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

RESILIENCE. VALUES. OPPORTUNITIES.

STAYING AHEAD

WITH FOCUS AND OPTIMISM

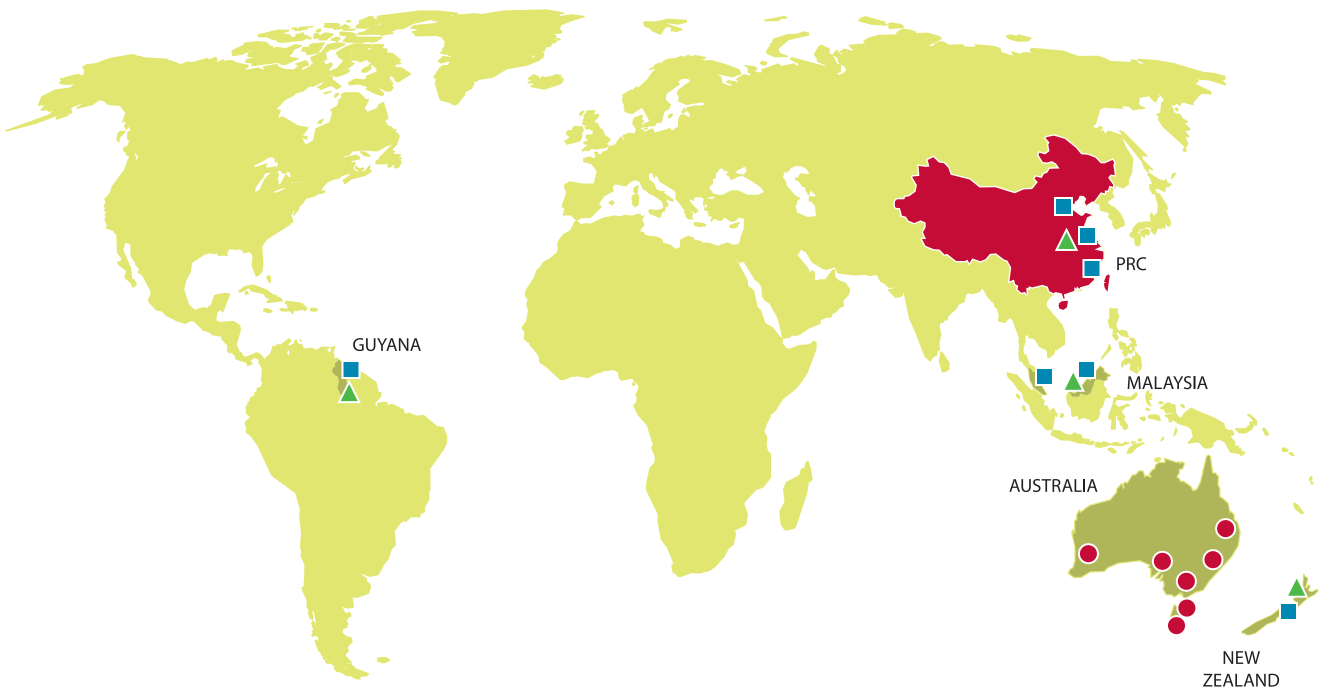
韌力.價值.機會.
以專注及積極態度
維持領先優勢

INTERIM REPORT
中期報告
2009/10

* for identification purposes only
僅供識別

Samling Global Limited is an integrated forest resource and wood products company • Strategically located operations in Malaysia (headquarters), the PRC, New Zealand, Australia and Guyana • Extensive forestry and management expertise with more than 40 years of track record • More than 12,000 employees across its operations

LARGE AND STRATEGICALLY LOCATED RESOURCE BASE AND OPERATIONS



GUYANA

- ▲ Forest concession
- ■ Plywood / Veneer
- ■ Sawn timber
- ■ New Sawmills (Work in progress)

PRC

- ▲ Forest plantation
- ■ Plywood / Veneer / LVL
- ■ Flooring
- ● Elegant Living Distribution of flooring (approx 650 distributor outlets)

MALAYSIA

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

NEW ZEALAND

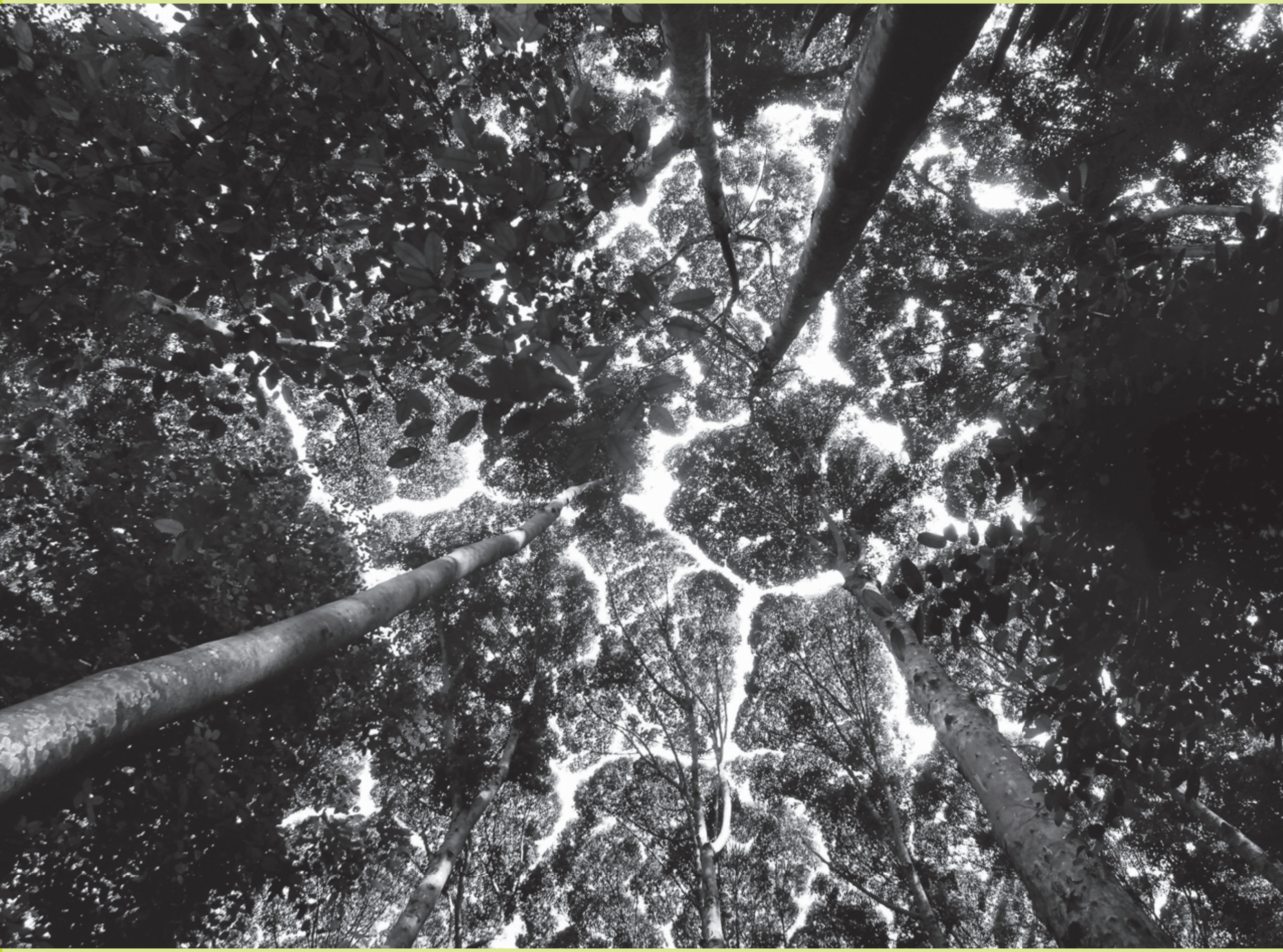
- ▲ Forest plantation
- ■ New Plywood / Veneer mill (Work in progress)

AUSTRALIA

- ● Brewster Distribution of timber products (7 branches)

▲ FOREST RESOURCE BASE
■ DOWNSTREAM MANUFACTURING
● END USER PRODUCTS & DISTRIBUTION

SAMLING GLOBAL LIMITED
INTERIM REPORT 2009/10



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
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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

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 2009 to all shareholders.

