revenue for the six months ended 31 December 2011. Total plywood and veneer volumes sold for the six months ended 31 December 2011 were 125,583 m^3 and 69,655 m^3 with average prices of MYR1,858/m^3 and MYR1,069/m^3 respectively.

Upstream Support Segment and Other Operations

Generally, the total revenue recorded by upstream support from external sales dropped during the six months ended 31 December 2011 attributable to lower level of extraction activities. Consequently, upstream support recorded a lower operating profit during the six months ended 31 December 2011 as semi-fixed and fixed operating cost being allocated over the lower volumes extracted.

Charge on the Lingui Group's assets

As at 31 December 2011, Lingui Group pledged assets with aggregate carrying value of MYR870.1 million to secure bank loans of the Lingui Group.

Investments

Save for the investment in quoted and unquoted equities of the subsidiaries, associates and jointly controlled entities, the Lingui Group did not make or hold any significant investments during the six months ended 31 December 2011. The Lingui Group did not acquire or dispose of any subsidiary or associated company during the six months ended 31 December 2011.

Contingent Liabilities

Two of the Lingui Group's subsidiaries, Samling Plywood Lawas and Samling Plywood Miri together with the Director of Forests, Sarawak and State of Government of Sarawak were jointly sued by certain inhabitants of longhouses and settlements situated on timber concessions held by Samling Plywood Lawas and Samling Plywood Miri. The plaintiffs are claiming various orders, reliefs and damages including declarations that issuance of the forest timber licences by the Director of Forests, Sarawak to Samling Plywood Lawas and Samling Plywood Miri which overlap the plaintiffs' claimed areas are unlawful, unconstitutional, null and void.

As at 31 December 2011, the above proceedings remained pending before the court.

Capital Commitment

As at 31 December 2011, the Lingui Group had in aggregate approximately MYR95.7 million of purchases of property, plant and equipment authorized but not contracted for, and approximately MYR2.0 million of purchases of property, plant and equipment contracted but not provided for. The Lingui Group intends to finance the said investment by its internal resources and external financing.

Employees

As at 31 December 2011, the Lingui Group had approximately 6,500 employees. Staff costs incurred during the six months ended 31 December 2011 amounted to approximately MYR73.6 million.

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GLENEALY GROUP

Set out below is the management discussion and analysis on the Glenealy Group for the three years ended 30 June 2011 and the six months ended 31 December 2011. The financials for the three financial years ended 30 June 2011 are prepared under the FRS in Malaysia. All data should be read in conjunction with the consolidated financial statements of the Glenealy Group set out in Appendix III to this document and the reconciliations of the historical financials between FRS in Malaysia and SGL's accounting policies which are set out in section 2 "Reconciliation statement of Glenealy" of Appendix IV to this document. All references are to MYR unless otherwise indicated.

(a) For the year ended 30 June 2009

Liquidity and Financial Resources

The Glenealy Group funded its working capital requirements with cash generated from its operating activities. There was no borrowing in the Glenealy Group throughout the year. No financial instrument was used for hedging purpose during the year. As the Glenealy Group did not have any interest bearing borrowing, the gearing ratio (calculated by dividing the interest bearing borrowings of the Glenealy Group by the equity attributable to equity holders of Glenealy) was nil.

Since most of the Glenealy Group's monetary assets and liabilities were denominated in MYR and the Glenealy Group conducted its business transactions principally in MYR, the exchange rate risk of the Glenealy Group was not significant.

Segment Information

The Glenealy Group operated a single business, namely palm oil cultivation, in Sabah and Sarawak during the financial year ended 30 June 2009. There was no change in the business or service provided to the customers during the year.

The Glenealy Group recorded sales of 76,001 metric tonnes ("MT") of crude palm oil and 15,317 MT sales of palm kernal, which was 4% and 6%, respectively lower than that achieved in the preceding financial year. The lower sales volume was in line with the crude palm oil production from the Glenealy Group's three palm oil mills.

Compared to the preceding financial year, there was a significant decrease in the prices of crude palm oil during the financial year ended 30 June 2009. The Glenealy Group achieved an average crude palm oil price of MYR2,255/MT and an average palm kernal price of about MYR1,122/MT. This was lower than the MYR3,055/MT achieved for crude palm oil and the MYR1,781/MT achieved for palm kernal in the preceding financial year. The downtrend in prices started from the month of July 2008. Crude palm oil price plunged from highs of above MYR3,000/MT to lows of MYR1,400/MT in November 2008 as the US subprime crisis began to unravel and exploded into a full fledged world financial crisis. Markets tumbled and the palm oil market was not spared as crude palm oil stocks rose to above 2.2 million MT in November 2008 amid slower demand and a seasonal pick up in production. With the improved economic outlook since then and lower crude palm oil stocks, crude palm oil price recovered from the lows and was trading around the RM2,400/MT range.

During the second half of the financial year ended 30 June 2009, the Glenealy Group's plantations located in Lana, Sarawak, commenced commercial harvesting, producing 8,904 MT of the fresh fruit bunches. However, in spite of the contribution from this new area, the Glenealy Group's fresh fruit bunches production fell by 6% to 285,018 MT compared to the preceding financial year. The Glenealy Group's overall production was affected by the cyclical effects of the palm's production cycle, lower yields from ageing tall palm areas earmarked for replanting in Sabah and the increasing hectarage of young maturing palms.

The palm oil mill in Sabah produced 40,602 MT of crude palm oil whilst the palm oil mill in Belaga, Sarawak produced 33,470 MT of crude palm oil which was 11.5% and 1.5% lower respectively than the preceding financial year. This was due to the lower fresh fruit bunches crop achieved by both the Sabah and Sarawak plantations. The oil extraction rate achieved for the Sabah mill was 21.9% while the Sarawak mill was 23.9%. During the second half of the financial year ended 30 June 2009, the Glenealy Group's third palm oil mill located in Lana, Sarawak, commenced commercial operations processing fresh fruit bunches crop from the Lana plantations, and produced 1,879 MT of crude palm oil.

Charge on the Glenealy Group's assets

There did not exist any charge on the assets of Glenealy and the Glenealy Group as at 30 June 2009.

Investments

Save for the holding of an approximately MYR1.0 million long term investment in quoted equity securities, the Glenealy Group did not make or hold any significant investments during the financial year ended 30 June 2009. The Glenealy Group did not acquire or dispose of any subsidiary or associated company during the financial year ended 30 June 2009.

Capital Structure

The Glenealy Group's overall financial risk management objective is to optimise the value creation for its shareholders. In addition, the Glenealy Group seeks to ensure that adequate financial resources are available for the development of the Glenealy Group's businesses while managing its risks.

Financial risk management is carried out through risk reviews conducted at all significant operational units. This process is further enhanced by effective internal controls and adherence to the Glenealy Group's financial risk management policies. The board of directors of Glenealy regularly reviews and approves actions taken by management in order to address financial risks.

Contingent Liabilities

Glenealy announced on 28 March 2003 that its wholly owned sub-subsidiary company Timor Enterprises Sdn Bhd (hereinafter referred to as "Defendant") had been served with a Writ of Summons on 20 March 2003 in respect of Suit II by Wembley I.B.A.E Sdn Bhd (in Liquidation) (hereinafter referred to as "Plaintiff") which was the Defendant's main contractor for its oil mill factory project in Lahad Datu, Sabah (hereinafter referred to as "Oil Mill"). The Plaintiff's claims against the Defendant which were in respect of the Oil Mill in relation to the sum alleged to be in arrears of RM799,893.17 plus interest before the judgement date up to the date of full settlement, costs of Suit II and any other relief deemed fit and proper by the High Court.

