Samling Global Limited
三林環球有限公司*

(a company incorporated in Bermuda with limited liability)
（於百慕達註冊成立之有限公司）
Stock code 股份代號 : 3938

MAXIMISING RESOURCES THROUGH INTEGRATION
通過整合充分利用資源

INTERIM REPORT 中期報告 2008/09

* *for identification purposes only*
僅供識別

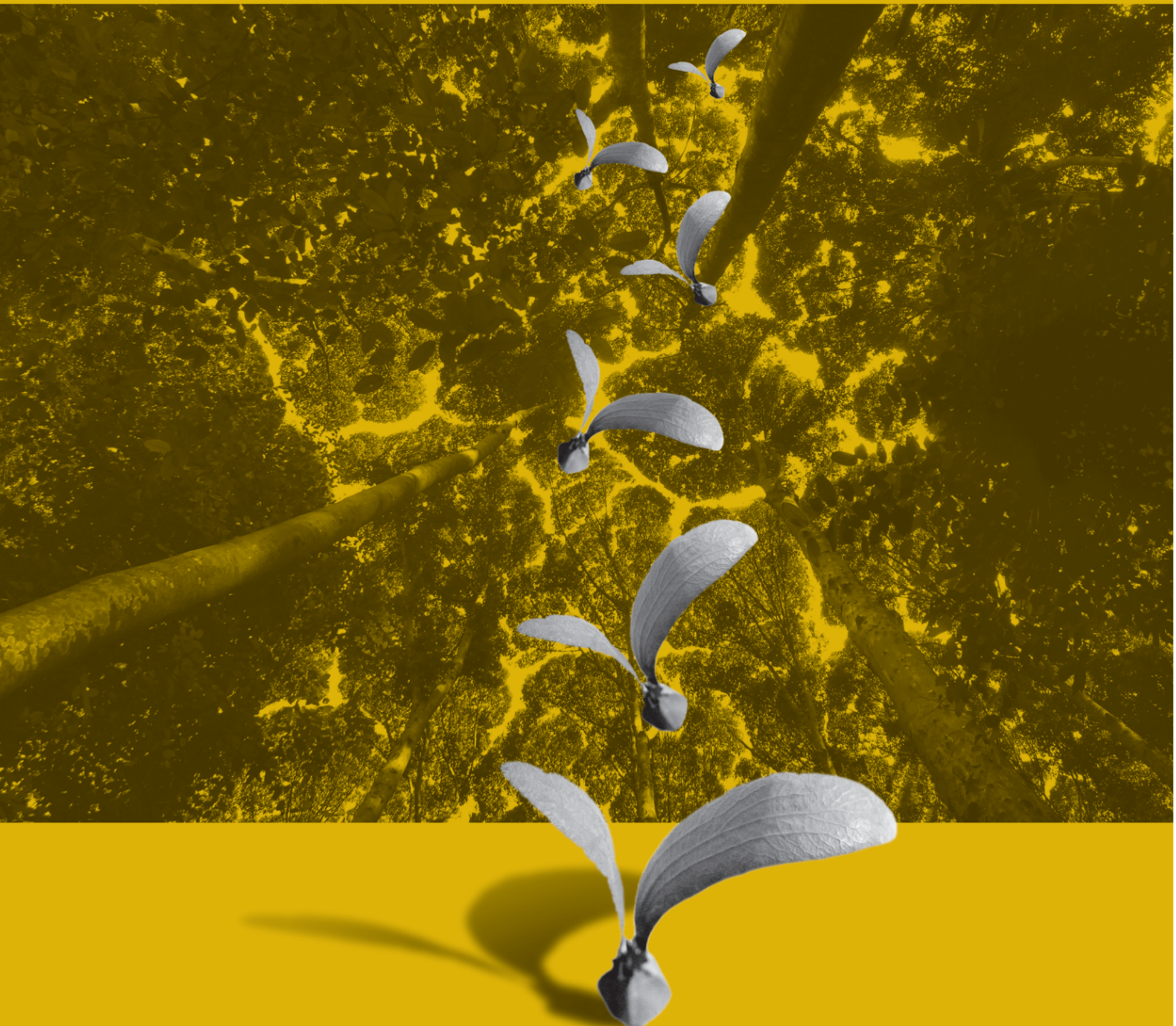
MAXIMISING RESOURCES THROUGH INTEGRATION

The theme of Samling Global Limited's 2008/09 Interim Report reflects our strategic direction of maximising the Group's integrated timber supply resources and value chain across geography, products and markets.

通過整合
充份利用資源

三林環球有限公司二零零八／零九年中期報告之主題反映了本集團充份利用本集團各個地區、各種產品及各個市場的綜合林木供應資源及價值鏈的策略方向。

Samling Global Limited INTERIM REPORT 2008/09



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CORPORATE INFORMATION

BOARD OF DIRECTORS
Chan Hua Eng *(Chairman)*
Fung Ka Pun *(Deputy Chairman)*
Yaw Chee Ming *(Chief Executive Officer)*
Cheam Dow Toon *(Chief Finance Officer)*
David William Oskin
Tan Li Pin, Richard

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE
Wisma Samling
Lot 296, Jalan Temenggong Datuk Oyong Lawai Jau
98000 Miri
Sarawak
Malaysia

PLACE OF BUSINESS IN HONG KONG
Room 2205, 22nd Floor, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

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

AUDITORS
KPMG

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

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS
AmBank Berhad
ANZ Investment Bank
Bank Muamalat Malaysia Berhad
CIMB Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank (Malaysia) Berhad

STOCK CODE
Hong Kong Stock Exchange 3938

WEBSITE
www.samling.com

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors ("the Board") of Samling Global Limited ("the Company"), I am pleased to present the interim financial report for the six months ended 31 December 2008 to all shareholders.

BUSINESS REVIEW

The world economic climate during the financial period under review had been of great uncertainty and turmoil as the world witnessed more countries slipping into recession and recording negative growth. The collapse of more financial institutions due to the effects of the financial turmoil contagion has spread from the financial sector to the other sectors of the economy. Although governments around the world have announced various stimulus plans to pump into its economy, the full effects of these partially implemented plans have yet to be felt. As the turmoil unfolds and with the further tightening of credit, economic activities around the world generally collapsed, further exacerbated by the difficulty faced by many customers in accessing trade lines facilities with financial institutions. The Group's traditional markets, such as China, Japan and India, were not spared. With lower demand, the Group's sales of its products during the financial period under review fell.

As demand fell, selling prices also came under pressure as mills try to sell their products to the smaller market, but this impact was cushioned as less efficient mills curtailed or stopped their production. Selling prices achieved by the Group in the financial period under review was generally higher than that of the corresponding preceding financial period but, margins obtained by the Group were squeezed as cost of production increased. Higher fuel, glue and lubricant prices and the effect of semi-fixed and fixed operating costs being allocated over lower volumes sold has caused production cost per cubic metre ("m^3") to increase. The strengthening of the US Dollar against the Malaysian Ringgit during the financial period under review has helped to a certain extent by cushioning the cost increase.

For the financial period under review, the Group recorded a turnover and gross profit of US$275.6 million and US$23.7 million respectively, representing an increase of 7.7% and a decrease of 35.7% respectively over the corresponding preceding financial period. Gross profit margins achieved were lower at 8.6% compared to 14.4% for the corresponding preceding financial period. After accounting for a negative contribution from the share of profits less losses of associates of US$8.6 million (which included a loss of US$8.3 million from changes in fair value of oil palm plantation assets less estimated point-of-sale costs as crude palm oil prices also fell during the period under review) and unrealised foreign exchange losses of US$11.8 million on US Dollar denominated loans by a foreign subsidiary in New Zealand, the Group recorded a loss before taxation of US$24.0 million. This compared unfavourably against a profit before taxation of US$36.1 million achieved in the corresponding preceding financial period. Losses attributable to shareholders of the Company was US$22.2 million.

The log trading segment which remains the largest contributor to operating profits recorded US$21.4 million for the financial period under review. Total volume of logs sold by the Group was 671,499 m^3 which was 3.8% higher than that of the corresponding preceding financial period principally due to the ramp up in production of softwood logs in New Zealand. Although sales to China and India reduced with the economic slowdown, these two countries remain as key markets for the Group. China is experiencing a drop in its export of finished wood products, principally due to the recession that hit United States of America ("USA") market, which consequently resulted in the reduction of logs import, whilst India's economic recovery over the past years has slowed down. In terms of prices, average export prices for hardwood and softwood logs have increased by about 10.8% and 21.1% respectively compared to the corresponding preceding financial period. In view of the current declining demand and selling prices, the Group's strategy is to preserve its timber resources and harvest logs that provide a reasonable return against the cash cost of production, for both downstream processing and direct sales.

With the sluggish demand for plywood and veneer in the financial period under review, this segment recorded an operating loss of US$5.7 million as compared to an operating profit of US$7.7 million achieved in the corresponding preceding financial period. Plywood demand by Japan, the Group's key market, remained soft with no positive signs of increase in housing starts as Japan entered into economic recession in November 2008. In addition, financial institutions have tightened lending criteria for construction and property developer companies, which further stifled new construction developments. Demand for veneer, which is principally used to produce plywood also decreased in tandem with the lower plywood demand. To cope with the downturn, the Group has implemented several measures, such as scaling down production in some of its mills, focussing on cash cost containment and producing more speciality products which has higher margins.

