Interim Report
中期報告2007/08

Maximising Resources through Integration

整合為基 善用資源

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

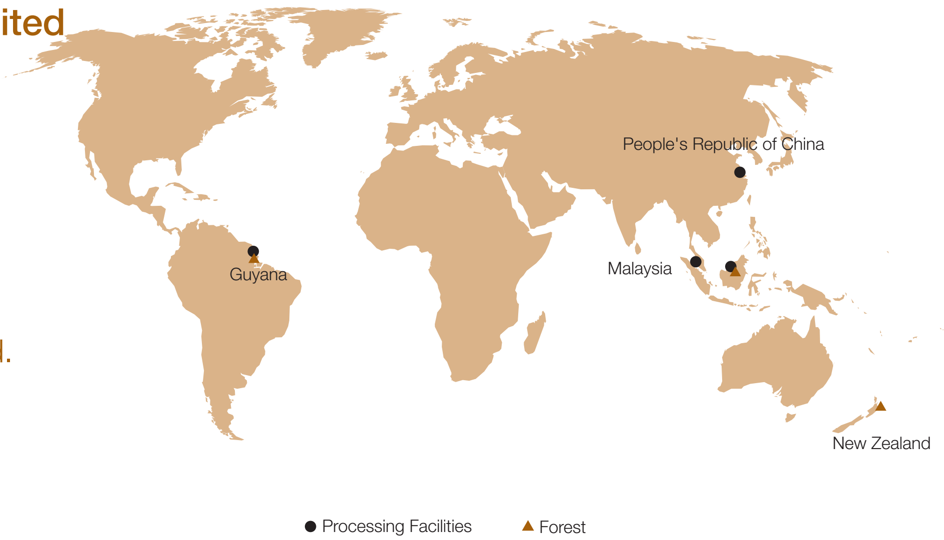
* *For identification purposes only*
僅供識別

Aerial view of tropical rainforest in Sarawak
砂勝越熱帶雨林俯瞰圖

Contents

Samling Global Limited

is an integrated forest resource and wood products company with forest resources and processing facilities situated in different regions around the world.



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

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Joint Company Secretaries

Navin Kumar Aggarwal *(LL.B. (Hons.) London, P.C.LL (Hong Kong))*
Veronica Lin Siu Mui *(ACS, ACIS, FCIS (ICSA), FCS (HKICS))*

Compliance Adviser

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KPMG

Legal Advisers

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

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Hong Kong Branch Share Registrar and Transfer Office

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Principal Bankers

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

Stock Code

Hong Kong Stock Exchange 3938

Website

www.samling.com

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Samling Global Limited ("the Company"), I am pleased to present the interim financial report for the six months ended 31 December 2007 to all shareholders.

Business Review

The financial period under review was a challenging one for the Group as it strived to maintain its margins given significantly lower prices, notably for plywood, and rising costs principally due to an increase in fuel prices. For the financial period under review, the Group recorded a turnover and gross profit of US$255.8 million and US$36.8 million respectively, representing a decrease of 14.2% and 58.8% over the corresponding preceding financial period. Gross profit margins achieved were lower at 14.4% compared to 29.9% for the corresponding preceding financial period. After accounting for an improved contribution from the share of profits less losses of associates of US$14.9 million, the Group achieved a profit before taxation of US$36.1 million for the financial period under review. This was 55.2% lower than the profit before taxation of US$80.4 million achieved in the corresponding preceding financial period. Profit attributable to shareholders of the Company was US$26.2 million. As seen from the above, prices obtained for Group products has a very material effect on its profits.

As a result of lower prices in the plywood and veneer segments, the log trading segment became the largest contributor to operating profits, accounting for about 68.9%. Although New Zealand and Malaysian domestic log prices have softened, Malaysian export log prices have generally maintained due to strong demand from China and India with their rapid economic growth. Demand for timber from the construction and infrastructure sectors have grown as more projects were being launched due to the rising levels of wealth in these two countries.

