# SAMLING GLOBAL LIMITED
# 三林環球有限公司*

*(a company incorporated in Bermuda with limited liability)*

**(Stock Code: 3938)**

## Announcement of Interim Results For The Six Months Ended December 31, 2006

The Board of Directors (the "Board") of Samling Global Limited (the "Company") is pleased to present the unaudited interim financial results of the Company and its subsidiaries (the "Group") for the six months ended December 31, 2006, together with comparative figures. The interim results have been reviewed the audit committee of the Company. The unaudited interim report for the six months ended December 31, 2006 has been reviewed by KPMG, in accordance with Statement of Auditing Standards for "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included in the interim report sent to shareholders.

### CONSOLIDATED INCOME STATEMENT

*For the six months ended December 31, 2006 — unaudited*
*(Expressed in United States dollars)*

| | | Six months ended December 31, | |
|---|---|---|---|
| | | **2006** | 2005 |
| | *Note* | ***US$'000*** | *US$'000* |
| Turnover | *3* | **298,267** | 187,849 |
| Cost of sales | | **(209,048)** | (164,499) |
| **Gross profit** | | **89,219** | 23,350 |
| Other operating income | | **3,611** | 1,297 |
| Distribution costs | | **(3,737)** | (2,396) |
| Administrative expenses | | **(11,700)** | (7,178) |
| Other operating expenses | | **(79)** | (1,056) |
| Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs | | **2,809** | (2,988) |
| **Profit from operations** | | **80,123** | 11,029 |
| Financial income | | **7,882** | 3,104 |
| Financial expenses | | **(10,816)** | (7,944) |
| **Net financing costs** | *4* | **(2,934)** | (4,840) |
| Share of profit less losses of associates | | **2,129** | (288) |
| Share of profit less losses of jointly control entities | | **1,119** | 1,317 |
| **Profit before taxation** | *5* | **80,437** | 7,218 |

| | Note | | |
|---|---|---|---|
| Income tax | *6* | **(14,719)** | (2,246) |
| **Profit for the period** | | **65,718** | 4,972 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **46,087** | 3,738 |
| Minority interests | | **19,631** | 1,234 |
| **Profit for the period** | | **65,718** | 4,972 |
| **Dividend attributable to the period:** | *7* | | |
| Interim dividend declared during the period | | — | 2,368 |
| Final dividend proposed after the balance sheet date | | — | — |
| | | — | 2,368 |
| **Earnings per share (US cents)** | *8* | | |
| — Basic | | **1.49** | 0.12 |

**CONSOLIDATED BALANCE SHEET**
*At December 31, 2006 — unaudited*
*(Expressed in United States dollars)*

| | Note | At December 31, 2006 US$'000 | At June 30, 2006 US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment, net | 9 | | |
| — Investment properties | | **9,852** | 9,581 |
| — Other property, plant and equipment | | **401,404** | 381,513 |
| Construction in progress | | **1,429** | 1,963 |
| Lease prepayments | | **27,125** | 26,504 |
| Timber concession | | **30,726** | 31,843 |
| Goodwill | | **656** | 631 |
| Plantation assets | 10 | **200,955** | 165,299 |
| Interest in associates | | **48,155** | 44,883 |
| Interest in jointly control entities | | **14,397** | 15,345 |
| Other investment | | **31** | 30 |
| Deferred tax asset | | **4,026** | 3,642 |
| **Total non-current assets** | | **738,756** | 681,234 |
| **Current assets** | | | |
| Inventories | 11 | **99,918** | 83,471 |
| Trade and other receivables | 12 | **96,957** | 97,261 |
| Tax recoverable | | **7,048** | 9,390 |
| Cash and cash equivalents | 13 | **27,815** | 21,111 |
| **Total current assets** | | **231,738** | 211,233 |
| **Total assets** | | **970,494** | 892,467 |
| **Current liabilities** | | | |
| Bank overdrafts, loans and borrowings | 14 | **121,035** | 121,792 |
| Finance lease liabilities | | **27,691** | 22,790 |
| Trade and other payables | 15 | **146,233** | 186,258 |
| Tax payable | | **7,913** | 1,842 |
| | | **302,872** | 332,682 |
| **Net current liabilities** | | **(71,134)** | (121,449) |
| **Total assets less current liabilities** | | **667,622** | 559,785 |
| **Non current liabilities** | | | |
| Bank loans and borrowings | 14 | **130,430** | 129,241 |
| Finance lease liabilities | | **65,825** | 55,509 |
| Bonds | | **42,475** | 40,816 |
| Deferred tax liabilities | | **55,586** | 47,899 |

| | | |
|---|---|---|
| **Total non-current liabilities** | **294,316** | 273,465 |
| **Total liabilities** | **597,188** | 606,147 |
| **Equity** | | |
| Share capital | **979** | 979 |
| Reserves | **224,751** | 166,449 |
| **Total equity attributable to equity holders of the Company** | **225,730** | 167,428 |
| **Minority interests** | **147,576** | 118,892 |
| **Total equity** | **373,306** | 286,320 |
| **Total liabilities and equity** | **970,494** | 892,467 |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1 GENERAL INFORMATION

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

The Company's shares were listed on the Main Board of SEHK on March 7, 2007.