The board of directors of Glenealy are of the view that there are no such sums due and owing by the Defendant to the Plaintiff and the Defendant's solicitors had filed a defense and served it upon the solicitors of the Plaintiff on 10 April 2003. The solicitors for the Plaintiff had served a notice to the Defendant to file an affidavit verifying existence of documents on 22 March 2004.

The Defendant filed an application to strike out the action. The Summons in Chambers was served onto the Plaintiff on 5 October 2004. The learned Senior Assistant Registrar on 22 March 2005 made an order for the striking out of the Plaintiff's claim. The Plaintiff on 24 March 2005 appealed against the decision. The hearing of the Plaintiff's appeal was fixed for 14 September 2005.

On 14 September 2005, the High Court dismissed the Plaintiff's appeal with costs to be paid by the Plaintiff to the Defendant. The Plaintiff had filed an appeal against the decision of the High Court to the Court of Appeal. However, the Plaintiff discontinued with the appeal in December 2009.

Save for the above, no contingent liability became enforceable within the period of twelve months after the end of the financial year ended 30 June 2009 which may have affected the ability of Glenealy or the Glenealy Group to meet their obligations when they fell due.

Capital Commitment

As at 30 June 2009, the Glenealy Group had in aggregate approximately MYR106.5 million of purchases of property, plant and equipment authorized but not contracted for, and approximately MYR2.6 million of purchases of property, plant and equipment contracted but not provided for. The Glenealy Group intends to finance the capital investment by its internal resources.

Employees

As at 30 June 2009, the Glenealy Group had approximately 3,099 employees. Staff costs incurred during the year amounted to approximately MYR30.9 million.

(b) For the year ended 30 June 2010

Liquidity and Financial Resources

The Glenealy Group funded its working capital requirements with cash generated from its operating activities. There was no borrowing in the Glenealy Group throughout the year. No financial instrument was used for hedging purpose during the year. As the Glenealy Group did not have any interest bearing borrowing, the gearing ratio calculated by dividing the interest bearing borrowings of the Glenealy Group by the equity attributable to equity holders of Glenealy was nil.

Since most of the Glenealy Group's monetary assets and liabilities were denominated in MYR and the Glenealy Group conducted its business transactions principally in MYR, the exchange rate risk of the Glenealy Group was not significant.

Segment Information

The Glenealy Group operated a single business, namely palm oil cultivation, in Sabah and Sarawak during the financial year ended 30 June 2010. There was no change in the business or service provided to the customers during the year.

The Glenealy Group recorded sales of 78,641 MT of crude palm oil and 15,677 MT sales of palm kernal which were 3% and 2% higher than that achieved in the preceding financial year respectively. The higher sales volume was in line with the crude palm oil production from the Glenealy Group's three palm oil mills.

Compared to the preceding financial year, there was an increase in the prices of crude palm oil during the financial year ended 30 June 2010. The Glenealy Group achieved an average crude palm oil price of RM2,365/MT and an average palm kernal price of approximately MYR1,271/MT. This was higher than the RM2,255/MT achieved for crude palm oil and the RM1,122/MT achieved for palm kernal in the preceding financial year which was affected by low crude palm oil prices in the first half of that year as the US subprime crisis began to unravel and exploded into a full-fledged world financial crisis.

The Glenealy Group's newly matured oil palm plantations located in Lana, Sarawak contributed to the increase in its fresh fruit bunches crop output to 33,503 MT, a significant increase of 24,599 MT compared to the preceding financial year. With the Glenealy Group's other planted areas in Sabah and Sarawak also achieving higher yields from maturing areas, the Glenealy Group achieved a total fresh fruit bunches output of 316,667 MT, an improvement of 11% over the preceding financial year.

The Glenealy Group's palm oil mill in Sabah produced 42,882 MT of crude palm oil while our palm oil mills in Belaga and Lana, Sarawak produced a combined total 35,515 MT of crude palm oil which were 5.6% and 0.5% respectively higher than the preceding financial year. Whilst the increase in Sabah was attributed to higher fresh fruit bunches crop achieved by the Sabah plantations, the higher fresh fruit bunches crop production of our own estates in Sarawak (especially from the newly matured area of Lana) compensated for the decrease in the volume of fresh fruit bunches purchased from external parties. Crop purchased from external parties dropped by 45% from the preceding financial year to 27,042 MT due to competition from surrounding mills. The oil extraction rate achieved for the mill in Sabah was approximately 22.1% while the Sarawak mills achieved approximately 23.8% on a combined basis.

Charge on the Glenealy Group's assets

There did not exist any charge on the assets of Glenealy and the Glenealy Group as at 30 June 2010.

Investments

To further increase its landbank, the Glenealy Group on 8 January 2010 entered into Conditional Sale and Purchase Agreements to acquire (a) 5,743,500 ordinary shares in PT Natura Pasific Nusantara ("PT NPN") representing 70% of all shares issued by PT NPN for an indicative price of approximately RM8.9 million subject to adjustment arising from the due diligence review. PT NPN has approximately 4,335 hectares of land with Hak Guna Usaha, the principle title that applies to agricultural areas granted by the government; and (b) 7,910,000 ordinary shares in PT Berau Karetindo Lestari ("PT BKL") representing 70% of all shares issued by PT BKL for an indicative price of approximately RM10 million subject to adjustment arising from the due diligence review. PT BKL has approximately 7,023 hectares of land with Hak Guna Usaha.

However, this acquisition was aborted on 24 May 2011.

Save for the above and the holding of an approximately MYR1.0 million long term investment in quoted equity securities, the Glenealy Group did not make or hold any significant investments during the financial year ended 30 June 2010.

Capital Structure

The Glenealy Group's overall financial risk management objective is to optimise the value creation for its shareholders. In addition, the Glenealy Group seeks to ensure that adequate financial resources are available for the development of the Glenealy Group's businesses while managing its risks.

Financial risk management is carried out through risk reviews conducted at all significant operational units. This process is further enhanced by effective internal controls and adherence to the Group's financial risk management policies. The board of directors of Glenealy regularly reviews and approves actions taken by management in order to address financial risks.

Contingent Liabilities

No contingent liability became enforceable within the period of twelve months after the end of the financial year ended 30 June 2010 which may have affected the ability of Glenealy or the Glenealy Group to meet their obligations when they fell due.

Capital Commitment

As at 30 June 2010, the Glenealy Group had in aggregate approximately MYR69.6 million of purchases of property, plant and equipment authorized but not contracted for, and approximately MYR1.0 million of purchases of property, plant and equipment contracted but not provided for. The Glenealy Group intends to finance the capital investment by its internal resources.

Employees

As at 30 June 2010, the Glenealy Group had approximately 3,457 employees. Staff costs incurred during the year amounted to approximately MYR34.7 million.