Contribution from plywood and veneer to operating profits was 32.8% as this segment's results were affected by declining plywood prices principally caused by lower demand from Japan, a key market for the Group. Housing starts in Japan had tapered off from that of the preceding financial year as approvals for new housing had slowed down whilst the Japanese government worked on tightening its housing and construction law and the approval process. Whilst the Group was able to partly mitigate this by selling to other markets, margins were affected as Japan was a premium market.

In the financial period under review, operating costs generally also increased with the rise of prices in diesel, glue and lubricant which negatively impacted margins. Recognising this, the Group has kept a tight control over costs besides continuing to implement processes to improve on productivity and efficiency. As part of this programme, the Group's plans to build two more co-generation plants using wood waste as fuel is progressing as planned and this will help reduce the reliance on diesel, the price of which has increased by as much as 11.1% since the end of the last financial year.

In line with the Group's strategy to expand its distribution network, it had on 11 February 2008 completed the acquisition of a 100% stake in Brewster Ltd, a company based in Australia. Brewster Ltd is involved in the sales and distribution of building materials, including panels and wood engineered products, timber and hardware, with a business presence throughout Australia. Through this new acquisition, the Group will work on enhancing its network in Australia as well as the product range sold, including but not limited to products produced from the Group's resources in Malaysia, Guyana and New Zealand.

Chairman's Statement

Corporate Responsibility

The Group's corporate responsibility emphasis is on achieving commercial success in a balanced, responsible manner taking into account the interests of all stakeholders. In all the forest resources that the Group operates, it stays committed to the principles of sustainable forest management so that forests are operated in a responsible and sustainable way that will ensure the availability of forest resource for future generations. The Group assists communities within its areas of operation in improving their standards of living by providing necessities and assistance in various infrastructure projects. The Group practises open communication with all interested stakeholders.

Corporate Governance

The Board is committed to the highest standards of corporate governance throughout the Group and is accountable to the Company's shareholders for good governance. The Company has complied with the provisions and best practices of the 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 ("Listing Rules") throughout the six months ended 31 December 2007.

Outlook

Due to weaker demand from Japan with a slowdown in housing starts, plywood prices have remained relatively soft for the financial period under review. As at the date of this announcement, there were still no indicators of any significant improvement in housing starts which will help boost demand and prices. Although the Group is able to sell its plywood production to other markets, margins will generally be lower and as a consequence the outlook for the full financial year for plywood is that the results are likely to be lower than that of the preceding financial year.

Although veneer sales volume is expected to be in line with that of the preceding financial year, the performance of the veneer operations will be affected by lower veneer prices, which has a correlation with plywood prices. To mitigate the lower price effect, the Group will continue its focus on producing quality face and back veneer.

The movement in fuel prices that has reached record levels and the uncertainty over the United States of America ("USA") economy with a slowdown in the housing sector have cast an uncertain outlook on the timber market. These may cause further slowdown in economic growth and affect demand for timber products as development activities slow down.

On the positive side, demand for logs is expected to remain strong with the continuing economic growth in China and India, the two major importing countries. The increase in export duties for Russian logs is likely to have a positive effect on timber prices as Russian logs become more expensive.

Recognising that margins will be under pressure with higher fuel prices, the Group will continue to take prudent measures and plans to improve productivity and efficiency of its business operations. In view of the generally lower plywood prices, the Group is also taking steps to preserve part of its timber resources, the harvesting of which will be ramped up again once prices recover.

Chairman's Statement

Appreciation

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

Chan Hua Eng
Chairman
Hong Kong

19 February 2008

Corporate Responsibility

The Group is progressively integrating Corporate Responsibility ("CR") practices throughout our businesses while incorporating broader social and environmental objectives into our day-to-day decision-making to better enable us to achieve our goals. Our commitment to CR is not simply a response to increased market attention in this area, but such considerations reinforce the way that our various businesses operate.

We regard CR as a sustainable approach to business that seeks to benefit all of our stakeholders, whether they are customers, employees, communities, the environment, or the Company and its shareholders.