### 2 BASIS OF PREPARATION

The condensed consolidated interim financial statements (the "interim financial statements") of the Group have been prepared in accordance with the requirements of International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the preparation of the Group's financial information for the years ended June 30, 2004, 2005 and 2006 and the three months ended September 30, 2006, as included in the Accountants' Report of the Company dated February 23, 2007 (the "Accountants' Report").

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial information for the years ended June 30, 2004, 2005 and 2006 and three months ended September 30, 2006.

The interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the Hong Kong Institute of Certified Public Accountants.

## 3 TURNOVER

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

| | Six months ended December 31, | |
|---|---|---|
| | **2006** | 2005 |
| | ***US$'000*** | *US$'000* |
| Sales of goods | **288,169** | 175,579 |
| Revenue from provision of services | **10,098** | 12,270 |
| | **298,267** | 187,849 |

## 4 NET FINANCING COSTS

| | Six months ended December 31, | |
|---|---|---|
| | **2006** | 2005 |
| | ***US$'000*** | *US$'000* |
| Interest on loans from banks and other borrowings | **(13,864)** | (11,152) |
| *Less:* Borrowing costs capitalized into plantation assets *(note 10)* | **4,271** | 4,503 |
| Interest expense | **(9,593)** | (6,649) |
| Net loss on change in fair value of financial instruments | **(1,223)** | — |
| Foreign exchange losses | **—** | (1,295) |
| Financial expenses | **(10,816)** | (7,944) |
| Interest income | **373** | 2,120 |
| Net gain on change in fair value of financial instruments | **—** | 984 |
| Foreign exchange gain | **7,509** | — |
| Financial income | **7,882** | 3,104 |
| | **(2,934)** | (4,840) |

## 5 PROFIT BEFORE TAXATION

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

| | Six months ended December 31, | |
|---|---|---|
| | **2006** | 2005 |
| | ***US$'000*** | *US$'000* |
| Depreciation | **29,368** | 23,063 |
| *Less:* Depreciation capitalized as plantation assets *(note 10)* | **(134)** | (84) |
| | **29,234** | 22,979 |
| Amortization of lease prepayments | **390** | 278 |
| Amortization of timber concessions | **2,411** | 860 |

## 6 INCOME TAX

| | Six months ended December 31, **2006** *US$'000* | 2005 *US$'000* |
|---|---|---|
| **Current tax** | | |
| Current year | **9,805** | 2,138 |
| Under/(over) provision in respect of prior years | **1,315** | (280) |
| | **11,120** | 1,858 |
| **Deferred tax** | | |
| Originating and reversal of temporary differences | **3,851** | 388 |
| Reduction in tax rate *(note (c))* | **(252)** | — |
| | **3,599** | 388 |
| Total income tax expense in the consolidated income statement | **14,719** | 2,246 |

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

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended December 31, 2006 and 2005.

(c) Pursuant to the income tax rules and regulations of Malaysia, the companies comprising the Group in Malaysia are liable to Malaysian income tax at a rate of 28% during the six months ended December 31, 2005. In September 2006, the Malaysian government announced a reduction in the income tax rate from 28% to 27% for the year of assessment 2007 and from 27% to 26% for the year of assessment 2008. Accordingly, the provision for Malaysian income tax for the six months ended December 31, 2006 is calculated at 27% of the estimated assessable profits for the period.

(d) The subsidiary in Guyana is liable to Guyana income tax at a rate of 45%. No provision for Guyana income tax has been made as the subsidiary did not have assessable profits subject to Guyana income tax for the six months ended December 31, 2006 and 2005.

(e) The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 33%. No provision for New Zealand income tax has been made as the subsidiaries did not have assessable profits subject to New Zealand income tax during the six months ended December 31, 2006 and 2005.

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

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

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

## 7 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. Dividends for the six months ended December 31, 2005 represent dividends declared by the following subsidiaries of the Company to their then shareholders.

**(a) Dividend attributable to the period**

| | Six months ended December 31, | |
|---|---|---|
| | **2006** | 2005 |
| | ***US$'000*** | *US$'000* |
| Interim dividend declared and paid: | | |
| Syarikat Samling Timber Sdn. Bhd. | — | 1,316 |
| Samling Housing Products Sdn. Bhd. | — | 1,052 |
| | — | 2,368 |

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

| | Six months ended December 31, | |
|---|---|---|
| | **2006** | 2005 |
| | ***US$'000*** | *US$'000* |
| Final dividend in respect of the previous financial year, approved and paid during the period | — | 2,500 |

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

The Directors consider that the dividend payments, if any made for the six months ended December 31, 2006 and 2005 are not indicative of the future dividend policy of the Company.

## 8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company for each of the six months ended December 31, 2006 and 2005 and the 3,094,236,830 shares in issue as at February 23, 2007, being the date of the Company's prospectus, as if the shares were outstanding throughout the entire period.

There were no dilutive potential ordinary shares during the six months ended December 31, 2006 and 2005 and, therefore, diluted earnings per share are not presented.

## 9 PROPERTY, PLANT AND EQUIPMENT, NET

**(a) Acquisition and disposal**

During the six months ended December 31, 2006, the Group acquired property, plant and equipment with an aggregate cost of US$38,810,000 (six months ended December 31, 2005: US$38,816,000). Items of property, plant and equipment with a net book value of US$7,043,000 were disposed of during the six months ended December 31, 2006 (six months ended December 31, 2005: US$3,943,000), resulting in a gain on disposal of US$2,844,000 (six months ended December 31, 2005: US$553,000).