As noted above, the Group continued to keep a tight control over the cash cost of operations whilst making progress with its productivity and efficiency initiatives.

As part of the Group's strategy to reach further down the supply chain and enlarge its distribution presence in People's Republic of China ("PRC"), it had on 26 August 2008 successfully completed the acquisition of the business of Elegant Living (Hong Kong) Limited, Elegant Living International Holdings Limited and New Elegant Living Timber Manufacturing (Zhongshan) Co., Ltd. The new group in which the assets are injected into, of which the Company owns 70% (collective the "Elegant Living companies") manufactures and sells flooring products. It is the current market leader in the PRC for hand sculptured engineered flooring. Through this acquisition, the Group will have access to 486 distribution outlets and there are plans to further increase the number of outlets.

On 15 August 2008, the Group also completed the acquisition of the entire equity interest of Anhui Tongling Anlin Wood Plantation Co., Ltd. ("Anhui Tongling"), a company involved in tree plantations, in the PRC. This acquisition will increase the landbank for the Group's forest plantations as Anhui Tongling has a total land area of 3,079 hectares of which 1,037 hectares have been planted.

CORPORATE RESPONSIBILITY

The Group's corporate responsibility emphasis is on achieving commercial success in a balanced, responsible manner taking into account the interests of all stakeholders. The Community Affairs Department continues to discharge its corporate responsibility to the native communities in areas in which the Group operates. The Group has contributed in various ways to the native communities which include the provision of necessities and infrastructure projects to uplift their standards of living.

CORPORATE GOVERNANCE

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

OUTLOOK

The outlook for the timber market remains uncertain as the world grapples with the current global economic crisis. With the concerted efforts of developed countries in implementing various stimulus packages to address this, it is hoped that there is a turn away from the current dire situation in the foreseeable future.

On the demand side, with massive stimulus packages by China, Japan and the USA, the Group's key exporting countries on capital spending and income and consumption support measures, we are cautiously optimistic that some recovery in demand may be seen in the later part of the year. Furthermore, the strong Japanese Yen will hopefully provide the impetus for a recovery in imports by Japan for domestic consumption and see higher housing starts. The efforts of the newly elected Government of the USA, the world's largest consuming country, in addressing this issue has also provided some hope for a recovery.

In terms of supply, the continuing economic crisis will see many timber mills without strong financial resources to either curtail or shut down their operations completely. As supply shrinks and stock levels are being gradually reduced, the current imbalance between supply and demand may correct itself and likely cause timber product prices to rise. However, with the postponement of the 80% export tax on roundwood logs from January 2009 to 2010 by the Russian authorities, the timber market may not experience an immediate prospective surge of log prices and supplies from Russia will likely remain in its current form. In addition, China's plywood exports will pose a threat to other plywood exporting countries as they further increase export rebates from 5% to 9% with effect from 1 December 2008 with the aim of encouraging exports.

The Group, in facing such crisis, will embark on various plans to preserve its resources and maintain its workforce so that it will be ready when recovery takes place. It will also work closely with its customers and suppliers to ensure the supply chain remains intact for mutual benefit.

APPRECIATION

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

Chan Hua Eng
Chairman

5 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

KEY FINANCIAL HIGHLIGHTS

	Logs US$'000	Plywood and veneer US$'000	Upstream support US$'000	Flooring products US$'000	Other timber operations US$'000	Other operations US$'000	Eliminations US$'000	Consolidated US$'000
Segment Revenue								
31 December 2008								
External customers	86,554	125,639	3,672	15,859	38,698	5,179	—	275,601
Inter-segment revenue	37,525	10,469	79,819	—	1,688	1,245	(130,746)	—
Total revenue	124,079	136,108	83,491	15,859	40,386	6,424	(130,746)	275,601
31 December 2007								
External customers	81,237	147,067	6,877	—	15,604	5,000	—	255,785
Inter-segment revenue	43,275	11,551	94,167	—	1,809	1,857	(152,659)	—
Total revenue	124,512	158,618	101,044	—	17,413	6,857	(152,659)	255,785

	Logs US$'000	Plywood and veneer US$'000	Upstream support US$'000	Flooring products US$'000	Other timber operations US$'000	Other operations US$'000	Consolidated US$'000
Segment Gross Profit (before inter-segment elimination)							
31 December 2008							
Gross profit	17,507	1,743	(6,778)	4,078	5,637	1,489	23,676
Gross profit margin (%)	*14.1*	*1.3*	*(8.1)*	*25.7*	*14.0*	*23.2*	*8.6*
Percentage of segment contribution (%)	*73.9*	*7.4*	*(28.6)*	*17.2*	*23.8*	*6.3*	*100.0*
31 December 2007							
Gross profit	16,637	12,160	4,255	—	2,253	1,494	36,799
Gross profit margin (%)	*13.4*	*7.7*	*4.2*	—	*12.9*	*21.8*	*14.4*
Percentage of segment contribution (%)	*45.2*	*33.0*	*11.6*	—	*6.1*	*4.1*	*100.0*

KEY FINANCIAL HIGHLIGHTS (Continued)

Profit Attributable to Equity Holders of the Company

	Six months ended 31 December	
	2008 US$'000	2007 US$'000 (restated)
Gross profit	23,676	36,799
Other expenses net of other income before gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	(24,593)	(11,330)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs	5,367	(1,813)
Profit from operations	4,450	23,656
Net financing costs	(19,565)	(3,722)
Share of profits less losses of associates and jointly controlled entities	(8,860)	16,197
(Loss)/profit before taxation	(23,975)	36,131
Income tax	(6,278)	2,525
(Loss)/profit for the period	(30,253)	38,656
Minority interests	8,082	(12,457)
(Loss)/profit attributable to equity holders of the Company	(22,171)	26,199

REVIEW OF GROUP RESULTS

The sub-prime lending issues and the slowdown in housing starts in the United States of America ("USA") has escalated into a world financial crisis which not only impacted the USA but the rest of the world as well. The results of the Group in the financial period under review were affected by lower demand, brought about by the deteriorating economic conditions in its major markets as the effects of the global financial crisis spreads. Despite the adverse factors mentioned above, the Group achieved a turnover of US$275.6 million representing a 7.7% increase from the turnover of US$255.8 million achieved in the corresponding preceding financial period. This increase reflects our acquisition of Brewster Pty. Ltd. ("Brewster") in December 2007 and the acquisition of the business of Elegant Living (Hong Kong) Limited, Elegant Living International Holdings Limited and New Elegant Living Timber Manufacturing (Zhongshan) Co., Ltd. (collectively the "Elegant Living companies") in August 2008. If the turnover from these newly acquired companies were excluded, the Group's turnover decreased by approximately 6.7% compared to the corresponding preceding financial period due to lower volumes of plywood and veneer sold.

REVIEW OF GROUP RESULTS (Continued)

With lower gross profit margins achieved by plywood and veneer and a higher operating costs incurred by upstream support operation with the increase in fuel costs, the gross profit has decreased to US$23.7 million from US$36.8 million achieved in the corresponding preceding financial period. Gross profit margin has decreased to 8.6% compared to 14.4% for the corresponding preceding financial period. Other expenses net of other income has increased to US$24.6 million, which was 117.1% higher than the corresponding preceding financial period. This increase was mainly due to the inclusion of the administrative and marketing expenses of Brewster and Elegant Living companies during the financial period under review. This increase in other expenses net of other income was also due to a higher other income in the corresponding financial period arose from the gain on disposal of sub-licence of oil palm compartment by a subsidiary amounting to US$4.6 million. After recognising a gain of US$5.4 million from changes in fair value of plantation assets less estimated point-of-sale costs, profit from operations was US$4.5 million, a decrease of US$19.2 million from the US$23.7 million recorded in the corresponding preceding financial period. Although the Group's borrowings were lower in the financial period under review, a higher financing costs of US$19.6 million was recorded, principally due to recognition of an unrealised foreign exchange loss of US$11.8 million arising from the translation of US Dollar loan by a foreign subsidiary in New Zealand. The Group recognised a loss from the share of profits less losses of associates and jointly controlled entities of US$8.9 million as compared to a profit of US$16.2 million in the corresponding preceding financial period. This was mainly due to a loss from changes in fair value of oil palm plantation assets less estimated point-of-sale costs of US$8.3 million as a result of lower crude palm oil prices as at 31 December 2008 compared to 30 June 2008. Due to the above factors, the Group reported a loss before taxation of US$24.0 million compared to a profit before taxation of US$36.1 million for the corresponding preceding financial period. Income tax expense was US$6.3 million compared to the corresponding preceding financial period's credit of US$2.5 million which was due to the effects of a tax rate change in New Zealand. After accounting for minority interests of US$8.1 million, losses attributable to equity holders of the Company was US$22.2 million, compared to a profit of US$26.2 million achieved in the corresponding preceding financial period. On an earnings before income tax, depreciation and amortisation and gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs ("EBITDA") basis, the Group achieved US$29.0 million which was 61.9% lower than that of the corresponding preceding financial period.