The Group's CR focuses on four main areas that our businesses have a high impact on, namely the community, the environment, the workplace and the marketplace.

Communities

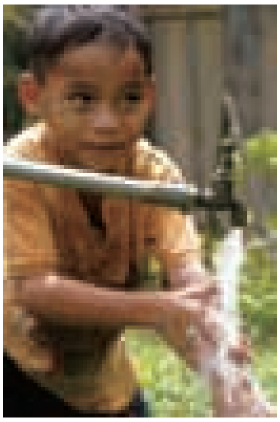
Local Indigenous Communities

There are many indigenous people who live in the areas where we operate. Our aim is to assist community members lead safer and easier lives, empowering them to develop self-reliant and environmentally-balanced living, while respecting their traditions, cultures and beliefs.

Our "Community Assistance Programme" makes available basic necessities such as water, electricity and building materials to the communities.

Reaching Out to the Penan Community

Long Main village bears the achievement of receiving 24-hour electricity with help from our electrification project. Other community developments spearheaded by the Group include the gravity water dam project, which channels fresh water into forest homes, installing street lighting and fire fighting utilities.



In Long Benalih, a Penan village, the Group assisted in community projects such as building a micro hydro dam and installing gravity water pipelines, providing PVC pipes and water taps, consequently enabling villagers to have clean water supplied to their homes.

Community nursery and market garden for the Long Sepigen villagers to grow their own food, and further supplement their income from the surplus market produce.

Over the years, the Group's road network and bridges have provided much needed access to the local communities within the forest through safer and more convenient routes.

Corporate Responsibility

In November 2007, more than 50 youths from seven villages of the Penan, Kelabit and Kenyah tribes in the Ulu Baram region of Sarawak came together for the inaugural Long San Cup football tournament. We had worked with the villages' youth and other community members to organise the tournament as means to promote cross-community youth interaction.

This year also saw the completion of the electrification and rewiring scheme for the Long Sepigen village.

Gifts to Villagers of St Monica

In October 2007, Barama Company Limited ("Barama"), a wholly-owned subsidiary of the Group in Guyana, presented gifts, which included a functional building to the St Monica community, as well as computers to the school children of St Monica/Kariwab at the end of our operations in the area.

'*Janji*' to Promote Ulu Baram Indigenous Handicrafts

Our Community Skills Programme aims to impart life skills that enable communities to become more self-reliant and independent in the long term. *Janji* (which means "Promise" in Malay language) is the Group's initiative to promote indigenous art and handicraft. A *Janji* sales outlet has been established in Suria KLCC, Malaysia's leading shopping centre to provide retailing opportunities to a wider market.

August 2007 — Janji in Long Main, a Penan village, and Long Semiyang, a Kenyah village in Ulu Baram of Sarawak.

November 2007 — Janji in Long Benalih, a Penan village and Long Lellang, a Kelabit village. Many neighbouring villages who have heard of the Janji initiative also came to meet with the team.

Corporate Responsibility

Other Community Initiatives

The Group continues its effort in caring for people in need, actively participating in, and supporting different charity projects. Our social contribution is not exhaustive as we continue to provide community assistance in various ways.

Education Development

Nurturing talent and facilitating education development of local communities have been a focus of the Group to promote higher learning among young people, which is key to a brighter future. Our bursary scheme has benefited 51 primary and seven secondary schools in the Baram and Lawas regions since it started about 15 years ago. We granted an additional six scholarships in the six months ended 31 December 2007, with a total of 35 scholarships in Malaysia to date.

Environment

The Group is supporting all efforts to reduce wastage and maximise efficiency in its operations. We continue to work closely with regulators and industry partners in providing technical expertise and support to identify areas for better managed resource and waste management on our ground operations and in our offices. Environmental initiatives include road construction in our forest operations, waste segregation and disposal management, energy efficient boilers utilising wood waste in several facilities, creating value-added products from wood waste, are continuously being implemented and improved. We also place emphasis on the integration of our upstream and downstream operations to better utilise the scarce resources and reduce wastage.