**(b)** Certain items of plant and machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 14.

## 10 PLANTATION ASSETS

Included in additions to the Group's plantation assets are interest capitalized of US$4,271,000 and US$4,503,000 and depreciation of property, plant and equipment of US$134,000 and US$84,000 for the six months ended December 31, 2006 and 2005 respectively.

During the six months ended December 31, 2006 and 2005, the Group harvested approximately 43,425 $m^3$ and 53,758 $m^3$ of wood, which had a fair value less estimated point-of-sale costs of US$866,000 and US$590,000 respectively at the date of harvest. The fair value includes any gain or loss on initial recognition of the logs at the point of harvesting.

The Group's plantation assets in Malaysia and New Zealand were independently valued by Pöyry Forest Industry Pte Ltd ("Pöyry") and Chandler Fraser Keating Limited ("CFK"), respectively. In view of the non-availability of market value for immature trees in New Zealand and Malaysia, both Pöyry and CFK have applied the net present value approach whereby projected future net cash flows, based on their assessment of current timber log prices, were discounted at the rate of 8.5% for plantation assets in New Zealand and 10.2% for plantation assets in Malaysia for each of the period applied to pre-tax cash flows to provide a current market value of the plantation assets.

The discount rate used in the valuation of the plantation assets in New Zealand as at each balance sheet date was determined by reference to published discount rates, weighted average cost of capital analysis, internal rate of return analysis, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions mainly in New Zealand over a period of time, with more weight given to the implied discount rate. In the absence of forest sales transactions in Malaysia, the discount rate used in Malaysia was based on the weighted average cost of capital which recognizes the weighted average cost of debt funded capital and equity capital.

The principal valuation methodology and assumptions adopted are as follows:

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

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

— The cash flows do not take into account income taxation and finance costs.

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

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

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

Certain plantation assets are pledged to banks for certain banking facilities granted to the Group as disclosed in note 14.

## 11 INVENTORIES

| | **At December 31, 2006** *US$'000* | At June 30, 2006 *US$'000* |
|---|---|---|
| Timber logs | **28,212** | 18,916 |
| Raw materials | **8,355** | 6,767 |
| Work in progress | **7,887** | 8,867 |
| Manufactured inventories | **25,833** | 17,849 |
| Stores and consumables | **29,631** | 31,072 |
| | **99,918** | 83,471 |

## 12 TRADE AND OTHER RECEIVABLES

| | **At December 31, 2006** *US$'000* | At June 30, 2006 *US$'000* |
|---|---|---|
| Trade receivables | **58,122** | 47,478 |
| Prepayments, deposits and other receivables | **38,835** | 24,600 |
| Amounts due from related parties | **—** | 25,183 |
| | **96,957** | 97,261 |

Amounts due from related parties comprise advances, which are unsecured, interest free and recoverable upon demand.

Included in trade receivables are trade receivables due from related parties of US$13,398,000 and US$8,954,000 as at December 31, 2006 and June 30, 2006 respectively.

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

An ageing analysis of trade receivables is as follows:

| | **At December 31, 2006** *US$'000* | At June 30, 2006 *US$'000* |
|---|---|---|
| Within 30 days | **31,318** | 24,505 |
| 31–60 days | **9,385** | 5,192 |
| 61–90 days | **4,334** | 5,201 |
| 91–180 days | **5,563** | 6,157 |
| 181–365 days | **4,638** | 2,673 |
| 1–2 years | **1,555** | 3,198 |
| 2–3 years | **1,329** | 552 |
| | **58,122** | 47,478 |

## 13 CASH AND CASH EQUIVALENTS

| | **At December 31, 2006** *US$'000* | At June 30, 2006 *US$'000* |
|---|---|---|
| Deposits | **10,216** | 9,975 |
| Cash at bank and in hand | **17,599** | 11,136 |
| Cash and cash equivalents in the consolidated balance sheet | **27,815** | 21,111 |
| Bank overdrafts | **(26,185)** | (28,540) |
| Fixed deposits and bank balances held as security | **(9,999)** | (9,664) |
| Cash and cash equivalents in the consolidated cash flow statement | **(8,369)** | (17,093) |

## 14 BANK AND OTHER BORROWINGS

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

| | **At December 31, 2006** *US$'000* | At June 30, 2006 *US$'000* |
|---|---|---|
| Overdrafts | | |
| — unsecured | **11,187** | 16,435 |
| — secured | **14,998** | 12,105 |
| | **26,185** | 28,540 |
| Bank loans and borrowings | | |
| — unsecured | **88,702** | 94,121 |
| — secured | **136,578** | 128,372 |
| | **225,280** | 222,493 |
| | **251,465** | 251,033 |

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

| | At December 31, 2006 US$'000 | At June 30, 2006 US$'000 |
|---|---|---|
| Property, plant and equipment | **35,493** | 35,634 |
| Lease prepayments | **1,439** | 1,462 |
| Plantation assets | **190,875** | 157,545 |
| Cash and cash equivalents | **9,999** | 9,664 |
| | **237,806** | 204,305 |

In addition, the Company's bank loan of US$13,321,000 (June 30, 2006: US$12,801,000) was secured by the Company's 59.69% equity interests in Lingui Developments Berhad ("Lingui"), a subsidiary of the Company.