REVIEW OF BUSINESS SEGMENT RESULTS

Log Trading

Log trading, a major business segment, accounted for approximately 31.4% and 31.8% of total turnover for the financial period under review and the corresponding preceding financial period respectively. The following table shows selected operating and financial data with respect to our sales volume, weighted average price and revenue of logs sold, including inter-company log sales.

	Six months ended 31 December 2008			Six months ended 31 December 2007		
	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000
Hardwood logs — export sales	304,045	180.70	54,942	349,175	163.13	56,962
Hardwood logs — local sales	167,040	106.20	17,740	214,139	88.00	18,845
Softwood logs — export sales	174,700	67.57	11,804	50,958	55.79	2,843
Softwood logs — local sales	25,714	80.42	2,068	32,508	79.57	2,587
Total external log sales	671,499	128.90	86,554	646,780	125.60	81,237
Internal log sales (i)	401,556	93.45	37,525	477,946	90.54	43,275
Total log sales	1,073,055	115.63	124,079	1,124,726	110.70	124,512

(i) Internal log sales do not include logs consumed by the downstream mills where the mill and forest concession from which the logs were extracted are held by the same company.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Log Trading (Continued)

The Group sold 471,085 cubic metres ("m^3") of hardwood logs and 200,414 m^3 of softwood logs which was 16.4% lower and 140.1% higher respectively than the corresponding preceding financial period.

Hardwood log sales for the financial period under review was affected by lower demand as economic activities in importing countries, affected by the current financial crisis, slowed down. The difficulty of many customers in accessing trade lines facilities with financial institutions further exacerbated the situation. The Group's key market for logs, China, which witnessed strong economic growth over the past few years driven by construction and infrastructure development activities and rising exports, slowed down on its demand for timber as the current financial crisis started to affect its economy. With exports of finished wood products falling, principally due to the recession hit USA market, many factories have either curtailed or closed down their operations completely. The China Government in response to this has announced massive stimulus programmes to address the slowdown, which includes rural infrastructure development, and it is hoped that this will help cushion the contraction in growth. In spite of this, the Group sold 21.8% of its log exports to China in the financial period under review. The Indian economy similarly slowed down and log demand has decreased especially for the harder species which was the preference for flooring, furniture and construction industry. This has affected log sales from the Guyana which is mainly the harder species. For the financial period under review, sales to India accounts for 21.0% of the Group's total log sales. Demand for logs by Japan has decreased as domestic plywood mills lowered their production volumes with the lower housing starts in Japan in the financial period under review. The Group sold 10.7% of its log exports to Japan, generally at premium prices as Japan normally sources the best quality logs for its domestic consumption.

The 200,414 m^3 of softwood logs sold were from the Group's maturing radiata pine tree plantations in New Zealand. The increase in volume sold by 140.1% as compared to the corresponding preceding financial period was the result of the gradual ramp up of production.

The average hardwood log export prices achieved for the financial period under review was US$180.7 per m^3 compared to US$163.1 per m^3 achieved for the corresponding preceding financial period. The average softwood log prices achieved was 6.3% higher at US$69.2 per m^3 compared to the corresponding preceding financial period.

With the impact of the lower volume sold of hardwoods being partially offset by the improvement in selling prices for both hardwood logs and softwood logs and the higher volume sold of softwood logs, gross profit from log trading improved marginally from US$16.6 million achieved in the corresponding preceding financial period to US$17.5 million for the financial period under review. Gross profit margin also increased to 14.1% from 13.4% in the corresponding preceding financial period.

Plywood and Veneer

Plywood and veneer remained the largest contributors to turnover for the financial period under review and the corresponding preceding financial period, accounting for 45.6% and 57.5% of total turnover respectively. The following table shows selected operating and financial data with respect to our sales volume, weighted average price and revenue of plywood and veneer sold, including inter-company sales.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Plywood and Veneer (Continued)

Plywood

	Six months ended 31 December 2008			Six months ended 31 December 2007		
	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000
Plywood — export sales	208,934	455.08	95,082	261,159	437.68	114,304
Plywood — local sales	24,239	402.37	9,753	23,418	335.09	7,848
Total external plywood sales	233,173	449.60	104,835	284,577	429.24	122,152
Internal plywood sales	8,486	528.40	4,484	9,792	454.96	4,455
Total plywood sales	241,659	452.37	109,319	294,369	430.10	126,607

Veneer

	Six months ended 31 December 2008			Six months ended 31 December 2007		
	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000
Veneer — export sales	34,619	331.09	11,462	38,381	315.10	12,094
Veneer — local sales	37,369	249.99	9,342	47,825	268.08	12,821
Total external veneer sales	71,988	288.99	20,804	86,206	289.02	24,915
Internal veneer sales	20,534	291.47	5,985	27,090	261.98	7,096
Total veneer sales	92,522	289.54	26,789	113,296	282.55	32,011

The plywood and veneer segment was similarly affected by the slowdown in demand from its key markets, notably Japan, due to the current financial crisis. The Group sold 233,173 m^3 of plywood and 71,988 m^3 of veneer to external parties which when compared to 284,577 m^3 of plywood and 86,206 m^3 of veneer sold in the corresponding preceding financial period was 18.1% and 16.5% lower respectively.

Despite the slowdown in demand, exported plywood prices recorded an increase of 4.0% compared to the corresponding preceding financial period. This increase in plywood prices was principally attributable to the Group's strategy to focus on selling higher value niche plywood which fetched a better premium during the financial period under review. The Group's total sales to Japan, which purchases higher quality plywood at premium prices, accounted for 53.8% of the Group's total exported plywood sales as compared to 38.1% in the corresponding preceding financial period.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Plywood and Veneer (Continued)

A protracted housing downturn, rising foreclosures, credit market woes and a deepening recession in the USA has affected the Group's plywood export to this market. In the financial period under review, sales to the USA was 3.3% of total Group's plywood export sales which fell from 15.9% achieved in the corresponding preceding financial period. Although the Group was able to divert some of its sales from the USA to other markets, which includes South Korea, which accounted for 16.8% of the Group's total exported plywood sales, it was still not able to fully sell all its plywood products if the mill capacities were fully utilised. As a consequence, steps were taken to cut back on production and to produce based on the reduced demand. Although China still import plywood, principally those of the higher grade, it remains a major competitor in the plywood market, being the third largest exporter of plywood after Malaysia and Indonesia.

Average veneer prices remain consistent for both financial periods under review. Veneer export prices, which averaged US$315.1 per m^3 for the corresponding preceding financial period, increased to an average of US$331.1 per m^3 for the financial period under review.

Production cost per m^3 of plywood and veneer has increased in the financial period under review by approximately 12.1% compared to the corresponding preceding financial period. This increase in cost, besides the increase in diesel, glue and lubricant prices, was much impacted by semi-fixed and fixed cost of production being allocated over a lower volume of production as demand reduced in the second quarter of the financial period under review. Consequently, margins were squeezed and as a result, gross profit margin achieved for plywood and veneer operations was 1.3% compared to 7.7% in the corresponding preceding financial period. A gross profit of US$1.7 million was achieved which was 85.7% lower than the corresponding preceding financial period.

The Group continues to work towards maximising its return on its timber resource by comparing the incremental contribution of processing logs into plywood or veneer versus its sale in its raw form. When appropriate, it will take steps to preserve its timber resource and maintain its workforce so that the Group will be ready for a ramp up when recovery takes place. The Group has this flexibility due to its integrated operations supported by an adequate wood resource.

Upstream Support

The upstream support operations encompass the extraction of logs from the forest, the logistics of transporting the extracted logs from the forest by road and riverine systems either for sale or to the downstream mills for further processing, central purchasing of parts and the reconditioning and repairs of the Group's equipment fleet.

As the demand for logs and plywood in the financial period under review dropped, upstream support activities also slowed down. The Group extracted a lower volume of hardwood logs compared to the corresponding preceding financial period. The adverse weather conditions in the Malaysian forest in the latter part of the second quarter also affected production.

Revenue from upstream support for external sales decreased by US$3.2 million, or approximately 46.6%, to US$3.7 million for the financial period under review from US$6.9 million in the corresponding preceding financial period. Total revenue from billings to internal companies for the financial period amounted to US$79.8 million compared to US$94.2 million in the corresponding preceding financial period. This decrease in billings was principally due to the lower volumes extracted as a result of lower level of activities and adverse weather conditions in the second quarter of the financial period under review.

As the upstream support services involves a large fleet of machineries and vehicles operating at the forest resource, controlling operating costs and increasing productivity is of paramount importance. Diesel price has increased from an average of US$0.64 per litre in the corresponding preceding financial period to an average of US$0.89 per litre for the financial period under review. Due to this factor coupled with semi-fixed and fixed operating costs being allocated over the lower volumes extracted, average operating cost per m^3 has increased. The focus of the Group for the financial period under review was on increasing productivity and containing costs. For the financial period under review, upstream support services recorded a gross loss of US$6.8 million as compared to a gross profit of US$4.3 million achieved in the corresponding preceding financial period.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Flooring Products

On 26 August 2008, the Group 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 in which the assets are injected into, of which the Company owns 70% (collective the "Elegant Living companies"), manufactures and sells flooring products. It is the current market leader in the PRC for hand sculptured engineering flooring. This acquisition forms part of the Group's strategy to reach further down the supply chain and enlarge its distribution presence in PRC.