BUSINESS REVIEW

The financial year for the Group began with the world continuing to grapple with severe financial crisis which caused great turmoil in the financial markets and the consideration on how to prevent major economies falling into a deep recession. As the contagion spread from the financial sector to other sectors of the economy, governments around the world announced various stimulus plans to pump-prime its economy. These plans have had effect as at the date of this review, the financial crisis had abated, with signs that the major economies globally are pulling out of recession and returning to a growth path. As a result, the Group's financial performance for the period under review showed improvement as compared to the second half of the preceding financial year. For China, which recorded strong growth from large stimulus packages, its momentum of growth would be dependent on market reaction as funds from the stimulus packages are disbursed. However, the economy of the Group's key market of Japan remains stagnant due to buyer's wary outlook.

For the financial period under review, the Group recorded a turnover of US$269.0 million and gross profit of US$32.5 million. Gross profit margins achieved were higher at 12.1% compared to 8.6% for the corresponding preceding financial period. The improvement in gross profits was a result of our business strategy in preserving resources, enhancing operational efficiency and tight monitoring of cash cost of production and cost control. The Group recorded a profit before taxation of US$30.6 million after accounting for a contribution from the share of profits of associates of US$7.2 million and unrealised foreign exchange gains of US$5.7 million on US Dollar denominated loans by a foreign subsidiary in New Zealand. This compared favourably against a loss before taxation of US$24.0 million suffered in the corresponding preceding financial period. Profit attributable to shareholders of the Company was US$15.9 million.

The log trading segment remained the largest contributor to operating profits recorded at US$11.9 million for the financial period under review. Total volume of logs sold by the Group was 768,412 m^3 which was 14.4% higher than that of the corresponding preceding financial period which was principally due to higher log extraction in Malaysia with more conducive weather conditions and the ramp up in production of softwood logs in New Zealand. China and India remain key markets for the financial period under review. Although China's log demand for the manufacture of finished wood products targetted at the export market, principally to the recession hit USA market, has been adversely affected, this was offset by its other timber requirements from its robust construction and housing sectors which were beneficiaries of the economic stimulus packages. India, as its population becomes more affluent coupled with economic recovery, also increased its demand for the harder species logs. A significant part of the Group's log export from Malaysia and Guyana as well as the increased softwood production from New Zealand are exported to China and India. Due to the difference in mix and species requirement from various markets, average export prices was US$149.1/$m^3$ for hardwood logs. With the increase in demand from China, our New Zealand softwood logs export prices also improved by 24.5% from second half of the preceding financial year. The Group continues to monitor the timber market and preserving its timber resources where appropriate and only harvest logs that provide a reasonable return against cash cost of production for both downstream processing and direct sales.

Despite Japan's new housing starts falling to record low levels in the last 45 years of less than 800,000 units for 2009, the Group still managed to achieve a positive margin from its plywood and veneer segment as compared to 13.5% gross loss margin in second half of the preceding financial year. Export prices for plywood and veneer also showed an improvement of 16.7% and 12.7% respectively from the second half of the preceding financial year. The Group will continue to operate its plywood and veneer mills efficiently with a focus on cash cost containment and production of specialty products which can generate better gross profit margin.

In terms of overall production costs per cubic meter of logs, plywood and veneer, there had been some success in the Group's efforts in cost containment programmes and negotiation strategies in which our production cost was lower than that of the corresponding preceding financial period. There is further potential for cost reduction when production increases to higher level. The Group will continue to emphasise tight control over the cash cost of operations whilst making progress with its productivity and efficiency initiatives.

The Elegant Living companies, based in China, whose principal activities are the manufacture and sale of flooring products recorded an operating profit of US$6.2 million for the financial period under review. Strategically, Elegant Living companies, being one of the largest engineered flooring distributor in China, has maintained its stronghold by expanding further to Tier 2 cities in China with additional 98 outlets from 548 outlets in the preceding financial year. Furthermore, to tap in the domestic wood composite flooring market, which accounts for approximately 70% of the expected domestic output requirements in China, Elegant Living commissioned a new laminate plant in Chengdu in October 2009.

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

CORPORATE SOCIAL RESPONSIBILITY

The Group's corporate social responsibility emphasis is on achieving commercial success in a balanced, responsible manner taking into account the interests of all its stakeholders. The Group has implemented community assistance and community development programmes by providing basic living amenities such as water supply, fuel, electricity and building materials to remote communities. The pursuit of education among the younger generation is promoted through scholarships and bursary programmes which the Group had initiated and is on-going. The Group bring healthcare service closer to the forest community through a medical outreach programme while roads which were built and maintained at the communities' request to allow access to medical services in the nearest town, an effort that would normally take days and even weeks to access without roads.

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

Although there are uncertainties surrounding the sustainability of the global economic recovery, there are some indications that the worst financial crisis in decades may have abated and major global economies are showing signs of recovery. Faced with this uncertainty, end users still remain cautious on whether the recovery will be sustained before making commitments on purchases. In Japan, after experiencing a record low in housing starts for 2009, the government continues its efforts in giving the depressed housing industry a boost. Among the many plans to encourage house construction, an eco-point system for houses has been established to complement preferential taxation treatment for the acquisition of houses. Whether this will have its effects is yet to be seen as economic stagnation and anxiety over the future will be important considerations to end buyers who may delay purchases until the outlook is clearer. Currently, timber stockholding in Japan is relatively low and once restocking activities take place, it is hoped that there will be a rise in selling price. In China, the property sector, with support from the economic stimulus initiatives, has been booming with prices moving to un-precedented levels creating the fear that a property bubble may be forming. To manage this possible overheating in the property market, the Chinese government has taken steps to curb and control lending to this sector. However, its impact remains uncertain and whether a slowdown in demand from China may happen. India will continue to be a key buyer for the harder species of logs to meet the increasing demand for improved housing as the population's standard of living improves. It is hoped the momentum of the USA government efforts to turn around its economy can achieve the desired results.

In terms of supply, the economic crisis has caused many timber mills without strong financial resources to either curtail or shut down their operations completely. This has helped to balance supply with the reduced demand. With Russia announcing that the proposed increase in export tax on round logs to 80% has been further postponed to 2011, the timber market will not likely experience an immediate surge of log prices. In terms of log supply dynamics, a gradual shift in supplying countries is evident as Russia raw log exports has been on the decreasing trend (replaced by exports in the form of finished and semi-finished products). As a result, sources from New Zealand, Papua New Guinea and Sarawak, Malaysia are expected to fill this gap. The Group will continue in its plan to ramp up its production volume of softwood logs to meet the expected increase in demand and higher prices of softwood. China's plywood exports will continue to pose a threat to other plywood exporting countries to compete at the current much reduced market.