The banking facilities of the Group amounted to US$286,477,000 (June 30, 2006: US$282,327,000), and were utilized to the extent of US$251,465,000 (June 30, 2006: US$251,033,000).

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. As at December 31, 2006 and June 30, 2006, none of the covenants relating to drawn down facilities had been breached.

## 15 TRADE AND OTHER PAYABLES

| | At December 31, 2006 US$'000 | At June 30, 2006 US$'000 |
|---|---|---|
| Trade payables | **54,041** | 67,824 |
| Other payables | **38,779** | 32,211 |
| Accrued expenses | **33,765** | 36,784 |
| Amount due to related parties | **19,648** | 49,439 |
| | **146,233** | 186,258 |

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

Included in trade payables are trade payables due to related parties of US$10,482,000 and US$10,818,000 as at December 31, 2006 and June 30, 2006 respectively.

An ageing analysis of trade payables is as follows:

| | At December 31, 2006 US$'000 | At June 30, 2006 US$'000 |
|---|---|---|
| Within 30 days | **11,102** | 18,070 |
| 31–60 days | **8,480** | 8,950 |
| 61–90 days | **5,158** | 6,403 |
| 91–180 days | **8,551** | 9,978 |
| 181–365 days | **7,906** | 13,264 |
| 1–2 years | **11,306** | 10,856 |
| 2–3 years | **1,538** | 303 |
| | **54,041** | 67,824 |

## 16 POST BALANCE SHEET EVENTS

(a) On February 4, 2007, each of the ordinary shares of the Company of par value US$1 were subdivided into 10 ordinary shares of US$0.10 each. A total of 3,084,445,800 ordinary shares of US$0.10 each were issued to Samling Strategic Corporation Sdn. Bhd. (“SSC”), Tapah Plantation Sdn. Bhd., Perkapalan Damai Timur Sdn. Bhd., Merawa Holding Sdn. Bhd., Mr Yong Nyan Siong, Mr Wong Lee Ung, Datuk Yaw Teck Seng, Samling International Limited and Glory Winner Trading Limited as remaining consideration for acquiring their interests in subsidiaries of the Company and for the capitalization of US$17,714,000 due to SSC.

On March 7, 2007, 1,050,000,000 additional ordinary shares of US$0.10 each were issued and offered for subscription at a price of HK$2.08 per share upon the listing of the Company’s shares on the Main Board of SEHK. On March 20, 2007, an additional 157,500,000 shares of US$0.10 each were issued at HK$2.08 per share under the over-allotment option.

The Company’s shares were successfully listed on the Main Board of the SEHK on March 7, 2007.

(b) On December 29, 2006, the Standing Committee of the Tenth National People’s Congress (“NPC”) of the PRC passed a resolution to submit the draft corporate income tax law to the Tenth NPC plenary session for voting. According to the income tax law that was passed at the Tenth NPC plenary session on March 16, 2007, the standard income tax rate is changed from 33% to 25% effective from January 1, 2008.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

### *Turnover*

The table below sets out our turnover and percentage of our turnover attributable to our major business segments for six months period ended December 31, 2006 and 2005.

| | **Six months ended December, 31** | | | |
|---|---|---|---|---|
| | **2006** | | 2005 | |
| | ***US$ in '000*** | ***Percentage of Turnover*** | *US$ in '000* | *Percentage of Turnover* |
| Logs | **93,771** | **31.4%** | 61,049 | 32.5% |
| Plywood and veneer | **174,868** | **58.6%** | 95,424 | 50.8% |
| Upstream support | **10,098** | **3.4%** | 12,270 | 6.5% |
| Other timber operations | **14,229** | **4.8%** | 14,445 | 7.7% |
| Non-timber operations | **5,301** | **1.8%** | 4,661 | 2.5% |
| Total | **298,267** | **100.0%** | 187,849 | 100.0% |

Our turnover increased by US$110.4 million or 58.8%, from US$187.8 million for the six months ended December 31, 2005 to US$298.3 million for the six months ended December 31, 2006, attributable primarily to an increase in revenue from log sales and plywood and veneer sales, due to an increase in selling price and increased volume of such products.

### *Logs*

Revenue from logs increased by US$32.7 million, or approximately 53.6%, to US$93.8 million for the six months ended December 31, 2006 from US$61.0 million for the six months ended December 31, 2005. This increase in revenue from log sales was primarily the result of a 23.9% increase in the weighted average sales price of exported hardwood logs to US$168.76 per $m^3$ for the six months ended December 31, 2006 from US$136.13 per $m^3$ for the six months ended December 31, 2005, together with an increase in hardwood log sales export volumes. We exported 438,000 $m^3$ of hardwood logs in the six months ended December 31, 2006, a 37.7% increase from the 318,000 $m^3$ of hardwood logs exported in six months ended December 31, 2005. The increase in weighted average sales price of exported hardwood logs was mainly due to global supply and demand factors influencing the market price of exported hardwood logs. The increase in volume of our hardwood logs exported was due to us being able to extract greater volumes of hardwood logs, in particular from our forest areas in Sarawak, Malaysia with more favorable weather conditions being experienced during the six months ended December 31, 2006 compared to the six months ended December 31, 2005.