For the 4 months ended 31 December 2008, the Elegant Living companies sold 558,000 m^2 of engineered flooring and 446,000 m^2 of laminated flooring at an average selling price of US$21.5 per m^2 and US$7.9 per m^2 respectively.

Other Timber Operations

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

Revenue from other timber operations increased by US$23.1 million or approximately 148.0%, to US$38.7 million in the financial period under review from US$15.6 million in the corresponding preceding financial period. This increase was primarily due to the inclusion of the revenue of Brewster, the newly acquired distribution subsidiary in Australia. In terms of gross profit, other timber operations achieved US$5.6 million which was 150.2% higher than the corresponding preceding financial period. This was principally due to the inclusion of the gross profit of Brewster.

Other Operations

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

Revenue from other operations increased marginally by US$0.2 million or approximately 3.6%, to US$5.2 million in the financial period under review from US$5.0 million in the corresponding preceding financial period due to higher sales of granite stone aggregates from the quarry operations.

Other operations consistently achieved a gross profit of approximately US$1.5 million for both of the financial periods under review.

Net Financing Costs

The Group recorded a net financing costs of US$19.6 million compared to US$3.7 million for the corresponding preceding financial period although the Group's borrowings were lower in the financial year under review. The higher financing cost is due to the recognition of an unrealised foreign exchange loss of US$11.8 million on US Dollar denominated loans by a foreign subsidiary in New Zealand with the weakening of the New Zealand Dollar against the US Dollar. The Group also recognised an unrealised loss of US$6.8 million on interest rate swap and foreign currency forward transactions as compared to US$1.6 million loss recognised in the corresponding preceding financial period.

Share of Profits less Losses of Associates

The Group recognised a loss of US$8.6 million as share of profits less losses of associates compared to a profit of US$14.9 million recognised as our net share of profits less losses of associates for the corresponding preceding financial period. This loss was primarily attributable to the effects of losses from the changes in fair value of oil palm plantation assets less estimated point-of-sale costs recognised by the associate involved in oil palm plantations due to the lower crude palm oil prices achieved.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Share of Profits less Losses of Jointly Controlled Entities

The Group recognised a loss of US$0.3 million as net share of profits less losses of jointly controlled entities compared to a profit of US$1.3 million recognised in the corresponding preceding financial period. This loss was primarily attributable to the net loss recognised by our door manufacturing joint venture, Foremost Crest Sdn. Bhd. during the financial period under review.

Income Tax

An income tax expense of US$6.3 million was accounted for in the financial period under review as compared to an income tax credit of US$2.5 million for the corresponding preceding financial period. The tax credit arose in the corresponding preceding financial period mainly as a deferred taxation credit adjustment to account for the effect of a change in New Zealand tax rate offset the tax charge for the corresponding preceding financial period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's cash and bank balances amounted to US$226.0 million compared to US$273.3 million as at 30 June 2008.

The gearing ratio was 28.5% and 28.7% as at 31 December 2008 and 30 June 2008, respectively. The gearing ratio is derived by dividing the total of bank overdrafts, loans and borrowings and finance lease liabilities by total assets. The gearing ratio remained relatively stable in the financial period under review compared to 30 June 2008.

Available facilities that were not drawndown as at 31 December 2008 amounted to US$43.3 million compared to US$27.3 million as at 30 June 2008. At 31 December 2008, the Group has outstanding indebtedness of US$353.3 million compared to US$389.8 million as at 30 June 2008. Of the US$353.3 million of indebtedness, US$144.0 million is repayable within one year with the balance of US$209.3 million having a maturity of more than one year as presented below:

	US$ million
Within one year	144.0
After one year but within two years	38.2
After two years but within five years	84.4
After five years	86.7
Total	353.3

	US$ million
Secured	170.2
Unsecured	183.1
Total	353.3

The interest rates of the borrowings and finance lease liabilities ranged from 2.85% to 12.0%.

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

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

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

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

INTEREST RATE RISK

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

FOREIGN EXCHANGE RISK

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

Certain of the foreign exchange gains and losses are attributable to foreign exchange transactions on the US Dollars loan above booked on the accounts of the New Zealand plantation forest subsidiary, Hikurangi Forest Farms Limited ("HFF") with outstanding principal amount, including capitalised interest, as of 31 December 2008 of US$54.8 million. As HFF's functional currency is the New Zealand Dollar, exchange differences on the value of the HFF's US Dollars loans are recognised as part of the financial income and expense.

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

CAPITAL COMMITMENTS

The Group's total commitments as at 31 December 2008 amounted to US$48.2 million. (Authorised and contracted for amounted to US$10.4 million. Authorised but not contracted for amounted to US$37.8 million).

CHARGE ON ASSETS

As at 31 December 2008, the Group pledged assets with aggregate carrying value of US$245.2 million (30 June 2008: US$280.1 million) to secure bank loans facilities of the Group.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group had no material contingent liabilities except as disclosed in note 34(c) of the 30 June 2008 Annual Report. No contingent liabilities have arisen since the last annual balance sheet date.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

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

Other than the above, the Group had no material acquisition or disposal of subsidiaries and associates during the six months ended 31 December 2008.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 31 December 2008.

EMPLOYEES

As at 31 December 2008, the Group employed a total of 13,037 employees. Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual evaluation.

Pursuant to the written resolutions passed by the shareholders of the Company on 2 February 2007 and the Directors on 4 February 2007, the Company has conditionally adopted a share option scheme. As at 31 December 2008, there were no options granted to any employees.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2008. Accordingly, no closure of the Register of Members of the Company is proposed.

OTHER INFORMATION

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

As at 31 December 2008, the interests and share positions of the Directors and the chief executive in the shares, underlying shares or debentures of the Company, subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required to be notified to the Company and The Stock Exchange of Hong Kong ("SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

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

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

Notes:

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

(ii) Chan Hua Eng is deemed interested in 140,000 ordinary shares of Lingui since he and his spouse are each interested in 25% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turn holds 140,000 ordinary shares of Lingui.

(iii) Additionally, 196,290 ordinary shares of Lingui are held by CIMSEC Nominees (Tempatan) Sdn. Bhd. in favour of Chan Hua Eng.

(2) 2,000 ordinary shares of Glenealy are held by CIMSEC Nominees (Tempatan) Sdn. Bhd. in favour of Chan Hua Eng. Additionally, Chan Hua Eng is deemed interested in 30,000 ordinary shares of Glenealy since he and his spouse are each interested in 25% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turn holds 30,000 ordinary shares of Glenealy.

(3) Chan Hua Eng is deemed interested in 2,000,000 ordinary shares of the Company since he is interested in 25% of the issued share capital of Tysim Holdings Limited, which in turn holds 2,000,000 ordinary shares of the Company.

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

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

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

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

(8) (i) The Company holds 100% of Samling Malaysia Inc., in turn holds 59.69% of Lingui, which, in turn, holds 36.42% of Glenealy. By virtue of note (4) above, Yaw Chee Ming is deemed to be interested in the 41,548,522 ordinary shares of Glenealy held by Lingui; and

(ii) Samling Strategic holds 15.35% of Glenealy. By virtue of note (4) above, Yaw Chee Ming is deemed to be interested in the 7,520,000 ordinary shares of Glenealy held by Samling Strategic, and the 10,000,000 ordinary shares of Glenealy held by RHB Capital Nominees (Tempatan) Sdn. Bhd., in favour of Samling Strategic which has been pledged as security for bank borrowings by Eternal Grand Sdn. Bhd., a wholly-owned subsidiary of Yaw Holding.

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

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

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

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

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executive have any interests or short positions in the shares, underlying shares or debentures of the Company, subsidiaries or associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and SEHK pursuant to the Model Code.

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

As at 31 December 2008, the interests and short positions of substantial shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register of interests required to be kept under section 336 of the SFO were as follows:

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

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

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

Long positions of other substantial shareholders with notifiable interests

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

Notes:

(1) Yaw Chee Ming is interested in approximately 39.60% of the issued share capital of Yaw Holding, which owns the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the shares owned by Samling Strategic. Samling Strategic in turn holds 2,320,290,260 ordinary shares of the Company. Additionally, he is also deemed interested in 20,130,000 ordinary shares of the Company since he is interested in 100% of the issued share capital of Growtrade Investments Limited, which in turn holds 20,130,000 ordinary shares of the Company.

(2) Datuk Yaw Teck Seng is interested in approximately 39.60% of the issued share capital of Yaw Holding, which owns the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the shares owned by Samling Strategic. Datuk Yaw Teck Seng also owns 99.9% of the issued share capital of Samling International Limited ("SIL") and is deemed to be interested in 203,764,310 shares in the Company, representing approximately 4.74% of the Company's issued share capital, owned by SIL. He is also directly beneficially interested in 68,236,710 shares in the Company, representing approximately 1.59% of the Company's issued share capital.

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

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

Save as disclosed above, as at 31 December 2008, no other person has any interests or short positions in the shares and underlying shares of the Company which are required to be recorded pursuant to section 336 of the SFO.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Board is pleased to report on the application of the code provisions of corporate governance contained in the Code on Corporate Governance Practices ("the CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company has complied with the code provisions in the CG Code throughout the six months period ended 31 December 2008 except for Code Provision A.4.1. 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. In addition, the Company has also put into place corporate governance practices to meet most of the recommended best practices in the CG Code.