Faced with the intense competitive environment in which the Group operates and with constant pressure on margins, the Group continues to work on improving operational efficiency by enhancing the productivity of its workforce and its equipment fleet. When appropriate, it will take steps to preserve its timber resources and monitor harvest pattern with margin consideration in mind.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to the Directors, our Management and all employees for their strong commitment, dedication 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

15 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

KEY FINANCIAL HIGHLIGHTS

	Logs* US$'000	Plywood and veneer US$'000	Upstream support US$'000	Flooring products US$'000	Other operations US$'000	Eliminations US$'000	Total US$'000
SEGMENT REVENUE							
For the six months ended 31 December 2009							
External customers	85,951	84,373	20,661	24,894	53,107	—	268,986
Inter-segment revenue	33,059	11,633	82,350	1,278	3,197	(131,517)	—
Total revenue	119,010	96,006	103,011	26,172	56,304	(131,517)	268,986
For the six months ended 31 December 2008							
External customers	86,554	125,639	3,672	15,859	43,877	—	275,601
Inter-segment revenue	37,525	10,469	79,819	—	2,933	(130,746)	—
Total revenue	124,079	136,108	83,491	15,859	46,810	(130,746)	275,601
SEGMENT GROSS PROFIT (BEFORE INTER-SEGMENT ELIMINATION)							
For the six months ended 31 December 2009							
Gross profit	8,505	332	7,774	6,621	9,251	—	32,483
Gross profit margin (%)	*7.1*	*0.3*	*7.5*	*25.3*	*16.4*	—	*12.1*
Percentage of segment contribution (%)	*26.2*	*1.0*	*23.9*	*20.4*	*28.5*	—	*100.0*
For the six months ended 31 December 2008							
Gross profit/(loss)	17,507	1,743	(6,778)	4,078	7,126	—	23,676
Gross profit/(loss) margin (%)	*14.1*	*1.3*	*(8.1)*	*25.7*	*15.2*	—	*8.6*
Percentage of segment contribution (%)	*73.9*	*7.4*	*(28.6)*	*17.2*	*30.1*	—	*100.0*

* Logs comprise hardwood and softwood segments.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

	Six months ended 31 December	
	2009 US$'000	2008 US$'000
Gross profit	32,483	23,676
Other expenses net of other income before loss from changes in fair value of plantation assets less estimated point-of-sale costs	(22,445)	(24,593)
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	5,184	5,367
Profit from operations	15,222	4,450
Net financing income/(costs)	7,176	(19,565)
Share of profits less losses of associates and jointly controlled entities	8,181	(8,860)
Profit/(loss) before taxation	30,579	(23,975)
Income tax	(4,110)	(6,278)
Profit/(loss) for the period	26,469	(30,253)
Minority interests	(10,584)	8,082
Profit/(loss) attributable to equity shareholders of the Company	15,885	(22,171)

REVIEW OF GROUP RESULTS

Although the financial crisis and its corresponding drastic impact on the world major economies appears to have abated, there still remains an air of uncertainty as to whether the turnaround can be sustained. With end users generally remaining cautious, the pick up in demand has been relatively slow but at least further slide was prevented. Although turnover achieved of US$269.0 million was 2.4% lower than that of the corresponding preceding financial period, gross profit and gross profit margin have improved. Gross profit margin has increased to 12.1% compared to 8.6% for the corresponding preceding financial period. This was mainly due to lower fuel, lubricant and glue prices which were much off the highs experienced in the corresponding preceding financial period when the financial crisis was creating havoc to the major economies of the world. The results also had the benefit of an extra two months results from the Elegant Living group of companies when compared to the corresponding preceding financial period when only four months results of this group was consolidated after the acquisition was completed.

REVIEW OF GROUP RESULTS (CONTINUED)

With higher gross profit margin achieved by the upstream logging operations (inclusive of timber support services) and higher contribution from the Elegant Living group of companies, gross profit has increased to US$32.5 million from US$23.7 million achieved in the corresponding preceding financial period. Other expenses net of other income has decreased to US$22.4 million, which was 8.7% lower than the corresponding preceding financial period. This decrease was mainly due to the inclusion of other income from the licensing of its trade name by the Elegant Living group of companies in the financial period under review. After recognising a gain of US$5.2 million from changes in fair value of plantation assets less estimated point-of-sale costs, profit from operations was US$15.2 million, an increase of US$10.7 million from the US$4.5 million recorded in the corresponding preceding financial period. With unrealised foreign exchange gains of US$9.9 million from the translation of US Dollar loans by a foreign subsidiary in New Zealand and foreign currency deposits, the Group recognised net financing income of US$7.2 million for the financial period under review. Contribution from the Group's share of profits less losses of associates and jointly controlled entities was higher at US$8.2 million as compared to a loss of US$8.9 million in the corresponding preceding financial period. This was mainly due to profits from changes in fair value of oil palm plantation assets less estimated point-of-sale costs of US$4.6 million as a result of higher crude palm oil prices. Due to the above positive factors, the Group reported a profit before taxation of US$30.6 million compared to a loss before taxation of US$24.0 million for the corresponding preceding financial period. After accounting for minority interests of US$10.6 million, profits attributable to equity shareholders of the Company was US$15.9 million, compared to a loss of US$22.2 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$59.5 million which was US$30.5 million higher than that of the corresponding preceding financial period.

REVIEW OF BUSINESS SEGMENT RESULTS

Log Trading

Log trading, a major business segment, accounted for approximately 32.0% and 31.4% 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 2009			Six months ended 31 December 2008		
	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	392,027	*149.13*	58,464	304,045	*180.70*	54,942
Hardwood logs — local sales	166,036	*73.94*	12,276	167,040	*106.20*	17,740
Softwood logs — export sales	183,312	*68.84*	12,620	174,700	*67.57*	11,804
Softwood logs — local sales	27,037	*95.83*	2,591	25,714	*80.42*	2,068
Total external log sales	768,412	*111.86*	85,951	671,499	*128.90*	86,554
Internal log sales(i)	357,704	*92.42*	33,059	401,556	*93.45*	37,525
Total log sales	1,126,116	*105.68*	119,010	1,073,055	*115.63*	124,079

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

The Group sold 558,063 cubic metres ("m^3") of hardwood logs and 210,349 m^3 of softwood logs which was 18.5% and 5.0% higher respectively than the corresponding preceding financial period. With lower volume of hardwood logs processed by the Group's plywood mills which was not running at capacity, the volume of hardwood log exports increased by 28.9% compared to the corresponding preceding financial period.

REVIEW OF BUSINESS SEGMENT RESULTS (CONTINUED)

Log Trading (Continued)

During the financial period under review, China remained a key export market for the Group's hardwood logs. Although China's export of finished and semi-finished products were affected by lower demand, in particular from the USA, its domestic housing sector remained strong, partially fuelled by the economic stimulus packages. With fears of a housing bubble being created, the China authorities has recently curbed/tightened lending to this sector which has for the period under review a factor for the sustained log imports by China. In view of this, the Group sold 29.7% of its log exports to China in the financial period under review compared to 21.8% for the corresponding preceding financial period. The Indian economy has also shown signs of economic recovery and coupled with higher demand for housing by the increasingly affluent population, demand by India of the harder species logs, which was the preference for flooring, furniture and construction industry, has also remained stable. For the financial period under review, sales to India accounts for 31.9% of the Group's total log sales. For Japan, with new housing starts at record low levels, domestic plywood mills have lowered their production volumes and as a consequence, demand for logs has dropped. The Group sold 8.4% of its log exports to Japan, generally at premium prices as Japan normally sources the best quality logs for its domestic consumption.

The Group continued on its plan to progressively ramp up its softwood log production from its maturing New Zealand tree plantations. Of the total softwood logs sold during the financial period under review of 210,349 m^3, the Group's exports increased by 4.9%, principally to China and Korea.

The average hardwood log export prices achieved for the financial period under review was US$149.1 per m^3 compared to US$180.7 per m^3 achieved for the corresponding preceding financial period. The lower hardwood log price was mainly due to different mix and species of logs exported during these two financial periods. The average softwood log prices achieved was 4.5% higher at US$72.3 per m^3 compared to the corresponding preceding financial period.

With the impact of the lower volume and prices of hardwood logs sold, gross profit from log trading was lower at US$8.5 million compared to US$17.5 million achieved in the corresponding preceding financial period. Gross profit margin also decreased to 7.1% from 14.1% in the corresponding preceding financial period.

Plywood and Veneer

Plywood and veneer contributed 31.4% to the Group's total turnover for the financial period under review. 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 sale.