We continue to work with the Wildlife Conservation Society on projects involving conservation education for local communities and company staff and enforce wildlife conservation in our areas of operations.

Workplace

We are committed to providing a safe, effective and congenial work environment for our people at all levels, with advancement opportunities for those with capabilities and dedication. There were substantial improvements in the working and living areas for staff in various units of operations. This included improved housing complexes with better hygiene, health and waste disposal facilities, clearer signages, as well as continuous education and awareness programmes on the use of personal safety gears and instilling health and hygiene care among employees.

We embrace diversity, which is manifested in our culturally diverse workforce across the globe. We also encourage cross-border training between our group of companies to develop necessary skill sets and business expertise. Four supervisors from our Guyana plywood factory were stationed in Sarawak for almost four months' training in plywood technology and other areas of operation.

Corporate Responsibility

Marketplace

Certified Products

We continually try to improve our management of forest resources so that the supply of wood meets the needs of society today and in the future. Beyond sustainable practices, we endeavour to certify our concessions, following the prominence of voluntary third-party certification worldwide. While there continues to be a varied approach to evaluating well-managed forests, with multiple certification bodies, we adapt the most appropriate certification for our respective concessions. We understand that forest certification is not a static process, rather it is a means for timber companies to strive for continuous improvements over a period of time throughout their operations.

Barama has formally appointed SmartWood (the certification arm of the Rainforest Alliance) as the Forest Stewardship Council (FSC) accredited certifier in relation to the Certification for the Barama Forest Compartments 4 and 5 in Guyana. We look forward to reinstating the certification in Guyana and are in ongoing discussions with all relevant parties in working towards fulfilling the dynamic requirements of certification.

Two of the Group's plywood plants in Sarawak received the Taiwan's Bureau of Standards, Metrology and Inspection (BSMI) ISO 9001/2000 registration, paving the way for our super-low formaldehyde emission plywood products, required to enter the Taiwan market.

Engaging our Stakeholders

The Group realises the importance of fostering sound relationships between the Company and its stakeholders (investors, community, buyers, suppliers and the media). Throughout the year, we have maintained dialogues with stakeholders through regular meetings, site visits, press releases and the Group's website.

The Group's indigenous community liaison officers, many of whom belong to the indigenous tribes, are specially recruited to look into the needs of the various communities living within our concession areas. Over the years, we have implemented a variety of community-focused initiatives and engaged the communities even before we begin operations, so as to understand their needs, and better cope with inevitable issues that may arise from time to time.

Management Discussion and Analysis

Key Financial Highlights

	Logs US$'000	Plywood and Veneer US$'000	Upstream Support US$'000	Other Timber Operations US$'000	Other Operations US$'000	Elimination US$'000	Consolidated US$'000
Segment Revenue							
31 December 2007							
External customers	81,237	147,067	6,877	15,604	5,000	—	255,785
Inter-segment revenue	43,275	11,551	94,167	1,809	1,857	(152,659)	—
Total revenue	124,512	158,618	101,044	17,413	6,857	(152,659)	255,785
31 December 2006							
External customers	93,771	174,868	10,098	14,229	5,301	—	298,267
Inter-segment revenue	45,601	14,707	96,557	1,447	1,169	(159,481)	—
Total revenue	139,372	189,575	106,655	15,676	6,470	(159,481)	298,267

	Logs US$'000	Plywood and Veneer US$'000	Upstream Support US$'000	Other Timber Operations US$'000	Other Operations US$'000	Consolidated US$'000
Segment Gross Profit						
31 December 2007						
Gross profit	16,637	12,160	4,255	2,253	1,494	36,799
Gross profit margin (%)	13.4	7.7	4.2	12.9	21.8	14.4
Percentage of segment contribution (%)	*45.2*	*33.0*	*11.6*	*6.1*	*4.1*	*100.0*
31 December 2006						
Gross profit	31,930	46,506	7,868	1,301	1,614	89,219
Gross profit margin (%)	22.9	24.5	7.4	8.3	25.0	29.9
Percentage of segment contribution (%)	*35.8*	*52.1*	*8.8*	*1.5*	*1.8*	*100.0*