***Plywood and veneer***

Revenue from plywood and veneer sales increased by US$79.4 million, or approximately 83.3%, from US$95.4 million for the six months ended December 31, 2005 to US$174.9 million for the six months ended December 31, 2006. The increase in revenue from plywood and veneer sales was primarily the result of an increase in the weighted average sales price of exported plywood and an increase in plywood sales export volumes for the six months ended December 31, 2006 compared to the six months December 31, 2005.

Revenue from plywood sold in six months ended December 31, 2006 increased by US$69.6 million, or approximately 86.1%, to US$150.5 million from US$80.9 million in the six months ended December 31, 2005. Weighted average price for exported plywood for the six months ended December 31, 2006 was US$487.74 per $m^3$, which was approximately 41.5% higher than the weighted average sales prices of US$344.80 per $m^3$ for the six months ended December 31, 2005. Our volume of plywood export sales increased by approximately 33.3% to 296,900 $m^3$ in the six months ended December 31, 2006 from 222,700 $m^3$ in the six months ended December 31, 2005. The increase in the weighted average sales price of exported plywood was mainly due to global supply and demand factors influencing the market price of exported plywood, principally an increase in new housing starts in Japan. The increase in volume of plywood exported was mainly attributable to us increasing our production of plywood in response to increased sales prices for exported plywood and due to our acquisition of a plywood mill located in Sibu, Sarawak which commenced operation in January 2006.

Revenue from veneer sold in the six months ended December 31, 2006 increased by US$9.8 million, or approximately 67.7%, to US$24.4 million from US$14.5 million in the six months ended December 31, 2005. The increase in revenue from veneer was a result of an increase in the weighted average sales price of veneer (both for export sales and local sales) and an increase in sales volume of veneer (both for export sales and local sales). The weighted average sales price for exported veneer for the six months ended December 31, 2006 was US$336.51 per $m^3$, which was approximately 37.3% greater than the weighted average sales price of US$245.06 per $m^3$ for the six months ended December 31, 2005. Weighted average local veneer prices for the six months ended December 31, 2006 were US$293.76 per $m^3$, which were approximately 45.8% higher than the weighted average sales prices of US$201.47 per $m^3$ for the six months ended December 31, 2005. We exported 45,100 $m^3$ of veneer in the six months ended December 31, 2006, a 10.5% increase from the 40,800 $m^3$ exported in the six months ended December 31, 2005. We sold 31,300 $m^3$ of veneer locally in the six months ended December 31, 2006, a 38.5% increase from the 22,600 $m^3$ sold locally in the six months ended December 31, 2005. The increase in veneer weighted average sales prices was primarily due to increased weighted average sales prices of plywood, for which veneer is an input. The increase in our sales volume for veneer was primarily due to our construction of a new veneer mill located in Layun, Sarawak, which commenced operation in December 2005.

***Upstream support***

Revenue from upstream support decreased by US$2.2 million, or approximately 17.7%, to US$10.1 million for the six months ended December 31, 2006 from US$12.3 million for the six months ended December 31, 2005. This decrease reflects our acquisition on June 29, 2006 of Merawa Sdn. Bhd., to which we provide upstream support services. Due to such acquisition, our revenue from the provision of upstream support services to such company is subject to intercompany elimination for the six months ended December 31, 2006, thereby decreasing our revenue from upstream support in the six months ended December 31, 2006 as a result of the required accounting treatment of post-acquisition sales to such company.

*Other timber operations*

Revenue from other timber operations decreased by US$0.2 million or approximately 1.5%, to US$14.2 million in the six months ended December 31, 2006 from US$14.4 million in the six months ended December 31, 2005. This decrease was primarily due to a decrease in revenue from our housing products.

*Non-timber operations*

Revenue from non-timber operations increased by US$0.6 million or approximately 13.7%, to US$5.3 million in the six months ended December 31, 2006 from US$4.7 million in the six months ended December 31, 2005. This increase was primarily attributable to an increase in revenue from our production and local sales of glue in China.

*Cost of sales*

Cost of sales increased by US$44.5 million or 27.1%, to US$209.0 million for the six months ended December 31, 2006 from US164.5 million for the six months ended December 31, 2005. Cost of sales increased due to increased turnover in the six months ended December 31, 2006. For the six months ended December 31, 2006, as compared to the six months ended December 31, 2005, the principal components of our cost of sales experiencing increase were fuel, personnel and depreciation costs.

Our cost of sales as a percentage of turnover was 70.1% for the six months ended December 31, 2006, as compared with 87.6% for the six months ended December 31, 2005. This decrease in cost of sales as a percentage of turnover was primarily due to an increase in turnover as a result of an increase in the weighted average selling price for, logs, plywood and veneer for the six months ended December 31, 2006.

*Gross profit and gross profit margin*

Gross profit increased by US$65.9 million, or approximately 282.1%, to US$89.2 million for the six months ended December 31, 2006 from US$23.4 million for the six months ended December 31, 2005. This increase was primarily attributable to the increase in average sales prices of logs, plywood and veneer sold and increase in volume of exported logs, plywood and veneer sold.

Gross profit margin for the six months ended December 31, 2006 increased to 29.9%, as compared to a gross profit margin of 12.4% for the six months ended December 31, 2005, primarily as a result of increased margins from log, plywood and veneer sales.