Plywood

	Six months ended 31 December 2009			Six months ended 31 December 2008		
	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	150,709	*412.86*	62,222	208,934	*455.08*	95,082
Plywood — local sales	18,189	*375.45*	6,829	24,239	*402.37*	9,753
Total external plywood sales	168,898	*408.83*	69,051	233,173	*449.60*	104,835
Internal plywood sales	9,984	*646.13*	6,451	8,486	*528.40*	4,484
Total plywood sales	178,882	*422.08*	75,502	241,659	*452.37*	109,319

REVIEW OF BUSINESS SEGMENT RESULTS (CONTINUED)

Veneer

	Six months ended 31 December 2009			Six months ended 31 December 2008		
	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	21,092	*313.67*	6,616	34,619	*331.09*	11,462
Veneer — local sales	34,878	*249.61*	8,706	37,369	*249.99*	9,342
Total external veneer sales	55,970	*273.75*	15,322	71,988	*288.99*	20,804
Internal veneer sales	16,253	*318.83*	5,182	20,534	*291.47*	5,985
Total veneer sales	72,223	*283.90*	20,504	92,522	*289.54*	26,789

For the financial period under review, the Group sold 168,898 m^3 of plywood and 55,970 m^3 of veneer to external parties which when compared to 233,173 m^3 of plywood and 71,988 m^3 of veneer sold in the corresponding preceding financial period was 27.6% and 22.3% lower respectively.

The plywood segment was affected by the slowdown in demand from its key markets, notably Japan, which recorded record low housing starts for 2009 of 800,000 units. This was the lowest level of housing starts for the past 45 years. Although Japan's demand was relatively low, the Group still sold 83,098 m^3 of plywood to Japan compared to 109,461 m^3 in the corresponding preceding financial period. In the USA, after a sharp downward spiral in housing starts brought about by the financial crisis, there are indicators that the lower housing starts are stabilising with signs of a gradual upward movement. The Group continues to support its customers in the USA and for the financial period under review, sales to the USA was 13.3% of total Group's plywood export sales. Although the Group was able to sell its plywood products to other markets, including South Korea, which imported 14.3% of the Group's total plywood exports, it continued on its strategy of preserving its timber resource by not processing up to capacity when margins realised do not provide the required return. With the slim margins, the Group paid close attention to the cash cost of production and focused on customers purchasing higher value niche plywood which fetched a better premium. Due to the low demand, exported plywood prices of US$412.9 per m^3 was 9.3% lower compared to the corresponding preceding financial period

Demand for veneer, which has a certain correlation with the plywood, was similarly affected and recorded lower sales when compared to the corresponding preceding financial period. The Group strived to maximise returns by focusing on producing more face and back veneer which gave better margins. Veneer prices realised of US$273.8 per m^3 was 5.3% marginally lower than that of the corresponding preceding financial period.

Production cost per m^3 of plywood and veneer has decreased in the financial period under review by approximately 2.9% and 11.7% respectively compared to the corresponding preceding financial period. This decrease in cost was mainly due to lower glue and lubricant prices. There is still room for further reduction in cost per m^3 when the production is increased as fixed and semi-fixed costs are now allocated over a lower production volume. However due to the lower plywood and veneer prices, gross profit realised of US$0.3 million remained slim and as a result, gross profit margin achieved for plywood and veneer operations was 0.3% compared to 1.3% in the corresponding preceding financial period.

With the current marginal profits from plywood and veneer, 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, as noted above, it will take steps to preserve its timber resource by reducing its downstream production but yet at the same time maintaining 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.

REVIEW OF BUSINESS SEGMENT RESULTS (CONTINUED)

Upstream Support

The upstream support operations encompass the extraction of logs from the forest, the logistics of transporting the extracted logs from the forest by road and riverine systems either for sale or to the downstream mills for further processing, central purchasing of parts and the reconditioning and repairs of the Group's equipment fleet. As this operation is principally out-door, weather condition is an important factor and has an impact on the level of log extraction. For the financial period under review, weather conditions were generally dryer and more conducive for harvesting. As such, the volume of logs extracted was 15.2% higher than that of the corresponding preceding financial period.

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. For the financial period under review, the Group had the benefit of lower diesel prices which decreased to US$0.59 per litre from an average of US$0.89 per litre in the corresponding preceding financial period. Coupled with semi-fixed and fixed operating costs being allocated over the higher volumes extracted, average operating cost per m^3 has decreased. 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 profit of US$7.8 million as compared to a gross loss of US$6.8 million achieved in the corresponding preceding financial period.

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 into which the assets are injected, of which the Company owns 70% (collective the "Elegant Living group of companies"), manufactures and sells flooring products. It is the current market leader in China for hand sculptured engineered flooring. As at the end of the financial period under review, the Elegant Living companies has 646 outlets in China, an increase of 98 outlets from the last financial year end.

In the corresponding preceding financial period, after the completion of the acquisition, the Group consolidated four months results of the Elegant Living group of companies and recognised an operating profit of US$3.0 million. For the financial period under review, it had the benefit of an additional two months with the consolidation of six months results coupled with higher sales, operating profits improved to US$6.2 million. This increase was, however, offset by the start up cost incurred by a new flooring factory operated by another subsidiary in China.

Other Operations

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

Revenue from other operations increased by US$9.2 million or approximately 21.0%, to US$53.1 million in the financial period under review from US$43.9 million in the corresponding preceding financial period. This increase was primarily due to the higher sales by the distribution company in Australia and the housing products division which expanded its product lines into the Japanese market. In terms of gross profit, other operations achieved US$9.3 million which was 29.8% higher than the corresponding preceding financial period.

Net Financing Costs

The Group recorded a net financing income of US$7.2 million compared to a net financing cost of US$19.6 million for the corresponding preceding financial period. The net financing income was principally due to the recognition of an unrealised foreign exchange gains of US$9.9 million on US Dollar denominated loans by a foreign subsidiary in New Zealand and foreign currency deposits. In the corresponding preceding financial period, 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$0.7 million loss recognised in the financial period under review.

REVIEW OF BUSINESS SEGMENT RESULTS (CONTINUED)

Share of Profits less Losses of Associates

The Group recognised a profit of US$7.2 million as share of profits less losses of associates compared to a loss of US$8.6 million recognised as our net share of profits less losses of associates for the corresponding preceding financial period. This profit was primarily attributable to the effects of gain 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 higher crude palm oil prices achieved.

Share of Profits less Losses of Jointly Controlled Entities

The Group recognised a profit of US$1.0 million as net share of profits less losses of jointly controlled entities compared to a loss of US$0.3 million recognised in the corresponding preceding financial period. This turnaround was primarily attributable to the better performance of the door manufacturing joint venture, Foremost Crest Sdn. Bhd.

Income Tax

An income tax expense of US$4.1 million was accounted for in the financial period under review as compared to US$6.3 million for the corresponding preceding financial period. The decrease in the tax charge in spite of higher profits was due to effect of higher non taxable income and the utilisation of tax credits not recognised in prior years.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group's cash and bank balances amounted to US$179.8 million compared to US$240.9 million as at 30 June 2009.

The gearing ratio was 27.4% and 29.7% as at 31 December 2009 and 30 June 2009, 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 year under review compared to 30 June 2009.

Available facilities that were not drawndown as at 31 December 2009 amounted to US$51.6 million compared to US$59.9 million as at 30 June 2009. At 31 December 2009, the Group has outstanding indebtedness of US$348.1 million compared to US$369.8 million as at 30 June 2009. Of the US$348.1 million of indebtedness, US$126.8 million is repayable within one year with the balance of US$221.3 million having a maturity of more than one year as presented below:

	US$ million
Within one year	126.8
After one year but within two years	42.4
After two years but within five years	178.9
After five years	—
Total	348.1

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

	US$ million
Secured	198.6
Unsecured	149.5
Total	348.1

The indebtedness carry interest rates ranging from 2.5% 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 enter into swap or interest rate hedging transactions in connection with some, but not all, of these debt facilities, considering their tenure.

FOREIGN EXCHANGE RISK

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

Certain of the foreign exchange gains and losses are attributable to foreign exchange transactions on the US Dollars loan above booked on the accounts of the New Zealand plantation forest subsidiary, Hikurangi Forest Farms Limited ("HFF") with outstanding principal amount, including capitalised interest, as of 31 December 2009 of US$54.8 million. As HFF's functional currency is the New Zealand dollar, exchange differences on the value of the HFF's US Dollars loans are recognised as part of the financial income and expense.