Key Financial Highlights (continued)

Profit Attributable to Equity Holders of the Company

	31 December 2007 US$'000	31 December 2006 US$'000
Gross profit	36,799	89,219
Other expenses net of other income before gain/(loss) from changes in fair value of plantation assets less estimated point of sale costs	(11,314)	(11,905)
(Loss)/gain from changes in fair value of plantation assets less estimated point-of-sale costs	(1,886)	2,809
Profit from operations	23,599	80,123
Net financing costs	(3,721)	(2,934)
Share of profits less losses of associates and jointly controlled entities	16,197	3,248
Income tax credit/(expense)	2,543	(14,719)
Profit for the period	38,618	65,718
Minority interest	(12,457)	(19,631)
Profit attributable to equity holders of the Company	26,161	46,087

Review of Group Results

For the financial period under review, the Group achieved a turnover of US$255.8 million representing a 14.2% decrease from the turnover of US$298.3 million achieved in the corresponding preceding financial period. This decrease was primarily attributable to a decrease in revenue from log and plywood sales as a result of lower selling prices and volumes sold.

Gross profit has correspondingly decreased to US$36.8 million from US$89.2 million achieved in the corresponding preceding financial period. Gross profit margin has decreased to 14.4% compared to 29.9% for the corresponding preceding financial period as margins were squeezed by the generally lower selling prices of logs, plywood and veneer. Other expenses net of other income has decreased to US$11.3 million, which was 5.0% lower than the corresponding preceding financial period. After recognising a loss of US$1.9

Management Discussion and Analysis

Review of Group Results (continued)

million from changes in fair value of plantation assets less estimated point-of-sale costs, profit from operations was US$23.6 million, a decrease of US$56.5 million from the US$80.1 million recorded in the corresponding preceding financial period. Share of profits less losses of associates and jointly controlled entities was higher at US$16.2 million principally as a result of the higher crude palm oil prices achieved by the associate involved in oil palm plantations. Income tax was in credit due to the reversal of deferred taxation for the Malaysian and New Zealand subsidiaries to account for the change in taxation rate as announced by the respective governments. After accounting for minority interest of US$12.5 million, profit attributable to equity holders of the Company was US$26.2 million which was 43.2% lower than 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$76.2 million which was 32.3% lower than that of the corresponding preceding financial period.

Review of Business Segment Results

Log Trading

Log trading is a major contributor to turnover. It accounted for approximately 31.8% 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 2007			Six months ended 31 December 2006		
	Sales Volume	Weighted Average	Revenue	Sales Volume	Weighted Average	Revenue
	m^3	*US$/$m^3$*	*US$'000*	*m^3*	*US$/$m^3$*	*US$'000*
Hardwood logs — export sales	349,175	163.13	56,962	437,774	168.76	73,880
Hardwood logs — local sales	214,139	88.00	18,845	179,704	94.75	17,027
Softwood logs — export sales	50,958	55.79	2,843	32,599	65.09	2,122
Softwood logs — local sales	32,508	79.57	2,587	10,353	71.67	742
Total external log sales	646,780	125.60	81,237	660,430	141.98	93,771
Internal log sales (i)	477,946	90.54	43,275	536,527	84.99	45,601
Total log sales	1,124,726	110.70	124,512	1,196,957	116.44	139,372

(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.

Management Discussion and Analysis

Review of Business Segment Results (continued)

Log Trading (continued)

The Group sold 563,314 cubic meters ("m^3") of hardwood logs and 83,466 m^3 of softwood logs which was 8.8% lower and 94.3% higher respectively than the corresponding preceding financial period.

The volume of hardwood logs sold in the financial period under review represented approximately 45.7% of total hardwood logs extracted with the balance being processed in the Group's downstream mills. The volume of hardwood logs extracted were lower than the corresponding preceding financial period principally due to adverse weather conditions in the Malaysian forest in the second quarter and partly due to the effects of the suspension of harvesting rights in certain third party areas in Guyana by the Guyana Forestry Commission. As a consequence, the volume of hardwood logs sold was also correspondingly lower. The average hardwood log export prices achieved for the financial period under review was US$163.13 per m^3 compared to US$168.76 per m^3 achieved for the corresponding preceding financial period.