(c) For the year ended 30 June 2011

Liquidity and Financial Resources

The Glenealy Group funded its working capital requirements with cash generated from its operating activities. There was no borrowing in the Glenealy Group throughout the year. No financial instrument was used for hedging purpose during the year. As the Glenealy Group did not have any interest bearing borrowing, the gearing ratio calculated by dividing the interest bearing borrowings of the Glenealy Group by the equity attributable to equity holders of Glenealy was nil.

The Glenealy Group is exposed to foreign currency exchange risk on receivables and payables that are denominated in a currency other than the respective functional currencies of the Glenealy Group. The currency giving rise to this risk is primarily Indonesia Rupiah. However since most of the other Glenealy Group's monetary assets and liabilities were denominated in MYR and the Glenealy Group conducted its business transactions principally in MYR, the exchange rate risk exposure of the Glenealy Group was not considered to be material.

Segment Information

The Glenealy Group operated a single business segment, namely palm oil cultivation, in Sabah and Sarawak during the year ended 30 June 2011. There was no change in the business or service provided to the customers during the year.

The Glenealy Group's newly matured oil palm plantations located in Lana, Sarawak contributed 44,454 MT fresh fruit bunches crop output, a significant increase of 33% from the preceding financial year. With the Glenealy Group's other planted areas in Sabah and Sarawak also achieving higher yields from maturing areas, the Glenealy Group achieved a total to fresh fruit bunches output of 336,579 MT, an improvement of 6% over the preceding financial year.

The Glenealy Group's palm oil mill in Sabah produced 42,245 MT of crude palm oil while the mills in Belaga and Lana, Sarawak produced a combined total of 35,065 MT of crude palm oil during the financial period ended 30 June 2011. The slight 1.4% reduction of total crude palm oil production at the Glenealy Group level was mainly due to the decrease in the volume of fresh fruit bunches purchased from external parties. The oil extraction rate achieved by the mills was approximately 21.9%.

In line with the lower crude palm oil production, the Glenealy Group recorded a 3% reduction in sales of crude palm oil to 76,274 MT in the financial year ended 30 June 2011. However, the Glenealy Group sold 15,815 MT of palm kernal which was 1% higher than that achieved in the preceding financial year. The prices of crude palm oil increased during the financial year ended 30 June 2011. The Glenealy Group achieved an average crude palm oil price of MYR3,173/MT, and an average palm kernal price of approximately MYR2,414/MT. This was higher than the MYR2,365/MT achieved for crude palm oil and the MYR1,271/MT achieved for palm kernal in the preceding financial year.

Charge on the Glenealy Group's assets

There did not exist any charge on the assets of Glenealy and the Glenealy Group as at 30 June 2011.

Investments

Save for the holding of MYR2.6 million available-for-sale investment in quoted equity securities on Singapore, the Glenealy Group did not make or hold any significant investments during the financial year ended 30 June 2011. The Glenealy Group did not acquire or dispose of any subsidiary or associated company during the financial year ended 30 June 2011.

Capital Structure

The Glenealy Group's objectives when managing capital are to safeguard the Glenealy Group's ability to continue as a going concern and to maintain an optimal capital structure so as to provide returns for shareholders and benefits for other stakeholders.

In order to optimise the capital structure, or the capital allocation amongst the Glenealy Group's various businesses, the Glenealy Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt.

Contingent Liabilities

No contingent liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year ended 30 June 2011 which may affect the ability of Glenealy or the Glenealy Group to meet their obligations when they fall due.

Capital Commitment

As at 30 June 2011, the Glenealy Group had in aggregate approximately MYR113 million of purchases of property, plant and equipment authorized but not contracted for, and approximately MYR2.2 million of purchases of property, plant and equipment contracted but not provided for. The Glenealy Group intends to finance the capital investment by its internal resources.

Employees

As at 30 June 2011, the Glenealy Group had approximately 4,219 employees. Staff costs incurred during the year amounted to approximately MYR44.0 million.

(d) For the six months ended 31 December 2011

Liquidity and Financial Resources

The Glenealy Group funded the working capital with cash generated from its operating activities. There was no borrowing in the Glenealy Group throughout the year. No financial instrument was used for hedging purpose during the year. As the Glenealy Group did not have any interest bearing borrowing, the gearing ratio calculated by dividing the interest bearing borrowings of the Glenealy Group by the equity attributable to equity holders of Glenealy was nil.

The Glenealy Group is exposed to foreign currency exchange risk on receivables and payables that are denominated in a currency other than the respective functional currencies of the Glenealy Group. The currency giving rise to this risk is primarily Indonesia Rupiah. However since most of the other Glenealy Group's monetary assets and liabilities were denominated in MYR and the Glenealy Group conducted its business transactions principally in MYR, the exchange rate risk exposure of the Glenealy Group was considered not material.

Segment Information

The Glenealy Group operated a single business segment, namely palm oil cultivation, in Sabah and Sarawak during the six months ended 31 December 2011. There was no change in the business or service provided to the customers during the year.

The revenue for the six months ended 31 December 2011 was RM142.3 million, an increase of RM29.6 million from the same period last year, primarily due to higher average crude palm oil price achieved of RM3,058/MT (6 months ended 31 December 2010: RM2,876/MT) and higher volume of fresh fruit bunches produced of 183,271 MT (6 months ended 31 December 2010: 167,329 MT).

Charge on the Glenealy Group's assets

There did not exist any charge on the assets of Glenealy and the Glenealy Group as at 31 December 2011.

Investments

Save for the holding of MYR2.0 million available-for-sale investment in quoted equity securities on Singapore, the Glenealy Group did not make or hold any significant investments during the six months ended 31 December 2011. Apart from acquiring a new subsidiary company, Puncak Pramana Sdn Bhd, the Glenealy Group did not acquire or dispose of any other subsidiary or associated company during the six months ended 31 December 2011.

Capital Structure

During the six months ended 31 December 2011, the paid-up capital of the Glenealy Group remain unchanged at RM115 million. Together with reserves of RM491 million and non-controlling interests of RM66 million, the total equity of Glenealy Group was RM672 million as at 31 December 2011. The capital structure of Glenealy Group is adequate for its current operational and investment requirements for the next financial year.

Contingent Liabilities

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the six months ended 31 December 2011 which may affect the ability of Glenealy or the Glenealy Group to meet their obligations when they fall due.

Capital Commitment

Commitments for the purchase of property, plant and equipment authorised but not contracted as at 31 December 2011 amounted to RM67,971,000 (30 June 2011: RM112,895,000) which will be financed by the Glenealy Group's internal resources and external financing obtained.

Employees

As at 31 December 2011, the Glenealy Group had approximately 4,367 employees. Staff costs incurred during the year amounted to approximately MYR23.0 million.

Review of Operations and Future Prospects

During the period under review, crude palm oil price experienced great volatility. The crude palm oil price rallied from around RM2,800/MT in early October 2011 to above RM3,200/MT in mid-November 2011 due to strong export demand. However, in December 2011, the crude palm oil price drifted to lows of RM3,000/MT due to the deepening financial crisis in the European Union and a built-up in palm oil stocks as demand slowed.

However, a dry spell in South America caused by La Nina conditions, is now threatening the corn and soybean crop. This added some risk premiums to the vegetable oil markets and crude palm oil price recovered to trade around RM3,200/MT towards the end of year 2011. Going forward, volatile markets, uncertain economic conditions and weather factors will play prominent role in the short term price trend of crude palm oil.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Hong Kong Takeovers Code for the purposes of giving information with regard to the SGL Scheme, the SGL Group and SSC and particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Malaysian Proposals.