The Board acknowledges its responsibilities for the Group's system of internal control covering not only financial controls but also operational and compliance controls as well as risk management. Procedures have been designed for safeguarding shareholders' investment and assets against unauthorised use or disposition. In considering the system, the Board noted that such a system is designed to manage rather than eliminate the risk to achieve business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss. The Audit Committee has kept under review the effectiveness of the system of internal control and has reported regularly to the Board.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a Code of Conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code (Appendix 10 to the Listing Rules). Having made specific enquiries to all Directors, they confirmed their compliance with the standards set out in the Model Code throughout the six months ended 31 December 2008.

BOARD COMMITTEES

The Board governs through a number of Board Committees, i.e., the Audit, Remuneration, Nomination and Independent Non-Executive Directors Committees, to which certain duties and responsibilities are delegated. All terms of reference for the Committees of the Board are available on the Company's website.

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

Audit Committee

The Audit Committee comprises four (4) members and is chaired by Mr. Fung Ka Pun, an Independent Non-Executive Director. Other members of the Audit Committee are Mr. David William Oskin and Mr. Tan Li Pin, Richard, who are also the Independent Non-Executive Directors, and Mr. Chan Hua Eng, a Non-Executive Director. The Audit Committee is principally responsible for reviewing and supervising the financial reporting process and internal control system of the Company, examining the financial information and information disclosure of the Company, and communicating, supervising and reviewing the internal and external audits of the Company. The audit committee has reviewed the Group's unaudited interim financial statements for the six months period ended 31 December 2008.

BOARD COMMITTEES (Continued)

Remuneration Committee

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

Nomination Committee

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

Independent Non-Executive Directors Committee

The Independent Non-Executive Directors Committee ("the INED Committee") comprised of Mr. David William Oskin as the Chairman and, Mr. Fung Ka Pun and Mr. Tan Li Pin, Richard as members.

The primary duties of the committee include, amongst others, to review on a quarterly basis whether or not to exercise any of the call options granted to the Company in respect of certain businesses, namely the timber and timber product-related businesses excluded from the Group and carried on by Grand Perfect Sdn. Bhd., Hormat Saga Sdn. Bhd., Adat Mayang Sdn. Bhd., Anhui Hualin Woodbased Panel Co., Ltd., Qianshan Hualin Woodworking Corporation, Premier Woodworking (Anqing) Corporation, and Interwil Holdings (Proprietary) Limited in which the Controlling Shareholders are interested, and whether or not to pursue or decline any investment or other commercial opportunity relating to certain defined businesses (the "Defined Business") namely, timber and timber product-related businesses or acquisitions and holdings or dealings in shares of, or interests in, any company, investment, trust, joint venture or other entity which engages in timber and timber product-related businesses, referred to the Company by the Controlling Shareholders under the non-competition agreement.

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

CALL OPTION AGREEMENT

The INED Committee have further reviewed the relevant information up to or as at 13 February 2009 and have decided not to exercise any of the remaining call options granted to the Company under the Call Option Agreements.

NON-COMPETITION AGREEMENT

The INED Committee, having made specific enquiries to all Controlling Shareholders of the Company, the Controlling Shareholders confirmed their compliance with the non-competition agreement entered into between the Company and the Controlling Shareholders.

FINANCIAL SECTION

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF SAMLING GLOBAL LIMITED

Introduction

We have reviewed the interim financial report set out on pages 24 to 46 which comprises the consolidated balance sheet of Samling Global Limited as of 31 December 2008 and the related consolidated income statements, and changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting" promulgated by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 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 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

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

5 March 2009

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008 — unaudited
(Expressed in United States dollars)

		Six months ended 31 December	
		2008	2007
		$'000	$'000
	Note		(restated)
Turnover	5	275,601	255,785
Cost of sales		(251,925)	(218,986)
Gross profit		23,676	36,799
Other operating income		2,445	7,629
Distribution costs		(7,445)	(3,436)
Administrative expenses		(16,646)	(15,412)
Other operating expenses		(2,947)	(111)
Gain/(loss) from changes in fair value of plantation assets less estimated point-of-sale costs		5,367	(1,813)
Profit from operations		4,450	23,656
Financial income		6,519	6,256
Financial expenses		(26,084)	(9,978)
Net financing costs	6	(19,565)	(3,722)
Share of profits less losses of associates		(8,574)	14,877
Share of profits less losses of jointly controlled entities		(286)	1,320
(Loss)/profit before taxation	7	(23,975)	36,131
Income tax	8	(6,278)	2,525
(Loss)/profit for the period		(30,253)	38,656
Attributable to:			
Equity holders of the Company		(22,171)	26,199
Minority interests		(8,082)	12,457
(Loss)/profit for the period		(30,253)	38,656
Dividend attributable to the period:			
Interim dividend declared during the period		—	—
Final dividend proposed after the balance sheet date		—	—
(Loss)/earnings per share (US cents)	10		
— Basic and diluted		(0.52)	0.61

The notes on pages 29 to 46 form part of this interim report.

CONSOLIDATED BALANCE SHEET

At 31 December 2008 — unaudited

(Expressed in United States dollars)

	Note	At 31 December 2008 $'000	At 30 June 2008 $'000 (restated)
Non-current assets			
Property, plant and equipment, net	11		
— Investment properties		9,641	10,322
— Other property, plant and equipment		390,150	428,051
Construction in progress		7,264	9,153
Lease prepayments		35,232	27,939
Intangible assets		66,810	32,725
Plantation assets	12	198,636	241,209
Interest in associates		60,876	75,372
Interest in jointly controlled entities		12,658	14,887
Other investment		32	34
Deferred tax assets		3,915	5,853
Total non-current assets		785,214	845,545
Current assets			
Inventories	13	132,282	139,049
Trade and other receivables	14	79,610	80,039
Current tax recoverable		17,270	19,395
Cash and cash equivalents	15	225,977	273,316
Total current assets		455,139	511,799
Total assets		1,240,353	1,357,344
Current liabilities			
Bank overdrafts, loans and borrowings	16	114,370	120,829
Finance lease liabilities		29,587	32,510
Trade and other payables	17	120,815	132,349
Current tax payable		754	263
Total current liabilities		265,526	285,951
Net current assets		189,613	225,848
Total assets less current liabilities		974,827	1,071,393

The notes on pages 29 to 46 form part of this interim report.

CONSOLIDATED BALANCE SHEET

At 31 December 2008 — unaudited
(Expressed in United States dollars)

	Note	At 31 December 2008 $'000	At 30 June 2008 $'000 (restated)
Non-current liabilities			
Bank loans and borrowings	16	163,928	179,327
Finance lease liabilities		45,425	57,120
Other long term payables	17	8,099	—
Deferred tax liabilities		53,108	55,320
Total non-current liabilities		270,560	291,767
Total liabilities		536,086	577,718
Equity			
Share capital		430,174	430,174
Reserves		98,809	167,716
Equity attributable to equity holders of the Company		528,983	597,890
Minority interests		175,284	181,736
Total equity		704,267	779,626
Total liabilities and equity		1,240,353	1,357,344

The notes on pages 29 to 46 form part of this interim report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2008 — unaudited
(Expressed in United States dollars)

		Attributable to equity holders of the Company								
	Note	Share capital $'000	Share premium $'000	Currency translation reserve $'000	Revaluation reserve $'000	Other reserve $'000	Retained earnings $'000	Sub-total $'000	Minority interests $'000	Total equity $'000
At 1 July 2007										
— As previously reported		430,174	261,920	40,403	6,673	(302,354)	161,959	598,775	166,014	764,789
— Adoption of merger accounting		—	—	—	—	1,174	166	1,340	—	1,340
At 1 July 2007, restated		430,174	261,920	40,403	6,673	(301,180)	162,125	600,115	166,014	766,129
Currency translation differences		—	—	9,509	—	—	—	9,509	5,992	15,501
Profit for the period		—	—	—	—	—	26,199	26,199	12,457	38,656
Dividends paid during the period	9	—	—	—	—	—	(27,574)	(27,574)	(2,348)	(29,922)
At 31 December 2007		430,174	261,920	49,912	6,673	(301,180)	160,750	608,249	182,115	790,364
At 1 July 2008										
— As previously reported		430,174	261,920	51,423	6,673	(302,354)	148,278	596,114	181,736	777,850
— Adoption of merger accounting		—	—	193	—	1,275	308	1,776	—	1,776
At 1 July 2008, restated		430,174	261,920	51,616	6,673	(301,079)	148,586	597,890	181,736	779,626
Adoption of merger accounting		—	—	—	—	(8,600)	—	(8,600)	—	(8,600)
Acquisition of subsidiaries		—	—	—	—	—	—	—	23,335	23,335
Currency translation differences		—	—	(34,695)	—	—	—	(34,695)	(20,550)	(55,245)
Loss for the period		—	—	—	—	—	(22,171)	(22,171)	(8,082)	(30,253)
Dividends paid during the period	9	—	—	—	—	—	(3,441)	(3,441)	(1,155)	(4,596)
At 31 December 2008		430,174	261,920	16,921	6,673	(309,679)	122,974	528,983	175,284	704,267

The notes on pages 29 to 46 form part of this interim report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2008 — unaudited
(Expressed in United States dollars)

		Six months ended 31 December	
		2008	2007
		$'000	$'000
	Note		(restated)
Operating profit before working capital changes		44,276	53,528
Changes in working capital		(19,508)	(15,539)
Cash generated from operations		24,768	37,989
Net income tax paid		(3,283)	(10,516)
Net cash generated from operating activities		21,485	27,473
Net cash used in investing activities		(30,340)	(21,732)
Net cash used in financing activities		(38,310)	(58,347)
Net decrease in cash and cash equivalents		(47,165)	(52,606)
Cash and cash equivalents at beginning of the period	15	241,124	295,517
Effect of foreign exchange rate changes		(469)	429
Cash and cash equivalents at end of the period	15	193,490	243,340

The notes on pages 29 to 46 form part of this interim report.