FOREIGN EXCHANGE RISK (CONTINUED)

The Group does enter into foreign currency swap agreements to hedge against the foreign currency risk. The Group manages the foreign currency risk by entering into borrowings in amounts consistent with the expected stream of revenues denominated in the relevant currency of such borrowing, which policy acts in effect as a natural hedge.

CAPITAL COMMITMENTS

The Group's total commitments as at 31 December 2009 amounted to US$23.7 million. (Authorised and contracted for amounted to US$1.9 million. Authorised but not contracted for amounted to US$21.8 million.)

CHARGE ON ASSETS

As at 31 December 2009, the Group pledged assets with aggregate carrying value of US$328.0 million (30 June 2009: US$287.2 million) to secure bank loans facilities of the Group.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no material contingent liabilities except as disclosed in note 17 of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 19 November 2009, the Group announced the signing of a convertible loan agreement to provide PT Borneo Pacific a convertible loans amounting to US$36.9 million. The Group has an option to convert these convertible loans into ordinary shares of PT Borneo Pacific up to a maximum of 82% of all ordinary shares issued by PT Borneo Pacific. The completion of this convertible loan agreement is subject to the completion of a satisfactory due diligence on PT Borneo Pacific which is currently being carried out.

On 26 November 2009, the Group completed the acquisition of the additional 7.54% stake in Lingui Developments Berhad ("Lingui") for a consideration of US$12.2 million. With this additional stake, the Group now holds 67.23% of the ordinary shares in Lingui.

Other than the above, the Group had no material acquisition or disposal of subsidiaries, associates and jointly controlled entities during the six months ended 31 December 2009.

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 2009.

EMPLOYEES

As at 31 December 2009, the Group employed a total of 11,822 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 2009, 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 2009. 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 2009, the interests and share positions of Directors and chief executive in the shares, underlying shares or debentures of the Company, subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which are required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Name of Director	Interests in Company, Subsidiary or Associated Corporation	Number and Class of Shares/Equity Interest Held	Capacity/Nature of the Interest	Long/Short Position	Approximate Percentage of Shareholding in Such Class of Shares
Chan Hua Eng	Lingui Developments Berhad ("Lingui")	394,623 ordinary shares(1)	Beneficial owner/Interest in a controlled corporation	Long	0.06%
	Glenealy Plantations (Malaya) Berhad ("Glenealy")	32,000 ordinary shares(2)	Interest in a controlled corporation	Long	0.03%
	the Company	4,000,000 ordinary shares(3)	Interest in a controlled corporation	Long	0.09%
Yaw Chee Ming	Yaw Holding Sdn. Bhd. ("Yaw Holding")	30,937 ordinary shares	Beneficial owner	Long	39.60%
		2,500 preference shares	Beneficial owner	Long	50%
	Samling Strategic Corporation Sdn. Bhd. ("Samling Strategic")	75,000,000 ordinary shares(4)	Interest in a controlled corporation	Long	100%
		1,497,021 redeemable preference shares(4)	Interest in a controlled corporation	Long	100%
		3,122,467 Class A redeemable preference shares(5)	Interest in a controlled corporation	Long	100%
		4,102,879 Class B redeemable preference shares(5)	Interest in a controlled corporation	Long	100%
		100,000 Class C redeemable preference shares(6)	Interest in a controlled corporation	Long	100%
		950,000 Class D redeemable preference shares(5)	Interest in a controlled corporation	Long	100%
	the Company	2,340,420,260 ordinary shares(4), (7)	Interest in a controlled corporation	Long	54.41%
	Lingui	449,307,101 ordinary shares(8)	Interest in a controlled corporation	Long	68.11%
	Glenealy	59,068,522 ordinary shares(8)	Interest in a controlled corporation	Long	51.77%
	Strategic Corporation Sdn. Bhd. ("Strategic Corporation")	17,040,000 ordinary shares(9)	Beneficial owner/Interest in a controlled corporation	Long	71%
	TSTC Sdn. Bhd. ("TSTC")	6,125,000 ordinary shares(10)	Interest in a controlled corporation	Long	100%
Cheam Dow Toon	Lingui	29,030 ordinary shares	Beneficial owner	Long	0.01%
	Glenealy	14,000 ordinary shares	Beneficial owner	Long	0.01%
	the Company	2,104,000 ordinary shares	Beneficial owner	Long	0.05%
Tan Li Pin, Richard	the Company	1,800,000 ordinary shares(11)	Interest in a controlled corporation	Long	0.04%

Notes:

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

(ii) Chan Hua Eng is deemed interested in 336,290 ordinary shares of Lingui since he and his spouse are each interested in 25% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turn holds 336,290 ordinary shares of Lingui.

(2) Chan Hua Eng is deemed interested in 32,000 ordinary shares of Glenealy since he and his spouse are each interested in 25% of the issued share capital of Tysim Holdings Sdn. Bhd., which in turn holds 32,000 ordinary shares of Glenealy.

(3) Chan Hua Eng is deemed interested in 4,000,000 ordinary shares of the Company since he is interested in 25% of the issued share capital of Tysim Holdings Limited, which in turn holds 4,000,000 ordinary shares of the Company.

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

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

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

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

(8) (i) The Company holds 100% of Samling Malaysia Inc, which in turn holds 67.23% of Lingui, which, in turn, holds 36.42% of Glenealy. Yaw Chee Ming is therefore deemed interested in all the ordinary shares of Lingui held by Samling Malaysia Inc and in all the ordinary shares of Glenealy held by Lingui. Yaw Chee Ming is also deemed interested in 0.88% of Lingui by virtue of Datuk Yaw Teck Seng's substantial interest in Plieran Sdn. Bhd; and

(ii) Samling Strategic holds 15.35% of Glenealy. By virtue of note (4) above, Yaw Chee Ming is deemed interested in the 7,520,000 ordinary shares of Glenealy held by Samling Strategic, and the 10,000,000 ordinary shares of Glenealy held by RHB Capital Nominees (Tempatan) Sdn. Bhd., in favour of Samling Strategic which has been pledged as security for bank borrowings by Eternal Grand Sdn. Bhd., a wholly-owned subsidiary of Yaw Holding. By virtue of note (8)(i) above, Yaw Chee Ming is also deemed interested in 41,548,522 ordinary shares of Glenealy held by Lingui.

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

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

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

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

Save as disclosed above, as at 31 December 2009, none of our Directors or chief executive have any interests or short positions in the shares, underlying shares or debentures of the Company or its 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 2009, 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%

Long positions of other substantial shareholders with notifiable interests

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

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 2009, 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.

OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining its high standards of corporate governance based on its established corporate governance practices in accordance with 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 Board is accountable to the Company's shareholders for good governance in directing and controlling the businesses of the Group.

The Board is pleased to report that the Company has been in full compliance with the code provisions and most of the recommended best practices in the CG Code throughout the six months period ended 31 December 2009 except for Code Provision A.4.1 in respect of the specific term of non-executive directors. The Code Provision A.4.1 has been met by the bye-laws requiring that in each annual general meeting of the Company, one-third of the directors retire from office by rotation so that every director shall be subject to retirement of at least once in every three years. The detailed biography of such Directors eligible for re-election will be stated in the notice of the general meeting.

The Board recognises the importance of a sound system of internal control and risk management practices, and acknowledges its overall responsibility for maintaining and reviewing the adequacy and effectiveness of the Group's system of internal control. Procedures have been designed for safeguarding shareholders' investment and assets against unauthorised use or disposition. The Board noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss. The Board had received assurance from the Audit Committee that the system of internal control and internal audit function has been operating effectively during the period. On 15 March 2010, the Audit Committee reviewed the Group's unaudited interim financial statements for the six months period ended 31 December 2009 and resolved to submit the interim financial report to the Board for approval.

The Audit Committee, Remuneration Committee, Nomination Committee and Independent Non-Executive Directors ("INED") Committee continued to discharge their duties and responsibilities in accordance with the authorities specified in its terms of reference, which are made available on the Company's website at http://www.samling.com.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a Code of Conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code (Appendix 10 to the Listing Rules). The Board confirms that, having made specific enquiry, the Directors have complied with the required standards set out in the Model Code throughout the six months period ended 31 December 2009.