This document, for which the SGL Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to SGL. The SGL Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than those relating to SSC) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement in this document misleading.

The directors of SSC jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that relating to the SGL Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement in this document misleading.

2. SHARE CAPITAL OF SGL

As at the Latest Practicable Date, the authorised and issued share capital of SGL were as follows:

Authorised:	*US$*
5,000,000,000 SGL Shares	500,000,000
Issued and fully paid up:	
4,294,480,830 SGL Shares	429,448,083

All of the SGL Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. No SGL Shares were issued during the period from 30 June 2011 (being the end of the last financial year of SGL) to the Latest Practicable Date.

During the period from 30 June 2011 (being the end of the last financial year of SGL) to the Latest Practicable date, SGL had repurchased certain SGL Shares as follows:

Date	Number of instruments involved	Average price *(HK$)*
8 November 2011	3,000,000 SGL Shares	0.435
10 November 2011	2,000,000 SGL Shares	0.430
28 November 2011	1,468,000 SGL Shares	0.360
5 December 2011	788,000 SGL Shares	0.375

SGL Shares are listed on the Hong Kong Stock Exchange and none of the securities of SGL are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities in respect of SGL Shares.

3. MARKET PRICES OF SGL SHARES

(a) The highest and lowest closing prices of SGL Share as quoted on the Stock Exchange during the period from 30 July 2011 to the Latest Practicable Date (the "Relevant Period") were HK$0.83 per SGL Share on 1 August 2011 and HK$0.36 per SGL Share on 4 October and 24 November 2011 respectively.

(b) The table below sets out the closing prices of SGL Shares as quoted by the Stock Exchange on the last business day on which trading of the SGL Shares took place in each of the calendar months during the Relevant Period:

Date	Closing price *(HK$)*
29 July 2011	0.830
31 August 2011	0.590
30 September 2011	0.395
31 October 2011	0.455
30 November 2011	0.375
30 December 2011	0.380
19 January 2012 (Pre-Announcement Day)	0.375
31 January 2012	0.650
17 February 2012 (Last Trading Day) *(Note 1)*	0.720
29 February 2012 *(Note 2)*	N/A
30 March 2012	0.750
27 April 2012, being the Latest Practicable Date	0.740

Note 1: This is the closing price on the Last Trading Day. SGL Shares were suspended from trading on the Hong Kong Stock Exchange from 1:30 p.m. on 20 February 2012 and resumed trading at 9:00 a.m. on 23 March 2012. As 20 February 2012 was not a full trading day of the SGL Shares, the Last Trading Day is 17 February 2012. The closing price on 20 February 2012 was HK$0.71.

Note 2: Trading of SGL Shares was suspended on 29 February 2012.

4. DISCLOSURE OF INTERESTS UNDER THE SFO

(a) Interests and short positions of directors and chief executives of SGL in SGL Shares and shares in SGL's associated corporations

As at the Latest Practicable Date, the following directors or chief executives of SGL had, or were deemed to have, interests and short positions in SGL Shares, underlying SGL Shares and debentures of SGL or shares, underlying shares and debentures of any SGL's associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to SGL and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules, to be notified to SGL and the Hong Kong Stock Exchange:

Name of director	Interests in SGL, its 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	394,623 ordinary shares(1)	Beneficial owner/ Interest in a controlled corporation	Long	0.06%
	Glenealy	32,000 ordinary shares(2)	Interest in a controlled corporation	Long	0.03%
	SGL	6,000,000 ordinary shares(3)	Interest in a controlled corporation	Long	0.14%

Name of director	Interests in SGL, its 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
Yaw Chee Ming	Yaw Holding	30,937 ordinary shares	Beneficial owner	Long	39.60%
		2,500 preference shares	Beneficial owner	Long	50%
	SSC	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%
		4,102,879 Class B redeemable preference shares(5)	Interest in a controlled corporation	Long	100%
		950,000 Class D redeemable preference shares(5)	Interest in a controlled corporation	Long	100%
	SGL	2,340,930,260 ordinary shares(4), (6)	Interest in a controlled corporation	Long	54.51%
	Lingui	443,473,768 ordinary shares(7)	Interest in a controlled corporation	Long	67.23%
	Glenealy	61,248,522 ordinary shares(7)	Interest in a controlled corporation	Long	53.68%
	Strategic Corporation Sdn. Bhd. ("Strategic Corporation")	17,040,000 ordinary shares(8)	Beneficial owner/ interest in a controlled corporation	Long	71.00%
	TSTC Sdn. Bhd. ("TSTC")	6,125,000 ordinary shares(9)	Interest in a controlled corporation	Long	100%
Tan Li Pin, Richard	SGL	1,800,000 ordinary shares(10)	Interest in a controlled corporation	Long	0.04%

Notes:

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

(ii) Mr. Chan Hua Eng is deemed interested in 336,290 ordinary shares in Lingui since he and his spouse are each interested in 25.00% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turns holds 336,290 ordinary shares of Lingui.

(2) Mr. Chan Hua Eng is deemed interested in 32,000 ordinary shares of Glenealy since he and his spouse are each interested in 25.00% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turns holds 32,000 ordinary shares of Glenealy.

(3) Mr. Chan Hua Eng is deemed interested in 6,000,000 ordinary shares capital of SGL since he is interested in 25.00% of the issued share capital of Tysim Holdings Limited, which in turn holds 6,000,000 ordinary shares of SGL.

(4) Mr. Yaw is interested in approximately 39.60% of the issued ordinary and voting share capital of Yaw Holding, which in turn is directly and indirectly interested in all the voting ordinary shares of SSC. In addition, Yaw Holding is directly and indirectly interested in all the non-voting redeemable preference shares of SSC and 70% of the Class D non-voting redeemable preference shares, as detailed in note (5) below. Mr. Yaw is therefore deemed interested in all the shares in SGL held by SSC. SSC in turn holds 2,320,290,260 ordinary shares of SGL.

(5) SSC and Yaw Holding hold approximately 45.00% and 25.00% of Perdana Parkcity, respectively. Yaw Holding holds 100% of Eternal Grand Sdn. Bhd. (''Eternal Grand''). Accordingly, by virtue of note (4) above, Mr. Yaw Chee Ming is deemed interested in the 4,102,879 Class B redeemable preference shares of SSC held by Yaw Holding Nominee in favour of Eternal Grand, and the 950,000 Class D redeemable preference shares of SSC held by Perdana Parkcity.

(6) Mr. Yaw Chee Ming is deemed interested in 20,640,000 ordinary shares of SGL since he is interested in 100% of the issued share capital of Growtrade Investments Limited, which in turn holds 20,640,000 ordinary shares of SGL.

(7) (i) SGL holds 100% of Samling Malaysia Inc., which in turn holds 67.23% of Lingui, which, in turn, holds 38.328% of Glenealy. Mr. Yaw Chee Ming is therefore deemed interested in all the ordinary shares of Lingui held through Samling Malaysia Inc. and in all the ordinary shares of Glenealy held through Lingui; and

(ii) SSC holds 15.35% of Glenealy. By virtue of note (4) above, Mr. Yaw Chee Ming is deemed interested in the 17,520,000 ordinary shares of Glenealy held by SSC. By virtue of note (7)(i) above, Mr. Yaw Chee Ming is also deemed interested in 43,728,522 ordinary shares of Glenealy held by Lingui.