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 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* promulgated by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 5 March 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the preparation of the Group's financial information for the year ended 30 June 2008 as included in the 2008 Annual Report of the Company dated 17 September 2008.

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.

This 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 2008 Annual Report. 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") promulgated 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 Standards 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 ("HKICPA"). KPMG's independent review report to the Board of Directors is included in the interim report to be sent to shareholders.

On 15 August 2008, the Group completed the acquisition of the entire equity interest in Anhui Tongling Anlin Wood Plantation Co., Ltd. ("Anhui Tongling"), a Chinese-foreign cooperative joint venture company established in the People's Republic of China ("PRC"), which is engaged in cultivation, development and usage of industrial resources forest land and the development of related forest, from Samling International Limited, a related party of the Group, in which Mr. Yaw Chee Ming, a director and controlling shareholder of the Company and Datuk Yaw Teck Seng, a controlling shareholder of the Company, have direct interest in shares, for a cash consideration of $8.6 million. Since Anhui Tongling is ultimately controlled by Mr. Yaw Chee Ming and Datuk Yaw Teck Seng immediately before and after the acquisition, the consolidated income statement for the six months ended 31 December 2007, the consolidated balance sheet as at 30 June 2008 and the notes thereof have been prepared using the principle of merger accounting as if the Group had always been in existence.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following new Interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group:

- IFRIC 11 IFRS 2, *Group and treasury share transactions*
- IFRIC 12, *Service concession arrangements*
- IFRIC 14 IAS 19, *The limit on a defined benefit asset, minimum funding requirements and their interaction*
- Amendment to IAS 39, *Financial instruments: Recognition and measurement* and IFRS 7, *Financial instruments: Disclosures* — Reclassification of financial assets

2. CHANGES IN ACCOUNTING POLICIES (Continued)

These IFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's operations.

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

3. ACQUISITIONS

On 15 August 2008, the Group completed the acquisition of the entire equity interest of Anhui Tongling at a cash consideration of $8.6 million. This acquisition was accounted for using the merger method of accounting as mentioned in Note 1 above.

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

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

	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised value of acquisition $'000
Property, plant and equipment, net	4,947	600	5,547
Lease prepayments	9,650	206	9,856
Intangible assets	—	26,734	26,734
Inventories	11,814	302	12,116
Trade and other receivables	7,347	—	7,347
Current tax recoverable	269	—	269
Cash and cash equivalents	25,926	—	25,926
Bank loans and borrowings	(4,546)	—	(4,546)
Trade and other payables	(9,687)	—	(9,687)
Current tax payable	(255)	—	(255)
Deferred tax liabilities	—	(6,960)	(6,960)
Minority interests	(23,335)	—	(23,335)
Net identifiable assets and liabilities	22,130	20,882	43,012
Goodwill			11,757
Total purchase consideration			54,769
Less: Contingent consideration			(16,434)
Less: Purchase consideration not yet paid			(2,500)
			35,835
Less: Cash and cash equivalents acquired			(25,926)
Net cash outflow in respect of the acquisition			9,909

The acquisition, which was consolidated since 1 September 2008, contributed turnover amounting to $15.9 million and profit after taxation of $2.9 million for the six months ended 31 December 2008.

The revenue and profit after taxation for the six months ended 31 December 2008 if the acquisition had occurred at the beginning of the period would have been $23.9 million and $3.9 million.

4. SEGMENT REPORTING

Segment information is presented in the condensed consolidated financial statements in respect of the Group business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

	Six months ended 31 December 2007 (restated)							
	Logs $'000	Plywood and veneer $'000	Upstream support $'000	Flooring products $'000	Other timber operations $'000	Other operations $'000	Eliminations $'000	Consolidated $'000
Revenue from external customers	81,237	147,067	6,877	—	15,604	5,000	—	255,785
Inter-segment revenue	43,275	11,551	94,167	—	1,809	1,857	(152,659)	—
Total revenue	124,512	158,618	101,044	—	17,413	6,857	(152,659)	255,785
Cost of sales	(107,875)	(146,458)	(96,789)	—	(15,160)	(5,363)	152,659	(218,986)
Other income and expenses	1,492	(4,422)	(5,488)	—	823	(3,735)	—	(11,330)
Segment result before changes in fair value of plantation assets	18,129	7,738	(1,233)	—	3,076	(2,241)	—	25,469
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	(1,813)	—	—	—	—	—	—	(1,813)
Segment result	16,316	7,738	(1,233)	—	3,076	(2,241)	—	23,656
Net financing costs								(3,722)
Share of profits less losses of associates and jointly controlled entities	—	—	—	—	1,546	14,651	—	16,197
Income tax								2,525
Profit for the period								38,656

4. SEGMENT REPORTING (Continued)

	Six months ended 31 December 2008							
	Logs $'000	Plywood and veneer $'000	Upstream support $'000	Flooring products $'000	Other timber operations $'000	Other operations $'000	Eliminations $'000	Consolidated $'000
Revenue from external customers	86,554	125,639	3,672	15,859	38,698	5,179	—	275,601
Inter-segment revenue	37,525	10,469	79,819	—	1,688	1,245	(130,746)	—
Total revenue	124,079	136,108	83,491	15,859	40,386	6,424	(130,746)	275,601
Cost of sales	(106,572)	(134,365)	(90,269)	(11,781)	(34,749)	(4,935)	130,746	(251,925)
Other income and expenses	(1,497)	(7,443)	(3,815)	(1,104)	(6,016)	(4,718)	—	(24,593)
Segment result before changes in fair value of plantation assets	16,010	(5,700)	(10,593)	2,974	(379)	(3,229)	—	(917)
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	5,367	—	—	—	—	—	—	5,367
Segment result	21,377	(5,700)	(10,593)	2,974	(379)	(3,229)	—	4,450
Net financing costs								(19,565)
Share of profits less losses of associates and jointly controlled entities	—	—	—	—	(1,621)	(7,239)	—	(8,860)
Income tax								(6,278)
Loss for the period								(30,253)

5. 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 during the period is as follows:

	Six months ended 31 December	
	2008 $'000	2007 $'000
Sales of goods	271,929	248,908
Revenue from provision of services	3,672	6,877
	275,601	255,785

6. NET FINANCING COSTS

	Six months ended 31 December	
	2008 $'000	2007 $'000 (restated)
Interest on loans from banks and other borrowings	(11,601)	(12,825)
Less: Borrowing costs capitalised into plantation assets (note 12)	4,135	4,434
Interest expense	(7,466)	(8,391)
Net loss on changes in fair value of financial instruments*	(6,827)	(1,587)
Foreign exchange losses – unrealised	(11,791)	—
Financial expenses	(26,084)	(9,978)
Interest income	2,839	5,446
Foreign exchange gains — realised	3,680	—
— unrealised	—	810
Financial income	6,519	6,256
	(19,565)	(3,722)

* The financial instruments were entered into with various financial institutions to lock in the interest rate for certain bank loans of the Group.

7. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 31 December	
	2008 $'000	2007 $'000
Depreciation	31,764	31,832
Less: Depreciation capitalised as plantation assets (note 12)	(283)	(154)
	31,481	31,678
Amortisation of lease prepayments	479	354
Amortisation of intangible assets	2,527	2,553
Impairment loss on property, plant and equipment (included in other operating expenses in the Consolidated Income Statement)	2,896	—

8. INCOME TAX

	Six months ended 31 December	
	2008 $'000	2007 $'000 (restated)
Current tax		
Current year	4,853	5,071
(Over)/under-provision in respect of prior years	(83)	1,720
	4,770	6,791
Deferred tax		
Origination and reversal of temporary differences	1,508	(1,451)
Reduction in tax rate (note (c) and (e))	—	(7,865)
	1,508	(9,316)
	6,278	(2,525)

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 have assessable profits subject to Hong Kong Profits Tax during the six months ended 31 December 2007 and 2008.

(c) Pursuant to the income tax rules and regulations of Malaysia, the subsidiaries of the Group in Malaysia are liable to Malaysian income tax at a rate of 26% during the year ended 30 June 2008. In September 2007, the Malaysian government announced a reduction in the income tax rate from 27% to 26% for the year of assessment 2008 and from 26% to 25% for the year of assessment 2009. Accordingly, the provision for Malaysian income tax for the six months ended 31 December 2008 is calculated at 25% of the estimated assessable profits for the period.