The increase in softwood logs sold by 94.3% as compared to corresponding preceding financial period was the result of the gradual ramp up of production in New Zealand. Plans to ramp up the woodflows in New Zealand to a sustainable level of 800,000 m^3 per annum is progressing as scheduled with the necessary preparatory works being done especially on road construction and infrastructural development. The average softwood log prices achieved of US$65.06 per m^3 was 2.4% lower than that of the corresponding preceding financial period.

Demand for logs from China remains strong with its strong economic growth driving an increase in construction and infrastructure development activities, and this has helped sustain export log prices. The Group sold 29.4% of its log exports to China. As the India economy expands, log demand has also increased especially for the harder species which is the preference for flooring, furniture and construction industry. The Group sold its harder species from both Malaysia and Guyana to India which accounted for 19.2% of its total log sales. Demand for logs from Japan has decreased as domestic plywood mills lowered their production volumes with the lower housing starts in Japan in the financial period under review. In spite of this, the Group sold 11.0% of its log exports to Japan, generally at premium prices as Japan normally sources the best quality logs for its domestic consumption.

As a result of the decrease in selling prices and lower volumes sold, gross profit from log trading reduced from US$31.9 million in the corresponding preceding financial period to US$16.6 million for the financial period under review. Gross profit margin also decreased to 13.4% from 22.9% in the corresponding preceding financial period.

Management Discussion and Analysis

Review of Business Segment Results (continued)

Plywood and Veneer

Plywood and veneer were the largest contributor to turnover for the financial period under review and the corresponding preceding financial period, accounting for 57.5% and 58.6% of total turnover respectively. The following table shows selected operating and financial data with respect to our sales volume, weighted average price and revenue of plywood and veneer sold, including inter-company sales.

Plywood

	Six months ended 31 December 2007			Six months ended 31 December 2006		
	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	261,159	437.68	114,304	296,926	487.74	144,823
Plywood — local sales	23,418	335.09	7,848	16,222	348.97	5,661
Total external plywood sales	284,577	429.24	122,152	313,148	480.55	150,484
Internal plywood sales	9,792	454.96	4,455	2,018	565.41	1,141
Total plywood sales	294,369	430.10	126,607	315,166	481.09	151,625

Veneer

	Six months ended 31 December 2007			Six months ended 31 December 2006		
	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	38,381	315.10	12,094	45,113	336.51	15,181
Veneer — local sales	47,825	268.08	12,821	31,328	293.76	9,203
Total external veneer sales	86,206	289.02	24,915	76,441	319.00	24,384
Internal veneer sales	27,090	261.98	7,096	40,315	336.50	13,566
Total veneer sales	113,296	282.55	32,011	116,756	325.04	37,950

Management Discussion and Analysis

Review of Business Segment Results (continued)

Plywood and Veneer (continued)

The Group sold 284,577 m^3 of plywood and 86,206 m^3 of veneer to external parties which when compared to 313,148 m^3 of plywood and 76,441 m^3 of veneer sold in the corresponding preceding financial period was 9.1% lower and 12.8% higher respectively.

Exported plywood prices recorded a decrease of 10.3% compared to the corresponding preceding financial period. This decrease in plywood prices was principally due to the slowdown in demand from Japan, a key market for the Group, which recorded lower housing starts for the financial period under review. Although demand has softened, the Group total sales to Japan, which purchases higher quality plywood at premium prices, accounted for 38.1% of the Group's total exported plywood sales. Usage of plywood internally for the production of value added finished products has increased.