CALL OPTION AGREEMENT

The INED Committee reviews on a quarterly basis whether or not to exercise any of the remaining 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, Interwil Holdings (Proprietary) Limited and Interwil (Proprietary) Limited in which the Controlling Shareholders are interested.

The Committee have further reviewed the relevant information up to or as at 2 March 2010 and have decided not to exercise any of the remaining call options granted to the Company under the Call Option Agreements.

NON-COMPETITION AGREEMENT

The INED Committee reviews on a quarterly basis whether or not to pursue or decline any investment or other commercial opportunity relating to certain defined businesses 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 INED Committee confirms that, having made specific enquiries, the Controlling Shareholders of the Company, confirmed their compliance with the non-competition agreement entered into between the Company and the Controlling Shareholders.

FINANCIAL SECTION

REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
SAMLING GLOBAL LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 44 which comprises the consolidated balance sheet of Samling Global Limited as of 31 December 2009 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34, *Interim financial reporting* promulgated by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with IAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 December 2009 is not prepared, in all material respects, in accordance with IAS 34.

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

15 March 2010

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2009 — unaudited
(Expressed in United States dollars)

	Note	2009 $'000	2008 $'000
		Six months ended 31 December	
Turnover	4	268,986	275,601
Cost of sales		(236,503)	(251,925)
Gross profit		32,483	23,676
Other operating income		6,031	2,445
Distribution costs		(10,484)	(7,445)
Administrative expenses		(17,963)	(16,646)
Other operating expenses		(29)	(2,947)
Gain from changes in fair value of plantation assets less estimated point-of-sale costs		5,184	5,367
Profit from operations		15,222	4,450
Financial income		14,939	6,519
Financial expenses		(7,763)	(26,084)
Net financing income/(costs)	5	7,176	(19,565)
Share of profits less losses of associates		7,154	(8,574)
Share of profits less losses of jointly controlled entities		1,027	(286)
Profit/(loss) before taxation	6	30,579	(23,975)
Income tax	7	(4,110)	(6,278)
Profit/(loss) for the period		26,469	(30,253)
Attributable to:			
Equity shareholders of the Company		15,885	(22,171)
Minority interests		10,584	(8,082)
Profit/(loss) for the period		26,469	(30,253)
Earnings/(loss) per share (US cents)	9		
— Basic and diluted		0.37	(0.52)

The notes on pages 27 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009 — unaudited
(Expressed in United States dollars)

	Six months ended 31 December	
	2009 $'000	2008 $'000
Profit/(loss) for the period	26,469	(30,253)
Other comprehensive income/(loss) for the period		
Exchange differences on translation of financial statement of subsidiaries	22,914	(55,245)
Total comprehensive income/(loss) for the period	49,383	(85,498)
Attributable to:		
Equity shareholders of the Company	30,289	(56,866)
Minority interests	19,094	(28,632)
Total comprehensive income/(loss) for the period	49,383	(85,498)

The notes on pages 27 to 44 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 31 December 2009 — unaudited
(Expressed in United States dollars)

	Note	At 31 December 2009 $'000	At 30 June 2009 $'000
Non-current assets			
Fixed assets, net	10		
— Investment properties		15,450	7,525
— Other property, plant and equipment		360,204	370,430
Construction in progress		16,544	15,401
Interest in leasehold land held under operating leases		34,309	34,216
Intangible assets		47,054	50,107
Plantation assets	11	241,775	213,396
Interest in associates		76,862	68,497
Interest in jointly controlled entities		12,162	10,828
Other investment		32	31
Deferred tax assets		2,973	2,789
Total non-current assets		807,365	773,220
Current assets			
Inventories	12	152,333	135,457
Trade and other receivables	13	108,876	74,105
Current tax recoverable		20,429	20,378
Cash and cash equivalents	14	179,789	240,876
Total current assets		461,427	470,816
Total assets		1,268,792	1,244,036

CONSOLIDATED
BALANCE SHEET

At 31 December 2009 — unaudited
(Expressed in United States dollars)

	Note	At 31 December 2009 $'000	At 30 June 2009 $'000
Current liabilities			
Bank loans and overdrafts	15	103,456	101,084
Obligations under finance leases		23,296	28,047
Trade and other payables	16	133,665	124,176
Current tax payable		3,263	1,787
Total current liabilities		263,680	255,094
Net current assets		197,747	215,722
Total assets less current liabilities		1,005,112	988,942
Non-current liabilities			
Bank loans and overdrafts	15	195,400	206,398
Obligations under finance leases		25,950	34,292
Deferred tax liabilities		56,836	53,008
Total non-current liabilities		278,186	293,698
Total liabilities		541,866	548,792
Capital and reserves			
Share capital		430,174	430,174
Reserves		134,742	88,352
Total equity attributable to equity shareholders of the Company		564,916	518,526
Minority interests		162,010	176,718
Total equity		726,926	695,244
Total liabilities and equity		1,268,792	1,244,036

The notes on pages 27 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2009 — unaudited
(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the company								
		Share capital $'000	Share premium $'000	Currency translation reserve $'000	Revaluation reserve $'000	Other reserve $'000	Retained profits $'000	Total $'000	Minority interests $'000	Total equity $'000
Balance at 1 July 2008		430,174	261,920	51,616	6,673	(301,079)	148,586	597,890	181,736	779,626
Changes in equity for the six months ended 31 December 2008:										
Consideration for business combination under merger accounting		—	—	—	—	(8,600)	—	(8,600)	—	(8,600)
Acquisition of subsidiary		—	—	—	—	—	—	—	23,335	23,335
Total comprehensive loss for the period		—	—	(34,695)	—	—	(22,171)	(56,866)	(28,632)	(85,498)
Dividends in respect of previous financial year, approved and paid during the period	8	—	—	—	—	—	(3,441)	(3,441)	(1,155)	(4,596)
Balance at 31 December 2008		430,174	261,920	16,921	6,673	(309,679)	122,974	528,983	175,284	704,267
Balance at 1 July 2009		430,174	261,920	21,740	6,673	(309,679)	107,698	518,526	176,718	695,244
Changes in equity for the six months ended 31 December 2009:										
Additional investment in a subsidiary		—	—	—	—	19,542	—	19,542	(31,727)	(12,185)
Total comprehensive income for the period		—	—	14,404	—	—	15,885	30,289	19,094	49,383
Dividends in respect of previous financial year, approved and paid during the period	8	—	—	—	—	—	(3,441)	(3,441)	(2,075)	(5,516)
Balance at 31 December 2009		430,174	261,920	36,144	6,673	(290,137)	120,142	564,916	162,010	726,926

The notes on pages 27 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2009 — unaudited
(Expressed in United States dollars)

	Note	Six months ended 31 December 2009 $'000	2008 $'000
Operating profit before changes in working capital		54,270	44,276
Changes in working capital		(41,182)	(19,508)
Net cash generated from operations		13,088	24,768
Net income tax paid		(2,929)	(3,283)
Net cash generated from operating activities		10,159	21,485
Net cash used in investing activities		(33,992)	(30,340)
Net cash used in financing activities		(44,100)	(38,310)
Net decrease in cash and cash equivalents		(67,933)	(47,165)
Cash and cash equivalents at beginning of the period	14	191,250	241,124
Effect of foreign exchange rate changes		4,817	(469)
Cash and cash equivalents at end of the period	14	128,134	193,490

The notes on pages 27 to 44 form part of this interim financial 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 the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, promulgated the International Accounting Standards Board ("IASB"). It was authorised for issuance on 15 March 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") 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 Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 20.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments and a new standard that are first effective for the current accounting period of the Group. The following developments may result in new or amended disclosures in the financial statements:

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- IAS 23 (revised 2007), *Borrowing costs*
- IFRS 3 (revised), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*

The amendments to IAS 23 and IFRS 3 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments on the interim financial report is as follows:

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

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

- The amendments to IAS 27 dealt with how to measure and recognise all further acquisitions of interest (i.e. transactions which reduce the minority interests) after control is obtained. Such acquisitions should be accounted for as equity transactions and hence no gain or loss from these changes should be recognised in the consolidated income statement and no change in the carrying amounts of the subsidiary's assets (including goodwill) or liabilities should be recognised.