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

(9) (i) Strategic Corporation holds 50.61% of TSTC. By virtue of notes (4) and (8) above, Yaw Chee Ming is deemed interested in the 3,100,000 ordinary shares of TSTC held by Strategic Corporation; and

(ii) Mr. Yaw Chee Ming and his spouse are each interested in 50.00% of Loyal Avenue (M) Sdn. Bhd., which in turn holds 49.39% of TSTC. Mr. Yaw Chee Ming is therefore, deemed interested in the 3,025,000 ordinary shares of TSTC held by Loyal Avenue (M) Sdn. Bhd.

(10) Mr. Tan Li Pin, Richard is a director of Pacific Millennium Investment Corporation, a company wholly-owned by Mr. Tan Chin-Chun, which in turn is interested in 1,800,000 ordinary shares of SGL. Mr. Tan Li Pin, Richard is therefore deemed interested in all the ordinary shares in SGL held by Pacific Millennium Investment Corporation.

As at the Latest Practicable Date, save as disclosed above in this paragraph 4(a), none of the directors or chief executives of SGL had any interests in any SGL Shares or any other or any convertible securities, warrants, options or derivatives in respect of the SGL Shares.

(b) Interests and short positions of substantial shareholders and other persons required to be disclosed under the SFO

1. *Interests in SGL*

As at the Latest Practicable Date, the following persons (not being a director or chief executive of SGL) had, or were deemed to have, interests in SGL Shares and underlying SGL Shares as recorded in the register required to be kept under section 336 of the SFO:

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 SGL

Name	Capacity/ nature of Interest	Number of SGL Shares	Approximate percentage of shareholdings
Tan Sri Yaw Teck Seng(1)	Beneficial owner/ Interest of a controlled corporation	2,592,291,280	60.36%
Yaw Holding(2)	Interest of a controlled corporation	2,320,290,260	54.03%
SSC	Beneficial owner	2,320,290,260	54.03%

Long positions of other substantial shareholders with notifiable interests

Name	Capacity/ nature of Interest	Number of SGL Shares	Approximate percentage of shareholdings
Ahmad bin Su'ut(3)	Interest of a controlled corporation	225,592,070	5.25%
Tapah Plantation Sdn. Bhd. ("Tapah")	Beneficial owner	225,592,070	5.25%

Notes:

(1) Tan Sri Yaw Teck Seng is interested in approximately 39.60% of the issued ordinary and voting share capital of Yaw Holding, which owns the entire issued ordinary and voting share capital of SSC and is deemed interested in all the shares owned by SSC. 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 SGL, representing approximately 4.74% of SGL's issued share capital, owned by SIL. Tan Sri Yaw Teck Seng is also directly beneficially interested in 68,236,710 shares in SGL, representing approximately 1.59% of SGL's issued share capital.

(2) Yaw Holding is interested in the entire issued ordinary and voting share capital of SSC and is deemed interested in all the shares owned by SSC.

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

2. *Short positions in SGL Shares and underlying SGL Shares*

As at the Latest Practicable Date, there was no person who had short positions in SGL Shares and underlying SGL Shares recorded in the registered required to be kept by SGL pursuant to section 336 of the SFO.

5. DISCLOSURE OF INTERESTS UNDER THE HONG KONG TAKEOVERS CODE

(a) Interests discloseable under Schedule I of the Hong Kong Takeovers Code

a. The shareholding of SSC in SGL as at the Latest Practicable Date are set out in the section headed "6. Effects of the SGL Scheme and the SGL Proposal" in the Explanatory Statement on pages 72 to 73 of this document.

b. As at the Latest Practicable Date, save as Mr. Yaw who is deemed interested in 2,320,290,260 SGL Shares held by SSC and 20,640,000 SGL Shares held by Growtrade Investments Limited (details of which are set out in Notes 4 and 7 to section 4(a) of this Appendix above) and Tan Sri Yaw Teck Seng who is directly interested in 68,236,710 SGL Shares, and deemed interested in the 2,320,290,260 SGL Shares held by SSC as well as 203,764,310 SGL Shares held by Samling International Limited (details of which are set out in Note 1 to section 4(b) of this Appendix above), no director of SSC was interested in any SGL Shares or convertible securities, warrants, options or derivatives in respect of SGL.

c. Mr. Tan Ghee Kiat, who is one of the partners of Sekhar & Tan (Chartered Accountants, Malaysia), which has been acting as a personal adviser to Mr. Yaw in relation to the SGL Proposal and accordingly, as a deemed person acting in concert with SSC for the purposes of the Hong Kong Takeovers Code, will not vote at the SGL Court Meeting, directly holds 1,000,000 SGL Shares and 2,000,700 SGL Shares via Enchanted Global Limited. As at the Latest Practicable Date, save as disclosed in the section headed "6. Effects of the SGL Scheme and the SGL Proposal" of the Explanatory Statement on pages 72 to 73 of this document and for the interests of Mr. Tan Ghee Kiat in SGL described in this section 5(a)c., none of the persons acting in concert with SSC owned or controlled any SGL Shares or convertible securities, warrants, options or derivatives in respect of SGL.

d. As at the Latest Practicable Date, no person has irrevocably committed himself, herself or itself to vote in favour of or against the SGL Scheme at the SGL Court Meeting.

e. As at the Latest Practicable Date, neither SSC nor any persons acting in concert with SSC had an arrangement of the kind referred to in Note 8 of Rule 22 of the Hong Kong Takeovers Code with any person.

f. As at the Latest Practicable Date, neither SSC nor any persons acting in concert with SSC had borrowed or lent any SGL Shares or any convertible securities, warrants, options or derivatives in respect of the SGL Shares.

(b) Interests discloseable under Schedule II of the Hong Kong Takeovers Code

a. As at the Latest Practicable Date, SGL has no interest in any SSC Shares or convertible securities, warrants, options or derivatives in respect of SSC.

b. As at the Latest Practicable Date, save as disclosed in the section headed "(a) Interests and short positions of directors and chief executives of SGL in SGL Shares and shares in SGL's associated corporations" under the section headed "4. Disclosure of interests under the SFO" set out on pages VII-3 to VII-5 of this Appendix VII, no director of SGL was interested in any SGL Shares, or convertible securities, warrants, options or derivatives in respect of SGL Shares.

c. Mr. Yaw is a shareholder of Yaw Holding with a holding of approximately 39.60% of the issued ordinary and voting share capital of Yaw Holding, which in turn is directly and indirectly interested in all the voting ordinary shares of SSC. In addition, Yaw Holding is directly and indirectly interested in all the non-voting redeemable preference shares of SSC and 70% of the Class D non-voting redeemable preference shares, as set out in section 4(a) of this Appendix VII, as at the Latest Practicable Date. Save for the foregoing, as at the Latest Practicable Date, no director of SGL was interested in any SSC Shares or convertible securities, warrants, options or derivatives in respect of SSC.

d. As at the Latest Practicable Date, no subsidiary of SGL, or any pension fund of SGL or of its subsidiaries or any adviser to SGL as specified in class (2) of the definition of "associate" under the Hong Kong Takeovers Code owned or controlled any SGL Shares or any convertible securities, warrants, options or derivatives in respect of SGL Shares.

e. As at the Latest Practicable Date, save for the SGL Proposal and the SGL Scheme, neither SGL nor any of its associates by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Hong Kong Takeovers Code had an arrangement of the kind referred to in Note 8 to Rule 22 of the Hong Kong Takeovers Code with any person.

f. As at the Latest Practicable Date, no SGL Shares or any convertible securities, warrants, options or derivatives in respect of the SGL Shares was managed on a discretionary basis by fund managers connected with SGL.

g. As at the Latest Practicable Date, neither SGL nor any director of SGL had borrowed or lent any SGL Shares or convertible securities, warrants, options or derivatives in respect of the SGL Shares.

h. Mr. Yaw, being one of the SSC Concert Parties and as the common director of SSC and SGL will not vote at the SGL Court Meeting. As at the Latest Practicable Date, each of Mr. Chan Hua Eng and Mr. Tan Li Pin, Richard intended to vote in favour of the SGL Scheme at the SGL Court Meeting.

