



SAMLING GLOBAL LIMITED
三林環球有限公司

Media Release
For Immediate Release

**SAMLING GLOBAL ANNOUNCES FY2009/10 INTERIM RESULTS
WITH TURNAROUND PROFIT**
Recovering Macro Economy Supports Demand

(HONG KONG, 15 March 2010) — Integrated forest resource and wood products company **Samling Global Limited** (“Samling” / the “Group”) (Stock code: 3938) today announced its interim results for the six months ended 31 December 2009.

Financial Highlights

	1H FY09/10 (US\$'000)	1H FY08/09 (US\$'000)	Change (%)
Revenue	268,986 (HK\$2,098,091,000)	275,601 (HK\$2,149,688,000)	-2.4%
Gross profit	32,483 (HK\$253,367,000)	23,676 (HK\$184,673,000)	37.2%
Gross profit margin	12.1%	8.6%	
Gain from changes in fair value of plantation assets less estimated point-of-sale cost	5,184 (HK\$40,435,000)	5,367 (HK\$41,863,000)	-3.4%
Unrealised foreign exchange gain / (loss)	9,875 (HK\$77,025,000)	(11,800) (-HK\$92,040,000)	N/A
Profit / (loss) for the period	26,469 (HK\$206,458,000)	(30,253) (-HK\$235,973,000)	N/A
Net profit margin	9.8%	N/A	N/A
Basic earnings / (loss) per share	0.37 US cents (HK\$0.0289)	(0.52) US cents (-HK\$0.0406)	N/A
Operating profit before changes in working capital	54,270 (HK\$423,306,000)	44,276 (HK\$345,353,000)	22.6%

*US\$1 = HK\$7.8

Key Highlights

- Revenue increased by 32.3% compared with second half of the preceding financial year, while a slight decrease in revenue is recorded when compared to the first half of the preceding financial year
- However, the Group returns to profit with net profit of US\$26.5 million (HK\$206.5 million)
- Elegant Living's operating profit increased by 106.7% reaching US\$6.2 million (HK\$48.4 million)
- China and India are key markets of the Group's log trading business which remain strong

- Average prices per volume for plywood and veneer increased by 18.6% and 9.0% respectively from second half of the preceding financial year
- Increasing stake in Lingui to 67.23% will drive long-term growth

Business Review

During the period under review, Samling's gross profit rose to US\$32.5 million and gross profit margin grew to 12.1%, validating the Group's business strategy in preserving resources, enhancing operational efficiency and tight monitoring of cash cost of production and overall cost control. The satisfactory performance was also attributed to the Group's flooring distributor subsidiary Elegant Living's contribution during the review period.

Mr. Chan Hua Eng, Chairman of Samling, said, "The business improvement and return to profitability is encouraging especially when the Group began the financial year as the world continues to grapple with severe financial crisis.

"However, Samling's fully integrated timber supply chain, from its upstream log harvesting operations to downstream distribution, has enabled us to cope with the challenging operating environment and report a strong rebound when the economy has recovered. We are pleased to resume our profitability during the period under review."

Business Segment Results

Log Trading

Log trading was the largest contributor to revenue and operating profits, accounting for approximately 32% of revenue and US\$11.9 million of operating profits generated in the financial period under review.

	1H FY09/10	1H FY08/09
Total external hardwood log sales (m³)	558,063	471,085
Average hardwood log export price per m³ (US\$)	149.1	180.7
Total softwood log sales (m³)	210,349	200,414
Average softwood log price per m³ (US\$)	72.3	69.2

The lower hardwood log price was mainly due to a different mix and different species of logs exported during the review period. The total volume of logs sold by the Group was higher than that of the first half of the preceding financial year. The increase was mainly due to higher log extraction in Malaysia complemented by favourable weather conditions and the ramp up in production of softwood logs in New Zealand.