3. SEGMENT REPORTING

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

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

(a) Segment results, assets and liabilities

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regards, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and jointly controlled entities, current tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include provision for product warranties, trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments.

3. SEGMENT REPORTING (CONTINUED)

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

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

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

	Six months ended 31 December 2009							
	Logs			Plywood and veneer	Upstream support	Flooring products	Other operations	Total
	Hardwood $'000	Softwood $'000	Sub-total $'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	70,740	15,211	85,951	84,373	20,661	24,894	53,107	268,986
Inter-segment revenue	32,991	68	33,059	11,633	82,350	1,278	3,197	131,517
Reportable segment revenue	103,731	15,279	119,010	96,006	103,011	26,172	56,304	400,503
Reportable segment profit	8,806	3,058	11,864	(4,483)	5,434	4,889	(2,482)	15,222
Reportable segment assets	84,812	268,880	353,692	314,303	136,416	90,216	117,422	1,012,049
Investment in associates and jointly controlled entities	—	—	—	—	—	—	89,024	89,024
Additions to non-current segment assets during the period	4,684	7,085	11,769	5,820	776	1,191	9,295	28,851
Reportable segment liabilities	9,827	6,535	16,362	29,150	60,043	4,571	23,539	133,665

3. SEGMENT REPORTING (CONTINUED)

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

	Six months ended 31 December 2008							
	Logs			Plywood and veneer	Upstream support	Flooring products	Other operations	Total
	Hardwood $'000	Softwood $'000	Sub-total $'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	72,682	13,872	86,554	125,639	3,672	15,859	43,877	275,601
Inter-segment revenue	37,525	—	37,525	10,469	79,819	—	2,933	130,746
Reportable segment revenue	110,207	13,872	124,079	136,108	83,491	15,859	46,810	406,347
Reportable segment profit	18,634	2,743	21,377	(5,700)	(10,593)	2,974	(3,608)	4,450
Reportable segment assets	77,848	242,034	319,882	285,635	144,313	88,854	106,882	945,566
Investment in associates and jointly controlled entities	—	—	—	—	—	—	79,325	79,325
Additions to non-current segment assets during the period	3,662	7,972	11,634	3,507	7,807	1,016	2,366	26,330
Reportable segment liabilities	9,757	8,446	18,203	26,491	47,124	2,368	29,990	124,176

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

	Six months ended 31 December	
Revenue	2009 $'000	2008 $'000
Reportable segment revenue	400,503	406,347
Elimination of inter-segment revenue	(131,517)	(130,746)
Consolidated turnover	268,986	275,601
Profit		
Reportable segment profit	15,222	4,450
Share of profits less losses of associates	7,154	(8,574)
Share of profits less losses of jointly controlled entities	1,027	(286)
Net financing income/(costs)	7,176	(19,565)
Consolidated profit/(loss) before taxation	30,579	(23,975)

3. SEGMENT REPORTING (CONTINUED)

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

	At 31 December 2009 $'000	At 30 June 2009 $'000
Assets		
Reportable segment assets	1,012,049	945,566
Interest in associates and jointly controlled entities	89,024	79,325
Current tax recoverable	20,429	20,378
Deferred tax assets	2,973	2,789
Unallocated head office and corporate assets	144,317	195,978
Consolidated total assets	1,268,792	1,244,036
Liabilities		
Reportable segment liabilities	133,665	124,176
Current tax payable	3,263	1,787
Deferred tax liabilities	56,836	53,008
Borrowings	348,102	369,821
Consolidated total liabilities	541,866	548,792

4. 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 machinery services. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 31 December	
	2009 $'000	2008 $'000
Sales of goods	248,325	271,929
Revenue from provision of services	20,661	3,672
	268,986	275,601

5. NET FINANCING INCOME/(COSTS)

	Six months ended 31 December	
	2009 $'000	2008 $'000
Interest on loans and overdrafts from banks and other borrowings wholly repayable within 5 years	(10,528)	(6,971)
Interest on loans and overdrafts from banks and other borrowings wholly repayable after 5 years	—	(4,630)
	(10,528)	(11,601)
Less: Borrowing costs capitalised into plantation assets (note 11)	3,490	4,135
Interest expense	(7,038)	(7,466)
Net loss on changes in fair value of financial instruments	(671)	(6,827)
Foreign exchange losses	(54)	(11,791)
Financial expenses	(7,763)	(26,084)
Interest income	1,168	2,839
Foreign exchange gains	13,771	3,680
Financial income	14,939	6,519
	7,176	(19,565)

Borrowing costs have been capitalised at a rate of 3.67% to 7.31% (2008: 5.29% to 7.31%) per annum.

6. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 31 December	
	2009 $'000	2008 $'000
Depreciation	30,951	31,764
Less: Depreciation capitalised as plantation assets (note 11)	(111)	(283)
	30,840	31,481
Amortisation of leasehold land held under operating leases	555	479
Amortisation of intangible assets	3,789	2,527
Impairment loss on fixed assets	—	2,896
Write-down of inventories	259	1,596

7. INCOME TAX

	Six months ended 31 December	
	2009 $'000	2008 $'000
Current tax		
Provision for the year	3,233	4,853
Under/(over)-provision in respect of prior years	534	(83)
	3,767	4,770
Deferred tax		
Origination and reversal of temporary differences	343	1,508
	4,110	6,278

Notes:

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

(b) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the six months ended 31 December 2008 and 2009.

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

(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 five 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 or were exempted from income tax during the six months ended 31 December 2008 and 2009.

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

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

(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%.

Foothill LVL & Plywood (Cangshan) Co., Ltd. and Riverside Plywood Corporation are subject to the standard PRC income tax rate of 25%.

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 Anlin Wood Plantation Co., Ltd. is fully exempted from PRC enterprise income tax.

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 31 December 2009 (six months ended 31 December 2008 : $NIL).

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

	Six months ended 31 December	
	2009 $'000	2008 $'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 0.080 US cents per share (six months ended 31 December 2008: 0.080 US cents)	3,441	3,441

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the six months ended 31 December 2009 is based on the profit attributable to equity shareholders of the Company for the six months ended 31 December 2009 of $15,885,000 (six months ended 31 December 2008: loss of $22,171,000) and the number of 4,301,737,000 (2008 : 4,301,737,000) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares during the six months ended 31 December 2008 and 2009. Diluted earnings per share is the same as the basic earnings per share.

10. FIXED ASSETS, NET

(a) Acquisition and disposal

During the six months ended 31 December 2009, the Group acquired fixed assets with an aggregate cost of $18,012,000 (six months ended 31 December 2008: 18,158,000). Items of fixed assets with a net book value of $2,104,000 were disposed of during the six months ended 31 December 2009 (six months ended 31 December 2008: $586,000), resulting in a gain on disposal of $907,000 (six months ended 31 December 2008: $175,000).

(b) Certain interests in leasehold land held under operating leases, buildings, plant and machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 15.

11. PLANTATION ASSETS

Included in additions to the Group's plantation assets are interest capitalised of $3,490,000 (six months ended 31 December 2008: $4,135,000) and depreciation of fixed assets of $111,000 (six months ended 31 December 2008: $283,000) for the six months ended 31 December 2009.

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 (2008: 7) forest plantation licences for a gross area of approximately 458,000 (2008: 458,000) hectares in Malaysia. The licences are for 60 years, the earliest of which expires in December 2058. The Group was granted the plantation rights to a total land area of 3,079 hectares in PRC.

The Group's plantation assets in Malaysia and the PRC were independently valued by Pöyry Forest Industry Pte Ltd ("Pöyry") while the plantation assets in New Zealand were independently valued by Chandler Fraser Keating Limited ("CFK"). In view of the non-availability of market value for trees plantation in New Zealand, Malaysia and the PRC, both Pöyry and CFK have applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at the rate of 10.2% (2008: 10.2%) for plantation assets in Malaysia, 10% (2008: 10%) for plantation assets in the PRC and 7.25% (2008: 7.25%) 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 the PRC 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 tax and finance costs.