6. DEALINGS IN THE SGL SHARES

(a) During the Relevant Period, save as disclosed in this paragraph 6(a), none of SSC or persons acting in concert with SSC and none of the directors of SSC has dealt for value in any SGL Shares or convertible securities, warrants, options or derivatives in respect of SGL Shares:

Name of parties who made the dealing	Date	Type of dealing	Number of instruments involved	Transaction price (HK$)
Mr. Yaw	27 September 2011	Buy	510,000 SGL Shares	0.390

(b) During the Relevant Period, save as disclosed in this paragraph 6(b), none of the directors of SGL has dealt for value in any SGL Shares or convertible securities, warrants, options or derivatives in respect of SGL Shares:

Name of parties who made the dealing	Date	Type of dealing	Number of instruments involved	Transaction price (HK$)
Mr. Yaw	27 September 2011	Buy	510,000 SGL Shares	0.390
Mr. Chan Hua Eng	17 November 2011	Buy	600,000 SGL Shares	0.417
			400,000 SGL Shares	0.420
	29 November 2011	Buy	550,000 SGL Shares	0.365
			250,000 SGL Shares	0.370
	30 November 2011	Buy	200,000 SGL Shares	0.370

(c) During the Offer Period and ending with the Latest Practicable Date, none of any subsidiary of SGL, any pension fund of SGL or of any of its subsidiaries has dealt for value in any SGL Shares or convertible securities, warrants, options or derivatives in respect of SGL Shares.

(d) During the Offer Period and ending with the Latest Practicable Date, no adviser to SGL as specified in the definition of "associate" under the Hong Kong Takeovers Code has dealt for value in SGL Shares or convertible securities, warrants, options or derivatives in respect of SGL Share.

(e) During the Offer Period and ending with the Latest Practicable Date, save for the SGL Proposal and the SGL Scheme, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Hong Kong Takeovers Code with SGL or with any person who is an associate of SGL by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Hong Kong Takeovers Code or with SSC or any persons acting in concert with SSC has dealt for value in SGL Shares or convertible securities, warrants, options or derivatives in respect of SGL Shares.

(f) During the Offer Period and ending with the Latest Practicable Date, no fund managers managing funds on a discretionary basis who are connected with SGL had dealt for value in any SGL shares or convertible securities, warrants, options or derivatives in respect of the SGL Shares.

7. LITIGATION

Legal claims from inhabitants of longhouses

(1) In 2007, a subsidiary of the SGL Group, Merawa Sdn. Bhd. ("Merawa"), together with the Director of Forests, Sarawak and the State Government of Sarawak, were 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 is ongoing. The plaintiffs are claiming various reliefs including a declaration that they have native customary rights over claimed land located within the relevant timber concession areas. Merawa denied the claim and also counterclaimed for damages, costs, interest and/or other relief.

(2) Four of the SGL Group's subsidiaries, Samling Plywood (Lawas) Sdn. Bhd. ("Samling Plywood Lawas"), Samling Plywood (Miri) Sdn. Bhd. ("Samling Plywood Miri"), Ravenscourt Sdn. Bhd. ("Ravenscourt") and Samling Reforestation (Bintulu) Sdn. Bhd. ("Samling Reforestation") together with the Director of Forests, Sarawak and State of Government of Sarawak are being jointly sued by certain inhabitants of longhouses and settlements situated at and around the timber concessions held by Samling Plywood Lawas, Samling Plywood Miri and Ravenscourt and planted forest held by the Samling Reforestation respectively. The plaintiffs are claiming various orders, reliefs and damages including declarations that issuance of the forest timber licences and licences for planted forests by the Director of Forests, Sarawak to Samling Plywood Lawas, Samling Plywood Miri, Ravenscourt and Samling Reforestation which overlap the plaintiffs' claimed areas are unlawful, unconstitutional, null and void.

As at the Latest Practicable Date, the above proceedings remained pending before the Malaysian courts.

The SGL Directors believe that the SGL Group has merit in their defence to these claims and has 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 SGL Group, the SGL Group may be ordered to terminate its 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 they consider just.

Save as disclosed in this section "Litigation", as at the Latest Practicable Date, the SGL Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the SGL Group since 30 June 2011, being the date to which the latest published audited consolidated financial statements of the SGL Group were made up. In addition, none of SGL or any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the SGL Directors are aware, no litigation or arbitration of material importance is pending or threatened by or against SGL or any of its subsidiaries.

8. MATERIAL CONTRACTS

No contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the SGL Group) were entered into by any member of the SGL Group after the date two years immediately preceding the commencement of the Offer Period and up to and including the Latest Practicable Date which were or might be material.

9. SERVICE CONTRACTS

On 15 October 2006, Mr. Yaw entered into service contract with SGL for an unspecified term commencing on 1 July 2006. The service contract is determinable by SGL by giving not less than twelve months' written notice or payment in lieu. At the commencement of the service contract, the remuneration under the service contract was fixed at HK$3,200,000 per annum with a discretionary bonus to be determined by the remuneration committee of the SGL Board, and the remuneration is subject to the review by the remuneration committee of the SGL Board annually.

Save as disclosed in this section "Service contracts", as at the Latest Practicable Date, none of the directors of SGL had entered into any existing or proposed service contract with any member of the SGL Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Save as disclosed in this section "Service contracts", as at the Latest Practicable Date, none of the directors of SGL had entered into any service contract with SGL or any of its subsidiaries or associated companies which:

(a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period;

(b) were continuous contracts with a notice period of 12 months or more; or

(c) were fixed term contracts with more than 12 months to run irrespective of notice period.

10. COMPETING INTERESTS

As at the Latest Practicable Date, the following director(s) of SGL have interest in the following businesses which are considered to compete or likely to compete, either directly or indirectly, with the businesses of the SGL Group other than those businesses where the directors of SGL were appointed as directors to represent the interest of SGL and/or the SGL Group pursuant to the Listing Rules:

Name of director	Name and description of the entity businesses of which are considered to compete or likely to compete with the businesses of the SGL Group	Nature of interest of the director in such 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

11. INTERESTS IN THE SGL GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE SGL GROUP

As at the Latest Practicable Date, none of the SGL Directors had any interest in any assets which have been, since 30 June 2011 (being the date to which the latest published audited accounts of the SGL Group have been made up), acquired or disposed of by or leased to any member of the SGL Group, or are proposed to be acquired or disposed of by or leased to any member of the SGL Group.