China remained a key log export market for the Group with 34% of its total log exports, 12.1% higher than the preceding financial year. Sales to India remained stable, accounting for 27% of total log exports. A substantial volume of the Group's log export from Malaysia and Guyana as well as the increased softwood production from New Zealand are exported to the thriving domestic markets of China and India.

“We will continue to monitor the timber market and will defer additional harvest to preserve the long term value of our timber resources, or only harvest logs that provide a reasonable return against cash cost of production for both downstream processing and direct sales,” said Mr Chan.

Plywood and Veneer

The plywood segment was affected by the slowdown in demand from its key markets, notably Japan. The new housing starts had fallen to record low levels of 800,000 units in the last 45 years, with no improvement in the immediate outlook. Despite this, the Group has seen improvement as a result of restocking activities from low inventory levels, and hence, achieved a positive gross profit margin from its plywood and veneer segment compared to the -13.5% margin in the second half of the preceding financial year.

	1H FY09/10	1H FY08/09
Total external plywood sales volume (m³)	168,898	233,173
Average export price for plywood per m³ (US\$)	412.9	455.1
Total veneer sales volume (m³)	55,970	71,988
Average export price for veneer per m³ (US\$)	313.7	331.1

Mr. Chan said, “We will continue to operate our plywood and veneer mills efficiently with a focus on cash cost containment and production of niche products which will generate better margins. “

Flooring Products

Elegant Living, one of the largest engineered flooring distributors in China, has advanced its stronghold by expanding further into Tier 2 cities in China with approximately 650 outlets, up from 548 outlets in the preceding financial year. For the financial period under review, Elegant Living had the benefit of an additional two months with the consolidation of its six months results complemented with higher sales, which resulted in operating profits improving to US\$6.2 million.

Outlook

Although there are uncertainties surrounding the sustainability of the global economic recovery, there are some indications that financial crisis may have abated and major global economies are showing signs of recovery.

In terms of supply, the economic crisis has caused many timber mills without strong financial resources to either curtail or shut down their operations completely. This has helped to balance supply with the reduced demand.

With Russia announcing that the proposed increase in export tax on round logs to 80% has been further postponed to 2011, the timber market will not likely experience an immediate surge of log prices. In terms of log supply dynamics, a gradual shift in supplying countries is

evident as Russian raw log exports has been on a decline (replaced by exports in the form of finished and semi-finished products). Sources from New Zealand, Papua New Guinea and Sarawak, Malaysia are expected to fill this gap. The Group will continue in its plan to ramp up production volume of softwood logs to meet the expected increase in demand and higher prices of softwood.

“There is a supply and demand balance in China as the Chinese Government’s stimulus package and forest industry stimulus plan has supported the timber industry to date. The key to future overall growth in China will be to achieve higher domestic consumer demand.

“Faced with the intense competitive environment in which Samling operates and with constant pressure on margins, we will continue to improve operational efficiency by enhancing the productivity of our workforce and equipment fleet. When appropriate, we will take steps to preserve our timber resources and monitor harvest pattern keeping margin considerations in mind.

Mr Chan concluded, “As we emerge from the global economic downturn, Samling is well-positioned with a strong balance sheet and liquidity position, increase coverage of value-added products on a Group level and access to international markets, and a sustainable reduction in our cost base.”

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About Samling Global Limited

Samling Global Limited is a well established, integrated forest resource and wood products company. Based in Malaysia, the Group has established an international presence with strategically located operations in Malaysia, China, New Zealand, Australia and Guyana.

On 26 November 2009, the Company acquired an additional 7.54% in Lingui Developments Berhad, increasing its total stake to 67.23%. This additional investment will contribute positively to shareholders’ return going forward.

The Company’s business is divided into upstream and downstream timber operations. The upstream operations comprise timber harvesting and management of natural forest concessions in Malaysia and Guyana as well as tree plantations in New Zealand, Malaysia and China. The downstream operations comprise manufacturing, marketing and distribution of wood products including plywood, veneer, sawn timber, flooring and other value-added products. These products are exported to international key markets including Japan, China, Europe and North America.

For more details, please visit www.samling.com

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