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

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

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

Certain plantation assets are pledged to banks for certain banking facilities granted to the Group as disclosed in note 15.

12. INVENTORIES

(a) Inventories in the balance sheet comprise:

	At 31 December 2009 $'000	At 30 June 2009 $'000
Timber logs	39,674	35,910
Raw materials	11,628	8,990
Work-in-progress	17,469	17,225
Manufactured inventories	48,856	39,583
Stores and consumables	34,706	33,749
	152,333	135,457

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

	Six months ended 31 December	
	2009 $'000	2008 $'000
Carrying amount of inventories sold	236,244	250,329
Write-down of inventories	259	1,596
	236,503	251,925

13. TRADE AND OTHER RECEIVABLES

	At 31 December 2009 $'000	At 30 June 2009 $'000
Trade receivables	58,917	44,561
Prepayments, deposits and other receivables	49,959	27,926
Loan to a jointly controlled entity	—	1,618
	108,876	74,105

Included in the Group's trade receivables are amounts due from related parties of $6,759,000 and $7,799,000 as at 31 December 2009 and 30 June 2009 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 2009 $'000	At 30 June 2009 $'000
Within 30 days	34,143	26,511
31–60 days	10,793	5,816
61–90 days	5,753	2,152
91–180 days	3,710	5,812
181–365 days	2,799	2,907
1–2 years	973	1,179
Over 2 years	746	184
	58,917	44,561

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 2009, the Group's trade receivables of $2,354,000 (30 June 2009: $13,540,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $1,961,000 (30 June 2009: $12,561,000) were recognised. The Group does not hold any collateral over these balances.

13. 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 follow:

	At 31 December 2009 $'000	At 30 June 2009 $'000
Within 30 days	34,143	26,341
31–60 days	10,793	5,780
61–90 days	5,753	2,029
91–180 days	3,710	5,742
181–365 days	2,799	2,445
1–2 years	973	1,179
Over 2 years	353	66
	58,524	43,582

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

Receivables that were past due but not impaired relate to a number of 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.

14. CASH AND CASH EQUIVALENTS

	At 31 December 2009 $'000	At 30 June 2009 $'000
Deposits with banks and other financial institutions	147,871	197,285
Cash at bank and in hand	31,918	43,591
Cash and cash equivalents in the balance sheet	179,789	240,876
Bank overdrafts (note 15)	(13,131)	(19,990)
Secured deposits with banks and other financial institutions	(38,524)	(29,636)
Cash and cash equivalents in the cash flow statement	128,134	191,250

15. BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts were repayable as follows:

	At 31 December 2009 $'000	At 30 June 2009 $'000
Within 1 year or on demand	103,456	101,084
After 1 year but within 2 years	26,780	28,801
After 2 years but within 5 years	168,620	96,814
After 5 years	—	80,783
	195,400	206,398
	298,856	307,482

The bank loans and overdrafts were secured as follows:

	At 31 December 2009 $'000	At 30 June 2009 $'000
Overdrafts (note 14)		
— unsecured	6,725	15,937
— secured	6,406	4,053
	13,131	19,990
Bank loans		
— unsecured	142,825	139,227
— secured	142,900	148,265
	285,725	287,492
	298,856	307,482

15. BANK LOANS AND OVERDRAFTS (CONTINUED)

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

	At 31 December 2009 $'000	At 30 June 2009 $'000
Fixed assets	66,092	58,857
Interests in leasehold land held under operating leases	4,958	5,374
Plantation assets	218,401	193,326
Cash and cash equivalents	38,524	29,636
	327,975	287,193

A bank loan amounting to $50,000,000 as at 31 December 2009 (30 June 2009: $50,000,000) of the Group was secured by the Group's investment in Lingui Developments Berhad.

16. TRADE AND OTHER PAYABLES

	At 31 December 2009 $'000	At 30 June 2009 $'000
Trade payables	71,831	57,204
Other payables	25,577	29,514
Accrued expenses	26,783	28,823
Derivative financial instruments	9,474	8,635
	133,665	124,176

Included in the Group's trade payables are amounts due to related parties of $6,784,000 and $6,694,000 as at 31 December 2009 and 30 June 2009 respectively.

An ageing analysis of trade payables is as follows:

	At 31 December 2009 $'000	At 30 June 2009 $'000
Within 30 days	24,398	20,365
31–60 days	11,142	8,652
61–90 days	8,744	5,874
91–180 days	11,522	5,916
181–365 days	9,809	11,356
1–2 years	5,730	4,782
Over 2 years	486	259
	71,831	57,204

17. CONTINGENT LIABILITIES

Further to the disclosures in the 2009 Annual Report, the updated status of the legal claims stated therein is as follows:

i. Legal claims from inhabitants of longhouses

(a) In respect of the legal claims against one of the Company's subsidiaries, 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 2009. 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.

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

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

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

The timber licence and the licence for planted forest held by Samling Plywood and Samling Reforestation respectively have been issued by governmental authorities in Sarawak. The Company will contest the legal suits brought against Samling Plywood and Samling Reforestation.

ii. Contingent consideration in respect of business combination

With respect to 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. in 2008, the contingent consideration of $8.3 million recognised as payables previously was paid during the period. The Group may be required to pay additional contingent consideration of up to $17.4 million if certain terms and conditions as set out in the Sales and Purchase Agreement are met. As at 31 December 2009, such terms and conditions which lead to the payment of the additional contingent consideration were not met.

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 countries (including Japan).

19. CAPITAL COMMITMENTS

	At 31 December 2009 $'000	At 30 June 2009 $'000
Authorised and contracted for	1,920	—
Authorised but not contracted for	21,812	48,983

20. RELATED PARTY TRANSACTIONS

During the six months ended 31 December 2009 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, a controlling shareholder and director of the Company
Perkapalan Damai Timur Sdn. Bhd. ("PDT")	PDT is a major shareholder of the Company, and is controlled by Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman
Arif Hemat Sdn. Bhd. ("Arif Hemat")	Arif Hemat is controlled by Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman
3D Networks Sdn. Bhd. ("3D Networks")	3D Networks is controlled by Mr. Yaw Chee Ming

20. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of party	Relationship
Hap Seng Auto Sdn. Bhd. ("Hap Seng Auto")	Hap Seng Auto is controlled by the father-in-law of Mr. Yaw Chee Ming
Sojitz Building 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 2009 and 2008 are as follows:

	Six months ended 31 December	
	2009 $'000	2008 $'000
Sale of goods to:		
Sojitz Building	11,713	9,414
Rimalco	1,482	3,380
Daiken	19	20
Magna-Foremost	1,276	1,397
Arif Hemat	1	1
Pacific Plywood	53	187
	14,544	14,399
Provision of services to:		
Yaw Holding Group	38	43
Daiken	56	42
Magna-Foremost	205	188
Foremost Crest	17	2
	316	275

20. RELATED PARTY TRANSACTIONS (CONTINUED)

	Six months ended 31 December	
	2009 $'000	2008 $'000
Rental of properties and equipment to:		
Rimalco	60	69
Daiken	30	38
Yaw Holding Group	9	9
3D Networks	24	24
Arif Hemat	8	8
Magna-Foremost	4	4
	135	152
Interest income from:		
Magna-Foremost	6	76
Purchase of goods from:		
Sepangar	4,117	9,287
Hap Seng Auto	2,155	2,427
Daiken	2,035	1,344
Pi Zhou Yanglin	—	210
Pacific Plywood	331	192
	8,638	13,460
Purchase of services from:		
Yaw Holding Group	327	815
Purchase of fixed assets from:		
Hap Seng Auto	—	3,869
Yaw Holding Group	146	98
	146	3,967
Rental of properties and equipment from:		
Yaw Holding Group	409	404
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.

21. COMPARATIVE FIGURES

As a result of the application of IAS 1 (revised 2007), *Presentation of financial statements* and IFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in financial year ending 2010. Further details of these developments are disclosed in note 2.