**Other operating income**

Other operating income increased by US$2.3 million, or approximately 178.4%, from US$1.3 million for the six months ended December 31, 2005 to US$3.6 million for the six months ended December 31, 2006, primarily due to disposals of property, plant and equipment during the six months ended December 31, 2006 primarily consisting of used logging equipment sold to third parties.

**Distribution costs**

Distribution costs increased by US$1.3 million, or approximately 56.0%, from US$2.4 million for the six months ended December 31, 2005 to US$3.7 million for the six months ended December 31, 2006 due to increased volumes of plywood and veneer sold in the six months ended December 31, 2006, primarily reflecting an increase in inland transportation costs for bringing our downstream wood products to port.

*Administrative expenses*

Administrative expenses increased by US$4.5 million, or 63.0%, to US$11.7 million for the six months ended December 31, 2006 from US$7.2 million for the six months ended December 31, 2005, primarily as a result of us making a provision for increased incentives to employees during the six months ended December 31, 2006 in the amount of approximately US$3.3 million.

***Other operating expenses***

Other operating expenses decreased by US$1.0 million, or 92.5%, to US$0.1 million for the six months ended December 31, 2006 from US$1.1 million for the six months ended December 31, 2005. For the six months period ended December 31, 2005, we recognized an inventory loss net of insurance compensation arising from a fire at one of our veneer warehouses in Malaysia.

***Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs***

Unrealized gain from changes in fair value of plantation assets less estimated point-of-sale costs increased by US$5.8 million, or approximately 194.0%, to an unrealized gain of US$2.8 million for the six months ended December 31, 2006 from an unrealized loss of US$3.0 million for the six months ended December 31, 2005. Our US$2.8 million unrealized gain in changes in fair value of plantation assets less estimated point-of-sale costs for the six months ended December 31, 2006 was primarily due to an increase in prevailing market sales price for softwood logs for the six months ended December 31, 2006 as compared to the financial year ended June 30, 2006. By comparison, our US$3.0 million unrealized loss in changes in fair value of plantation assets less estimated point-of-sale costs for the six months ended December 31, 2005 was primarily due to a decrease in assumed average log prices used to make such calculation offset in part by a decrease in the relevant discount factor (reflecting changes in implied discount rates of recent forest sales transactions).

***Profit from operations and operating margin***

Primarily as a result of the increase in average sales price of logs, plywood and veneer sold and increases in volume of exported logs, and of plywood and veneer, sold, profits from operations increased by US$69.1 million, or approximately 626.5%, to US$80.1 million for the six months ended December 31, 2006, as compared to a profit from operations of US$11.0 million for the six months ended December 31, 2006.

Our operating profit margin was 26.9% for the six months ended December 31, 2006 as compared to 5.9% for the six months ended December 31, 2005. This increase in operating margin was primarily due to an increase in our gross margin as weighted average selling prices increased for logs, plywood and veneer for the six months ended December 31, 2006.

***Net financing costs***

Financial income increased by US$4.8 million, or approximately 153.9%, to US$7.9 million for the six months ended December 31, 2006 from US$3.1 million for the six months ended December 31, 2005.

However, financial expenses increased by US$2.9 million, or approximately 36.2%, to US$10.8 million in the six months ended December 31, 2006 from US$7.9 million in the six months ended December 31, 2005.

The increase in financial income in the six months ended December 31, 2006 was primarily due to the recognition of unrealized foreign exchange gain of US$7.5 million in the six months ended December 31, 2006, as compared to unrealized foreign exchange loss of US$1.3 million in the six months ended December 31, 2005.

Primarily as a result of the foregoing, net financing costs decreased by US$1.9 million, or approximately 39.4%, to US$2.9 million for the six months ended December 31, 2006 from US$4.8 million for the six months ended December 31, 2005.

***Share of profits less losses of associates***

For the six months ended December 31, 2006, we recognized a profit of US$2.1 million as our net share of profits less losses of associates, a change of US$2.4 million, or approximately 839.2%, from the loss of US$0.3 million recognized as our net share of profits less losses of associates for the six months ended December 31, 2005. This change was primarily attributable to an increase in net profits from our associated company, Glenealy Plantations (Malaya) Berhad ("Glenealy") in the six months ended December 31, 2006.

Our share of profits from Glenealy increased by US$1.4 million, or approximately 537.6%, to US$1.2 million for the six months ended December 31, 2006 from a loss of US$0.3 million for the six months ended December 31, 2005 primarily due to gains from changes in the fair value of its oil palm plantation assets less estimated point-of-sale costs for the six months ended December 31, 2006, as compared to losses from changes in the fair value of its oil palm plantation assets for the six months ended December 31, 2005. Our share of profits from Sepangar Chemical Industry Sdn. Bhd. increased by US$0.3 million, or approximately 115.1%, to US$0.6 million for the six months ended December 31, 2006 from US$0.3 million for the six months ended December 31, 2005, primarily due to an increase in its selling prices. Our share of profits from Daiken Miri Sdn. Bhd. ("Daiken Miri") increased by US$0.7 million, or approximately 238.7%, to US$0.4 million for the six months ended December 31, 2006 from a share of loss of US$0.3 million for the six months ended December 31, 2005 primarily due to foreign exchange gains and increase in sales by Daiken Miri for the six months ended December 31, 2006.