As at the Latest Practicable Date, none of the SGL Directors was materially interested in any contract or arrangement, subsisting at the date of this document, which is significant in relation to the business of the SGL Group.

12. EXPERTS

The following is the qualification of the experts whose statement, opinion or advice are contained in this document:

Name	Qualification
DTCFL	A corporation licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
KPMG Hong Kong	Certified Public Accountants, Hong Kong
KPMG Malaysia	Chartered Accountants, Malaysia
PwC Malaysia	Chartered Accountants, Malaysia
Quam Capital	A corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Each of DTCFL, KPMG Hong Kong, KPMG Malaysia, PwC Malaysia, and Quam Capital has given and has not withdrawn its written consent to the issue of this document with the inclusion in this document of the text of its statement, opinion or advice respectively issued for inclusion in this document and references to its name, in the form and context in which it is included.

As at the Latest Practicable Date, none of DTCFL, KPMG Hong Kong, KPMG Malaysia, PwC Malaysia and Quam Capital have any shareholding directly or indirectly in any member of the SGL Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the SGL Group and it had no interest, either directly and indirectly, in any assets which have been, since 30 June 2011 (being the date to which the latest published audited accounts of the SGL Group have been made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the SGL Group.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Room 2205, 22nd Floor, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong from 9:00 a.m. to 5:00 p.m. on any weekday (public holiday excepted) and will be displayed on the website of SGL at *http://www.samling.com* and on the website of the SFC at *http://www.sfc.hk* until the Effective Date or the date on which the SGL Scheme lapses or is withdrawn, whichever is the earliest:

(a) the memorandum and articles of association of SSC;

(b) the memorandum and bye-laws of SGL;

(c) the annual reports of SGL for the three years ended 30 June 2011, and the interim report of SGL for the six months ended 31 December 2011;

(d) the audited financial statements of the SGL Group for the year ended 30 June 2011 together with the independent auditor's report from KPMG Hong Kong dated 30 April 2012, and the unaudited financial statements of the SGL Group for the six months ended 31 December 2011 together with the review report to the SGL Board from KPMG Hong Kong dated 30 April 2012;

(e) the annual reports of Lingui for the three years ended 30 June 2011, and the unaudited condensed consolidated interim financial statements of the Lingui Group for the six months ended 31 December 2011 together with the notes thereto, and the text of a review report received from KPMG Malaysia dated 30 April 2012;

(f) the annual reports of Glenealy for the three years ended 30 June 2011, and the unaudited condensed consolidated interim financial statements of the Glenealy Group for the six months ended 31 December 2011 together with the notes thereto, and the text of a review report received from PwC Malaysia dated 30 April 2012;

(g) the pro forma consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and consolidated cash flow statement of the Enlarged SGL Group as if the Lingui Privatisation and Glenealy Privatisation had been completed as required under Rule 14.69(4)(a)(ii) of the Listing Rules;

(h) the letter from the SGL Board, the text of which is set out on pages 17 to 27 of this document;

(i) the letter from the IBC, the text of which is set out on pages 28 to 29 of this document;

(j) the letter from Quam Capital, the text of which is set out on pages 30 to 64 of this document;

(k) the written consents referred to in the section headed "Experts" in this Appendix VII of this document;

(l) the service contract referred to in the section headed "Service contracts" in this Appendix VII of this document;

(m) a copy of each circular issued by SGL pursuant to the requirements set out in Chapters 14 and/or 14A which has been issued since 30 June 2011;

(n) the order of the Bermuda Court, amongst other things, convening the SGL Court Meeting; and

(o) this document.

14. MISCELLANEOUS

(a) None of the existing SGL Directors will be given any benefit as compensation for loss of office or otherwise in connection with the SGL Scheme.

(b) There is no agreement or arrangement between any of the SGL Directors (on the one part) and any other person (on the other part) which is conditional on or dependent upon the outcome of the SGL Scheme or otherwise connected with the SGL Scheme.

(c) There is no agreement or arrangement or understanding (including any compensation arrangement between SSC or any persons acting in concert with SSC (on the one part) and any of the SGL Directors, recent SGL Directors, SGL Shareholders or recent SGL Shareholders (on the other part) having any connection with or dependent upon the SGL Scheme.

(d) There is no agreement or arrangement to which SSC is party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to its offer in respect of the SGL Scheme.

(e) As at the Latest Practicable Date, there was no material contract entered into by SSC in which any of the directors of SGL had a material personal interest.

(f) The board of directors of SSC comprises of Tan Sri Yaw Teck Seng, Mr. Yaw Chee Ming and Mr. Yaw Chee Chik.

(g) The directors of SSC have stated that save from charging 1,870,290,260 SGL Shares currently held by SSC and the New SGL Shares to Malayan Banking Berhad as securities after the withdrawal of listing of SGL Shares on Stock Exchange for a financing amounting up to US$170 million to fund the cash required for the SGL Scheme, SSC does not have any intention to transfer, charge or pledge any SGL Shares acquired pursuant to the SGL Scheme to any other person. As at the Latest Practicable Day, Malayan Banking Berhad did not hold any SGL Shares.

(h) The registered office of SSC is situated at Wisma Samling, Lot 296, Jalan Temenggong Datuk Oyong Lawai Jau, 98000 Miri, Sarawak, Malaysia.

(i) The ordinary and voting share capital of SSC is wholly owned by Yaw Holding. Mr. Yaw, a SGL Director and a director of SSC, and Tan Sri Yaw Teck Seng, father of Mr. Yaw, each holds approximately 39.60% Yaw Holding as at the Latest Practicable Date.

(j) The board of directors of Yaw Holding comprises of Tan Sri Yaw Teck Seng, Mr. Yaw Chee Ming and Mr. Yaw Chee Chik.

The registered address of Yaw Holding is Wisma Samling, Lot 296, Jalan Temenggong Datuk Oyong Lawai Jau, 98000, Miri, Sarawak, Malaysia.

(k) The address of Mr. Yaw is Lot 746, Tanjung Lobang, 98000, Miri, Sarawak, Malaysia.

(l) The address of Tan Sri Yaw Teck Seng is Lot 2084, Pujut 4, Jalan Pujut-Lutong, 98000, Miri, Sarawak.

(m) The registered office of SGL is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is at Room 2205, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

(n) The secretary of SGL is Tan Choo Lye, LL.B. (Hons.) London, Barrister-at-law (Lincoln's Inn).

(o) The principal share registrar and transfer office of SGL is Butterfield Fund Services (Bermuda) Limited, which is situated at 65 Front Street, Hamilton HM 12, Bermuda.

(p) SGL's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, which is situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(q) The principal place of business of DTCFL is 32/F, One Pacific Place, 88 Queensway, Hong Kong.

(r) The principal place of business of Quam Capital is Room 3208, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong.

(s) Unless otherwise specified, all time references contained in this document refer to Hong Kong time.

(t) The English language texts of this document, the pink form of proxy and the white form of proxy enclosed shall prevail over their respective Chinese language texts.

IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
COMMERCIAL COURT

2012: NO. 136

IN THE MATTER OF

SAMLING GLOBAL LIMITED

And

IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981

SCHEME OF ARRANGEMENT

Between

SAMLING GLOBAL LIMITED

and

THE HOLDERS OF THE SCHEME SHARES (as defined herein)

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall bear the meanings respectively set opposite them:

"Company"	Samling Global Limited, a company incorporated in Bermuda with limited liability
"Companies Act"	The Companies Act of 1981 of Bermuda (as amended)
"Court"	the Supreme Court of Bermuda
"Director(s)"	director(s) of the Company
"Effective Date"	the date on which this Scheme becomes effective in accordance with paragraph 5 of this Scheme
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"New Shares"	means the New Shares to be issued to SSC pursuant to this Scheme, the number of which is equal to the number of the Scheme Shares cancelled

"Proposal"	the proposal for the privatisation of the Company by SSC by way of and pursuant to the Scheme
"Record Time"	4:00 p.m. (Hong Kong time) on Friday, 15 June 2012, being the record time for determining entitlements of the Scheme Shareholders under this Scheme
"Register"	the register of members of the Company
"Scheme"	this scheme of arrangement under section 99 of the Companies Act between the Company and the Scheme Shareholders in its present form or with or subject to any modification or addition or condition which the Court may approve or impose
"Scheme Document"	the composite scheme document (which includes the Scheme) dated 30 April 2012 sent by the Company to the Shareholders
"Scheme Shareholders"	the Shareholders whose names appear on the Register at the Record Time other than SSC and the SSC Concert Parties
"Scheme Shares"	all the Shares held by the Scheme Shareholders as at the Record Time
"SGL Court Meeting"	a meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
"SGM"	a special general meeting of the Shareholders to be convened for the purposes of passing all necessary resolutions for the implementation of the Proposal
"Shareholder(s)"	registered holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of US$0.10 each in the share capital of the Company
"SSC"	Samling Strategic Corporation Sdn. Bhd., a company incorporated in Malaysia with limited liability
"SSC Concert Parties"	Mr. Yaw Chee Ming and Tan Sri Yaw Teck Seng, being parties acting in concert (as such term is defined in the Takeovers Code) with SSC in relation to the Company
"SSC Director(s)"	director(s) of SSC
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

(B) The Company was incorporated on 27 June 2005 in Bermuda under the Companies Act with an authorised share capital of US$12,000 divided into 12,000 ordinary shares of US$1.00 each in the share capital of the Company. As at the date of this Scheme, the Company had an authorised share capital of US$500,000,000 divided into 5,000,000,000 Shares of which 4,294,480,830 Shares had been issued and were fully paid or credited as fully paid.

(C) As at the Latest Practicable Date, SSC and the SSC Concert Parties owned 2,320,290,260 Shares and 292,641,020 Shares respectively, representing approximately 54.03% and 6.81% of the total issued share capital of the Company respectively, which Shares do not form part of the Scheme Shares.

(D) In consideration of the cancellation and extinguishment of the Scheme Shares on the Effective Date, all Scheme Shareholders as appearing in the Register as at the Record Time shall be entitled to receive HK$0.76 in cash for every Scheme Share held.

(E) SSC has agreed to appear by Conyers Dill & Pearman Limited at the hearing of the petition to sanction this Scheme and has undertaken to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by SSC for the purpose of giving effect to this Scheme.

(F) The primary purpose of this Scheme is to cancel and extinguish all the Scheme Shares on the Effective Date, and for the New Shares to be issued to SSC on such date, so that the Company becomes wholly-owned by SSC and the SSC Concert Parties.

THE SCHEME

PART I

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date:

   (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares; and

   (b) the Company shall apply the credit arising in its books of account as a result of the reduction of share capital referred to in paragraph 1.(a) above in paying up in full at par the New Shares to SSC.

PART II

CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration of the cancellation and extinguishment of the Scheme Shares pursuant to paragraph 1 of this Scheme, SSC, will pay or cause to be paid, subject to paragraph 3 of this Scheme, to each Scheme Shareholder as appearing in the Register as at the Record Time, HK$0.76 in cash for every Scheme Share cancelled.

PART III

GENERAL

3. (a) Not later than seven business days after the Effective Date, SSC shall, in respect of the Scheme Shareholders (as appearing in the Register as at the Record Time) who will receive cash in respect of their holdings of Scheme Shares, send or cause to be sent to such Scheme Shareholders cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme.

   (b) Unless indicated otherwise in writing to the branch share register of the Company in Hong Kong, (being Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) before the Effective Date, all such cheques shall be sent through the post (by airmail where appropriate) in pre-paid envelopes addressed to such Scheme Shareholders as follows:

      (i) in the case of each sole Scheme Shareholder, the registered address of such Scheme Shareholder as appearing in the Register as at the Record Time; or

(ii) in the case of joint Scheme Shareholders, the registered address as appearing in the Register as at the Record Time of the first named joint Scheme Shareholder in respect of the relevant joint holding.

(c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3.(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Company and SSC for the moneys expressed to be represented thereby.

(d) All cheques shall be posted at the risk of the addressees and other persons entitled thereto and the Company, SSC and any other persons involved in the Scheme shall not be liable for any loss or delay in transmission.

(e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3.(b) of this Scheme, SSC shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company shall hold such monies on trust for those entitled under the terms of this Scheme until the expiry of six years from the Effective Date and shall prior to such date make payments thereout of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Company that they are respectively entitled thereto, provided that the cheques referred to in paragraph 3.(b) of this Scheme of which they are payees have not been cashed. Any payments made by the Company hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 2 of this Scheme, calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject also to the deduction of any expenses. The Company shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Company to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

(f) On the expiry of six years from the Effective Date, SSC shall be released from any further obligation to make any payments under this Scheme and the Company shall thereafter transfer to SSC the balance (if any) of the sums standing to the credit of the deposit account referred to in paragraph 3.(e) of this Scheme including accrued interest subject to, if applicable, the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject also to the deduction of any expenses.

(g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.

4. With effect from the Effective Date:

   (i) all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title and every holder thereof shall be bound, on the request of the Company, to deliver up to the Company the certificate(s) in respect of its, his or her entire holding of Scheme Shares;

   (ii) all mandates or other instructions to the Company in force as at the Effective Date in relation to the Scheme Shares (including elections for the payment of dividends by way of scrip) shall cease to be valid as effective mandates or instructions; and

   (iii) all instruments of transfer validly subsisting as at the Record Time in respect of the transfer of any Scheme Shares shall, with effect from the Effective Date, cease to be valid for all purposes as instruments of transfer.

5. This Scheme shall become effective as soon as a copy of the Order of the Court sanctioning this Scheme under section 99 of the Companies Act shall have been delivered to the Registrar of Companies in Bermuda for registration.

6. The Company and SSC may jointly consent for and on behalf of all concerned to any modification(s) of or addition(s) to this Scheme or to any condition(s) which the Court may see fit to approve or impose.

7. Unless this Scheme shall have become effective on or before 30 June 2012, (or such later date, if any, as SSC and the Company may agree and the Court may allow), this Scheme shall lapse.

8. In the event that the Scheme becomes effective, the consideration payable to the Scheme Shareholders will be borne by SSC. SSC and SGL will bear their respective costs, charges and expenses of and incidental to the Scheme and the costs for carrying the Scheme into effect.

Dated 30 April 2012