(d) The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45%. One of the subsidiaries of the Group in Guyana was granted a tax holiday period for 5 years by the Ministry of Finance of Guyana from March 2005. No provision for Guyana income tax has been made as the subsidiaries either sustained a loss for tax purposes during the six months ended 31 December 2007 and 2008 or were exempted from income tax.

(e) The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 30% (2007 : 33%). No provision for New Zealand income tax has been made as the subsidiaries sustained a loss for tax purposes during the six months ended 31 December 2007 and 2008.

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

8. INCOME TAX (Continued)

Notes: (Continued)

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

The first profit-making year of Foothill LVL & Plywood (Cangshan) Co., Ltd. ("Foothill") was 2003. Foothill was fully exempted from PRC enterprise income tax from 1 January 2003 to 31 December 2004 and subject to a preferential tax rate of 15% from 1 January 2005 to 31 December 2007. From 1 January 2008 onwards, Foothill is subject to the standard PRC income tax rate of 25%.

Being a production oriented enterprise in the Nantong Economic Development Zone of the PRC, Riverside Plywood Corporation ("Riverside") 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 1 January 2004 to 31 December 2005 and subject to a preferential tax rate of 7.5% from 1 January 2006 to 31 December 2007. Riverside is subject to a preferential tax rate of 9% for the year from 1 January 2008 to 31 December 2008. Thereafter, the standard PRC income tax rate of 25% will apply.

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

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

9. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2008 (six months ended 31 December 2007 : $NIL).

Dividend attributable to the previous financial year, approved and paid during the interim period

	Six months ended 31 December	
	2008 $'000	2007 $'000
Final dividend in respect of the previous financial year ended 30 June 2008, approved and paid during the interim period of 0.080 US cents per share (financial year ended 30 June 2007 : 0.641 US cents)	3,441	27,574

The final dividend of 0.080 US cents per share, totalling $3,441,000 was paid on 18 December 2008.

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company for the six months ended 31 December 2008 of $22,171,000 (six months ended 31 December 2007: profit of $26,199,000 (restated)) and 4,301,737,000 shares (six months ended 31 December 2007: 4,301,737,000 shares) in issue during the period.

Diluted (loss)/earnings per share for the six months ended 31 December 2008 and 2007 is the same as the basic (loss)/earnings per share as there were no dilutive shares outstanding during the periods presented.

11. PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisition and disposal

During the six months ended 31 December 2008, the Group acquired property, plant and equipment with an aggregate cost of $18,158,000 (six months ended 31 December 2007: $20,301,000). Items of property, plant and equipment with a net book value of $586,000 were disposed of during the six months ended 31 December 2008 (six months ended 31 December 2007: $2,176,000), resulting in a gain on disposal of $175,000 (six months ended 31 December 2007: $101,000).

(b)

Certain leasehold land and buildings, plant and machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 16.

12. PLANTATION ASSETS

Included in additions to the Group's plantation assets are interest capitalised and depreciation of property, plant and equipment of $4,135,000 (six months ended 31 December 2007: $4,434,000) and $283,000 (six months ended 31 December 2007: $154,000) for the six months ended 31 December 2008.

A significant portion of trees in New Zealand are planted on freehold forest and a small portion on leasehold forest with 79 years term, expiring in 2060. The Group has been granted 7 forest plantation licences for a gross area of approximately 518,000 hectares in Malaysia. The licences are for 60 years, the earliest of which expires in December 2058. The newly acquired subsidiary, Anhui Tongling, was granted the plantation rights to a total land area of 3,079 hectares.

The Group's plantation assets in Malaysia and China 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 identified trees plantations in New Zealand, Malaysia and China, 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% (2007: 10.2%) for plantation assets in Malaysia, 10% (2007: 10%) for plantation assets in China and 7.25% (2007: 8.5%) for plantation assets in New Zealand for the year applied to pre-tax cash flows to provide a current market value of the plantation assets.

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

The principal valuation methodology and assumptions adopted are as follows:

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

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

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

12. PLANTATION ASSETS (Continued)

— 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 costs improvements in future operations.

Certain plantation assets are pledged to banks for certain banking facilities granted to the Group as disclosed in note 16.

13. INVENTORIES

(a) Inventories in the balance sheet comprise:

	At 31 December 2008 $'000	At 30 June 2008 $'000 (restated)
Timber logs	23,998	31,614
Raw materials	12,191	9,859
Work-in-progress	13,419	17,870
Manufactured inventories	44,095	40,556
Stores and consumables	38,579	39,150
	132,282	139,049

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

	Six months ended 31 December	
	2008 $'000	2007 $'000
Carrying amount of inventories sold	250,329	218,986
Write-down of inventories	1,596	—
	251,925	218,986

14. TRADE AND OTHER RECEIVABLES

	At 31 December 2008 $'000	At 30 June 2008 $'000 (restated)
Trade receivables	48,134	49,493
Prepayments, deposits and other receivables	31,476	30,546
	79,610	80,039

Included in trade receivables are amounts due from related parties of $9,860,000 and $9,758,000 as at 31 December 2008 and 30 June 2008 respectively.

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

An ageing analysis of trade receivables, net of impairment allowances, is as follows:

	At 31 December 2008 $'000	At 30 June 2008 $'000
Within 30 days	26,315	34,124
31–60 days	9,306	5,277
61–90 days	3,873	2,205
91–180 days	5,174	3,484
181–365 days	1,959	2,679
1–2 years	1,339	993
Over 2 years	168	731
	48,134	49,493

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 2008, the Group's trade receivables of $11,629,000 (30 June 2008: $12,187,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $11,567,000 (30 June 2008: $12,070,000) were recognised. The Group does not hold any collateral over these balances.

14. TRADE AND OTHER RECEIVABLES (Continued)

Trade Receivables that are Not Impaired

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

	At 31 December 2008 $'000	At 30 June 2008 $'000
Within 30 days	26,315	34,124
31–60 days	9,306	5,277
61–90 days	3,873	2,205
91–180 days	5,174	3,484
181–365 days	1,959	2,679
1–2 years	1,298	898
Over 2 years	147	709
	48,072	49,376

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

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

15. CASH AND CASH EQUIVALENTS

	At 31 December 2008 $'000	At 30 June 2008 $'000 (restated)
Deposits with banks and other financial institutions	203,560	233,772
Cash at bank and in hand	22,417	39,544
Cash and cash equivalents in the consolidated balance sheet	225,977	273,316
Bank overdrafts (note 16)	(21,083)	(24,912)
Fixed deposits and bank balances held as security	(11,404)	(7,280)
	193,490	241,124

16. BANK OVERDRAFTS, LOANS AND BORROWINGS

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

	At 31 December 2008 $'000	At 30 June 2008 $'000 (restated)
Within 1 year or on demand	114,370	120,829
After 1 year but within 2 years	14,295	14,917
After 2 years but within 5 years	62,898	64,503
After 5 years	86,735	99,907
	163,928	179,327
	278,298	300,156

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

	At 31 December 2008 $'000	At 30 June 2008 $'000 (restated)
Overdrafts (note 15)		
— unsecured	13,801	18,458
— secured	7,282	6,454
	21,083	24,912
Bank loans and borrowings		
— unsecured	169,354	183,867
— secured	87,861	91,377
	257,215	275,244
	278,298	300,156

Brewster Pty. Ltd., a subsidiary of the Group, breached its banking covenants regarding the interest coverage ratio as at 30 June 2008 and reclassified the related long term bank loans of $962,000 as current liabilities accordingly. Pursuant to a waiver granted by the bank in this regard on 18 July 2008, the related bank loans were reclassified as non-current liabilities as at 31 December 2008.

16. BANK OVERDRAFTS, LOANS AND BORROWINGS (Continued)

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

	At 31 December 2008 $'000	At 30 June 2008 $'000
Property, plant and equipment	54,458	49,316
Lease prepayments	3,038	3,178
Plantation assets	176,268	220,363
Cash and cash equivalents	11,404	7,280
	245,168	280,137

17. TRADE AND OTHER PAYABLES

	At 31 December 2008 $'000	At 30 June 2008 $'000 (restated)
Current		
Trade payables	47,428	63,689
Other payables	30,366	26,264
Accrued expenses	33,810	39,846
Derivative financial instruments	9,211	2,550
	120,815	132,349
Non-current		
Other long term payables	8,099	—

Included in trade payables are amounts due to related parties of $7,520,000 and $8,454,000 as at 31 December 2008 and 30 June 2008 respectively.

The other long term payables relate to the contingent consideration for the acquisition of the business of Elegant Living companies as discussed in note 3 above.

17. TRADE AND OTHER PAYABLES (Continued)

An ageing analysis of trade payables is as follows:

	At 31 December 2008 $'000	At 30 June 2008 $'000
Within 30 days	9,875	21,939
31–60 days	8,012	9,153
61–90 days	5,003	5,450
91–180 days	9,717	11,833
181–365 days	10,133	12,027
1–2 years	2,095	449
Over 2 years	2,593	2,838
	47,428	63,689

18. SEASONALITY OF OPERATIONS

In general, the Group's turnover 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 turnover is also affected by seasonal rainfall (including annual monsoons in Malaysia) and the seasonal timing of commencement of new construction activity in various nations (including Japan).