***Share of profits less losses of jointly controlled entities***

For the six months ended December 31, 2006, we recognized US$1.1 million as our net share of profits of a jointly controlled entity, a decrease of US$0.2 million, or approximately 15.0%, from the US$1.3 million recognized in the six months ended December 31, 2005. This decrease was primarily attributable to a decrease in the net profits of our door facing manufacturing joint venture, Magna-Foremost Sdn. Bhd. due to decrease in sales in the United States of America market.

***Income tax***

An income tax expense of US$14.7 million was accounted for in the six months ended December 31, 2006, as compared to an income tax expense of US$2.2 million for six months ended December 31, 2005, an increase of US$12.5 million, or 555.3%. The difference is mainly due to higher income taxes payable on increased profits in the six months ended December 31, 2006.

***Net current liabilities***

As at December 31, 2006 and June 30, 2006, we had net current liabilities positions of US$71.1 million and US$121.4 million, respectively. Our net current liabilities position as at such dates was primarily attributable to the recent restructuring of our Company. In connection with such restructuring, on June 29 and 30, 2006, the Controlling Shareholders transferred its equity interest in various timber companies in Malaysia and Guyana that it controlled to us, consideration for which was satisfied by the assignment of non-trade amounts due from related parties of Syarikat Samling Timber Sdn. Bhd. to the Controlling Shareholders in the amount of US$150.2 million, as well as shares in our Company. The net current liabilities as at December 31, 2006 has improved compared to June 30, 2006 primarily due to the improved operating results.

**Indebtedness**

As at December 31 and June 30, 2006, we had the following outstanding indebtedness.

| | **As at December 31, 2006** ***(US$ in million)*** | As at June 30, 2006 *(US$ in million)* |
|---|---|---|
| *Secured commercial indebtedness* | | |
| Loans and borrowings | **136.6** | 128.4 |
| Bank overdrafts | **15.0** | 12.1 |
| Lease liabilities | **93.5** | 78.3 |
| Bonds | **42.5** | 40.8 |

| | | |
|---|---|---|
| **Subtotal** | **287.6** | 259.6 |
| *Unsecured commercial indebtedness* | | |
| Loans and borrowings | **88.7** | 94.1 |
| Bank overdrafts | **11.2** | 16.4 |
| **Subtotal** | **99.9** | 110.5 |
| **Total** | **387.5** | 370.1 |
| Current Subtotal | **148.7** | 144.6 |
| Non current Subtotal | **238.8** | 225.5 |
| **Total** | **387.5** | 370.1 |

As at December 31, 2006, our indebtedness consisted primarily of: (1) secured working capital facilities (including revolving credits, overdrafts, bank acceptances and trust receipts to meet our short term needs), (2) secured bank loans to meet our long-term needs, (3) financial leases related to purchases of heavy machinery and equipment for our logging operations, and (4) bond issuances. As at December 31, 2006, 74.2% of our total indebtedness was secured while 25.8% was unsecured. Of the secured facilities, 5.3% were secured by a parent guarantee from Samling Strategic Corporation Sdn. Bhd., 1.0% were secured by personal guarantee from our controlling shareholders and 0.5% was secured by our controlling shareholders' affiliate Anhui Hualin Wood-based Panel Co., Ltd. As at the date of this report, all such guarantees have been released.

Our gearing ratio was 40% and 41% as at December 31, 2006 and June 30, 2006, respectively. Our gearing ratio is derived by dividing the total of bank overdrafts, loans and borrowings, finance lease liabilities and bonds by total assets. Our gearing ratio remained relatively stable from June 30, 2006 to December 31, 2006.

**Financial management and treasury policy**

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

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

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

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

**Interest rate risk**

We borrow both fixed and floating interest rate loans. Several of our secured and unsecured debt facilities carry interest at floating rates. Exposure to floating interest rates presents us with risk when there are unexpected adverse interest rate movements. Our policy is to manage such interest rate risk, working within an established framework, pursuant to which we selectively enter into swap or interest rate hedging transactions to ensure that we are not unduly exposed to significant interest rate movements and rates are appropriately fixed as necessary. As part of our interest rate hedging framework, we monitor and control our interest rate exposure by regularly monitoring relevant interest rates and their outlook. Our interest rate hedging policy is to initially enter loans, where possible, at floating interest rates then prevailing, determining the tenure of the loan consistent with our monitoring of relevant interest rates and their outlook, and then to switch to fixed interest rates by means of swap or interest rate hedging transactions if our monitoring of relevant interest rates and their outlook indicates that, considering their tenure, such a change would be prudent. Several of our secured and unsecured debt facilities carry interest at floating rates, and we currently enter into swap or interest rate hedging transactions in connection with some, but not all, of these debt facilities, considering their tenure. We currently hedge against interest rate risk related to certain loans currently secured by our New Zealand plantation assets with outstanding principal amounts, including capitalized interest, as of December 31, 2006 of US$54.8 million and NZ$30.5 million, respectively, thereby effectively fixing the interest rates of such loans. We also have a bond which is secured by Debt Service Reserve Account at fixed interest rate.