19. CAPITAL COMMITMENTS

	At 31 December 2008 $'000	At 30 June 2008 $'000
Authorised and contracted for	10,395	—
Authorised but not contracted for	37,826	70,133

(Expressed in United States dollars unless otherwise indicated)

20. CONTINGENT LIABILITIES

Further to the disclosures in the June 2008 Annual Report, the updated status of the legal claims stated therein is as follows:

(i) Legal claims from the Penans

In respect of the legal claims against two of the Company's subsidiaries, Syarikat Samling Timber Sdn. Bhd. and Samling Plywood (Baramas) Sdn. Bhd. ("SPB") together with the State Government of Sarawak in the Malaysian courts by certain inhabitants of longhouses, Penans, and settlements situated on timber concessions held by SPB, at the mention on 10 February 2009, the Miri High Court Judge struck off the case with costs to the defendants with liberty for the plaintiffs to file afresh.

The legal claims against another subsidiary, Merawa Sdn. Bhd. ("Merawa") together with the Director of Forests and the State Government of Sarawak in the Malaysian courts by certain inhabitants of longhouses and settlements situated on timber concession held by Merawa remained pending before the Malaysian courts as at 31 December 2008. The Directors believe that the Group has merit in their defence to the claims and accordingly, no provision for this legal claim was made in the financial statements.

(ii) Contingent consideration in respect of business combination

The Group has recognised contingent consideration of $16.4 million for the acquisition of the business of Elegant Living companies as discussed in note 3 above which represents the Directors estimate of the most likely contingent consideration payable. The Group may be required to pay additional contingent consideration of up to $7.1 million under the terms of the acquisition.

21. RELATED PARTY TRANSACTIONS

During the six months ended 31 December 2007 and 2008, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Yaw Holding Sdn. Bhd. ("Yaw Holding"), its subsidiaries and associates ("Yaw Holding Group")	Yaw Holding is the ultimate controlling party of the Company
Glenealy Plantations (Malaya) Berhad ("Glenealy") and its subsidiaries ("Glenealy Group")	Glenealy is an associate of the Group
Sepangar Chemical Industry Sdn. Bhd. ("Sepangar")	Sepangar is an associate of the Group
Daiken Miri Sdn. Bhd. ("Daiken")	Daiken is an associate of the Group
Rimalco Sdn. Bhd. ("Rimalco")	Rimalco is an associate of the Group
Magna-Foremost Sdn. Bhd. ("Magna-Foremost")	Magna-Foremost is a jointly controlled entity of the Group
Foremost Crest Sdn. Bhd. ("Foremost Crest")	Foremost Crest is a jointly controlled entity of the Group
Samling International Limited ("SIL") and its subsidiaries ("SIL Group")	SIL is controlled by the father of Mr. Yaw Chee Ming
3D Networks Sdn. Bhd. ("3D Networks")	3D Networks is controlled by Mr. Yaw Chee Ming

21. RELATED PARTY TRANSACTIONS (Continued)

Name of party	Relationship
Hap Seng Auto Sdn. Bhd. (formerly known as Si Khiong Industries Sdn. Bhd.) ("Hap Seng Auto")	Hap Seng Auto 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
Pi Zhou Yanglin Woodware Co., Ltd. ("Pi Zhou Yanglin") and Pacific Plywood Co., Ltd. ("Pacific Plywood")	Pi Zhou Yanglin and Pacific Plywood are controlled by Mr. Chia Ti Lin, Colin, a senior management of the Group

Particulars of significant transactions between the Group and the above related parties during the six months ended 31 December 2007 and 2008 are as follows:

	Six months ended 31 December	
	2008 $'000	2007 $'000
Sale of goods to:		
Sojitz Building	9,414	6,730
Yaw Holding Group	—	64
Rimalco	3,380	2,877
SIL Group	360	312
Daiken	20	30
Magna-Foremost	1,397	2,572
Pacific Plywood	187	—
	14,758	12,585
Provision of services to:		
Yaw Holding Group	43	51
Daiken	42	44
Magna-Foremost	188	239
Foremost Crest	2	1
	275	335
Rental of properties and equipment to:		
Rimalco	69	141
Daiken	38	52
Yaw Holding Group	9	15
3D Networks	24	24
Magna-Foremost	4	11
	144	243

21. RELATED PARTY TRANSACTIONS (Continued)

	Six months ended 31 December	
	2008 $'000	2007 $'000
Purchase of goods from:		
Sepangar	9,287	7,484
Hap Seng Auto	2,427	1,780
Daiken	1,344	1,277
Foremost Crest	—	26
Pi Zhou Yanglin	210	1,327
Pacific Plywood	192	541
	13,460	12,435
Purchase of services from:		
Yaw Holding Group	815	676
Purchase of property, plant and equipment from:		
Hap Seng Auto	3,869	3,692
Yaw Holding Group	98	25
	3,967	3,717
Sub-licence of oil palm compartment to:		
Glenealy Group	—	5,818
Sub-licence of tree plantation compartment from:		
Glenealy Group	—	6,531
Acquisition of subsidiary from:		
SIL Group	8,600	—

The Directors of the Company are of the opinion that the above related party transactions were conducted on normal terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

22. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 30 JUNE 2009

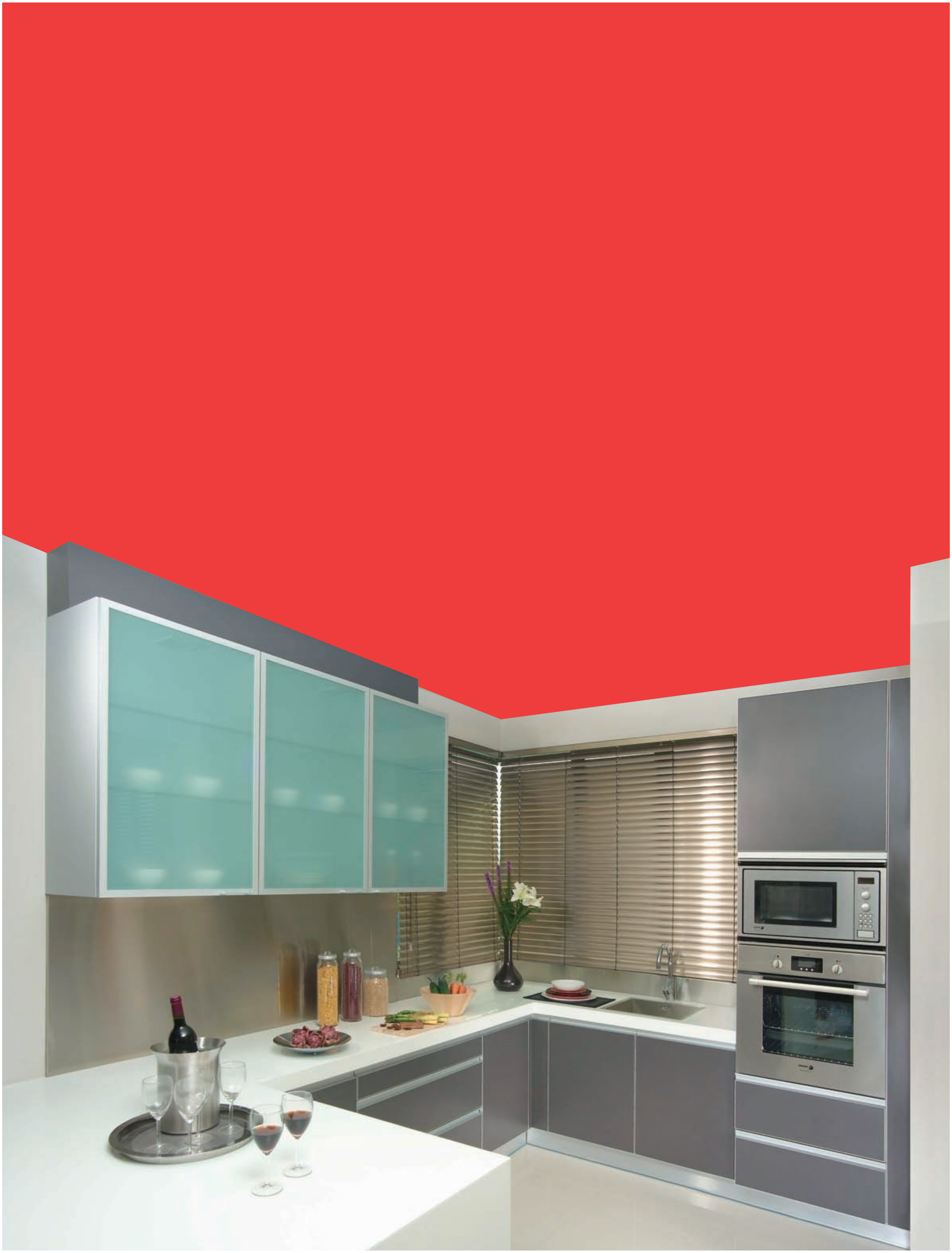
Up to the date of issue of this interim report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the annual accounting period ending 30 June 2009 and which have not been adopted in this interim report.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
IFRS 8, *Operating segments*	1 January 2009
IAS 1(revised 2007), *Presentation of financial statements*	1 January 2009



Samling Global Limited
三林環球有限公司*

* *for identification purposes only*
僅供識別