**Foreign exchange risk**

At present, most of our sales are denominated in U.S. dollars and some in Japanese yen, while we incur a significant portion of our costs in Malaysian Ringgit at our Malaysian operations, U.S. dollars and Guyanese dollars at our Guyanese operations, New Zealand dollars at our New Zealand operations and Renminbi in our PRC operations. Our sales and operations in Malaysia, Guyana, New Zealand and the PRC expose us 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 our foreign exchange gains and losses are attributable to foreign exchange translations on the U.S. dollar loan described above booked on the accounts of our New Zealand plantation forest subsidiary, Hikurangi Forest Farms Limited ("HFF") with outstanding principal amount, including capitalized interest, as of December 31, 2006 of US$54.8 million. As our subsidiary HFF functional currency is the New Zealand dollar, exchange differences on the value of HFF's U.S. dollar loans are recognized as part of our financial income and expense.

We do not enter into foreign currency swap agreements to hedge against our foreign currency risk. We manage our foreign currency risk by entering into borrowings in amounts consistent with our expected stream of revenues denominated in the relevant currency of such borrowing, which policy acts in effect as a natural hedge.

**Capital Commitment**

The Group's total commitments as at December 31, 2006 amounted to US$21.2 million (Authorised and contracted for amounted to US$6.4 million. Authorised but not contracted for amounted to US$14.8 million).

**Charge on Assets**

As at December 31, 2006, the Group pledged assets with aggregate carrying value of US$237.8 million (June 30, 2006: US$204.3 million) to secure bank loans facilities of the Group.

**Contingent Liabilities**

As at December 31, 2006, the Group had no material contingent liabilities except as already disclosed in note 33(c) of the Accountants' Report. No contingent liabilities has arisen since the last annual balance sheet date.

**Material acquisitions and disposals of subsidiaries and associated companies**

The Group had no material acquisition or disposal of subsidiaries and associated companies during the six months ended December 31, 2006.

**Use of proceeds**

The Company was successfully listed on the Main Board of SEHK on March 7, 2007. The net proceeds raised from the placing and public offer after deducting the relevant expenses were approximately US$269.1 million. Subsequently, the Company received additional net proceeds from the exercise of the over-allotment option after deducting the relevant expenses of approximately US$40.7 million on March 20, 2007. The Company intends to apply such proceeds in accordance with the proposed allocation as set out in the Company's prospectus dated February 23, 2007.

**Employees**

As at December 31, 2006, the Group employed a total of 12,734 employees. Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual evaluation.

Pursuant to the written resolutions passed by the shareholders of the Company on February 2, 2007 and the Directors on February 4, 2007, the Company has conditionally adopted the share option scheme. The principal terms of the share option scheme are set out in Appendix VIII of the Company's prospectus dated February 23, 2007.

**Outlook**

With sustained growth in the demand for wood products in the Asia-Pacific region due to expanding construction, furniture and interior decoration industries, the Group believes that it is well positioned to take advantage of and leverage upon the significant investments made in new logging equipment and infrastructure within its forest resource to increase log extraction capacity as well as expanding its downstream processing capacity. Prices for timber products have also risen to higher levels as log shortages exist and demand continues to be robust. Continued strict enforcement on logging in Indonesia augurs well for timber product prices. In the longer term, prices are expected to stabilize with increasing trend.

Looking forward, the Group will continue to maintain its competitiveness, actively enhance the development of its economies of scale and focus on results. Being an integrated timber Group, it has the ability of being able to adapt more quickly to changes in operating and market environments to maximize returns.

The Group will maintain its efforts in implementing sustainable forest management practices and will proactively obtain forest management certifications to establish a strong brand identity and to meet increasing market demand for certified wood products.

**Interim dividend**

The Board does not recommend the payment of an interim dividend for the six months ended December 31, 2006. Accordingly, no closure of the Register of Members of the Company is proposed.

**Purchase, sale or redemption of the listed securities of the Company**

The Company's shares were listed on the Main Board of SEHK on March 7, 2007. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended December 31, 2006.

**Corporate governance**

The Board is committed to the highest standards of corporate governance throughout the Group and is accountable to the Company's shareholders for good governance.

The Company has adopted a Corporate Governance Code since its listing on March 7, 2007. The Company has complied with all applicable provisions of Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules") since its listing. The Code Provision A.4.1 in respect of the specific term of non-executive directors has been met by the bye-laws requiring at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) including the non-executive directors retiring from office by rotation so every director shall be subject to retirement of at least once every three years. A retiring director shall be eligible for re-election.

**Compliance with the model code for securities transactions by directors**

The Board has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules of ("the Code") effective from the listing of the Company's shares on March 7, 2007. Having made specific enquiry to all Directors, they confirmed that they have complied with the required rules set out in the Code since the listing of the Company.

**Audit committee**

The audit committee has reviewed the Group's unaudited interim financial statements for the six months ended December 31, 2006. The audit committee comprises four members, namely Mr. Fung Ka Pun (Chairman of the committee), Mr. David William Oskin and Mr. Tan Li Pin, Richard, who are independent non-executive Directors, and Mr. Chan Hua Eng, who is a non-executive Director.

**Publication of interim report on the stock exchange website**

The Company's 2006 interim report as of December 31, 2006 will be submitted to the Stock Exchange for uploading onto the Stock Exchange's website (www.hkex.com.hk) in due course.

By Order of the Board of
**Samling Global Limited**
**Chan Hua Eng**
*Chairman*

Hong Kong, March 26, 2007

* *For identification only*

"*Please also refer to the published version of this announcement in* ***South China Morning Post***."