The sub-prime lending issues and the slowdown in housing starts has partly affected sales to the USA which buys various products including thin ply and jumbo plywood. The Group continues to work closely with buyers in the USA on their needs and was able to export 15.9% of its total exported plywood sales to the USA. With its wide customer base, the Group has been able to divert some of its sales from the USA to other markets, which included South Korea which accounted for 17.9% of the Group's total exported plywood sales in the financial period under review. China remains as a competitor in the plywood market, being the third largest exporter of plywood after Malaysia and Indonesia. However, its continued economic growth which fuelled the expansion of the construction industry provided the necessary domestic demand for plywood keeping plywood prices from further softening. The Group sold 4.4% of its total exported plywood sales to China, principally those of higher quality.

The Group has 4 veneer mills, constructed from 2003 to 2005, which are located near to the forest resource to peel fresh salvage logs from plantation areas that are just harvested to maximise log recovery. As these were fairly new start-ups, the Group has focused on maximising the production of face and back veneer as well as improving the overall quality and has worked closely with buyers on their needs. This has paid off as the Group was able to increase its sales to external customers by 12.8% compared to the corresponding preceding financial period.

Veneer prices which have a correlation with the movement in plywood prices were lower than the corresponding preceding financial period. Veneer export prices, which averaged US$336.51 per m^3 for the corresponding preceding financial period, decreased to an average of US$315.10 per m^3 for the financial period under review.

Principally due to the lower selling prices, margins were squeezed and as a result gross profit margin achieved for plywood and veneer operations was 7.7% compared to 24.5% in the corresponding preceding financial period. A gross profit of US$12.2 million was achieved which was 73.9% lower than the corresponding preceding financial period.

Management Discussion and Analysis

Review of Business Segment Results (continued)

Plywood and Veneer (continued)

The Group continues to work towards maximising its returns on its timber resource by comparing the incremental contribution of processing logs into plywood or veneer versus its sale in its raw form. With an integrated operations supported by adequate wood resource, the Group has the flexibility to switch between selling logs externally and processing internally.

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.

Revenue from upstream support for external sales decreased by US$3.2 million, or approximately 31.9%, to US$6.9 million for the financial period under review from US$10.1 million for the corresponding preceding financial period. Total revenue from billings to internal companies for the financial period amounted to US$94.2 million compared to US$96.6 million for the corresponding preceding financial period. This decrease in billings was principally due to the lower volumes extracted as a result of lower level of activities and adverse weather conditions in the second quarter of the financial period under review.

As the upstream support services involves a large fleet of machineries and vehicles operating at the forest resource, controlling operating costs and increasing productivity is of paramount importance. The focus of the Group for the financial period under review was on increasing productivity and containing costs. However, these efforts have been offset in part by the increase in diesel costs which increased to an average of US$0.64 per litre compared to an average of US$0.58 per litre in the corresponding preceding financial period. For the financial period under review, gross profit achieved from the upstream support services was US$4.3 million which was US$3.6 million lower than that of the corresponding preceding financial period. In terms of gross profit margin, it has decreased to 4.2% compared to 7.4% in the corresponding preceding financial period.

Other Timber Operations

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

Revenue from other timber operations increased by US$1.4 million or approximately 9.7%, to US$15.6 million in the financial period under review from US$14.2 million in the corresponding preceding financial period. This increase was primarily due to an increase in revenue from the housing and wood chip operations.

In terms of gross profit, other timber operations achieved US$2.3 million which was 73.3% higher than the corresponding preceding financial period. This was due to higher margin sales recorded by housing and wood chip products which were sold mainly to Japan.

Review of Business Segment Results (continued)

Other Operations

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

Revenue from other operations decreased by US$0.3 million or approximately 5.7%, to US$5.0 million in the financial period under review from US$5.3 million in the corresponding preceding financial period due to lower sales of granite stone aggregates from the quarry operations.

Other operations achieved a gross profit of US$1.5 million for the financial period under review compared to US$1.6 million achieved in the corresponding preceding financial period. The highest contributor to the gross profit was from the quarry operations at US$0.5 million followed by the rubber retread compound operations at US$0.4 million.

Net Financing Costs

The Group recorded a net financing costs of US$3.7 million compared to net financing costs of US$2.9 million for the corresponding preceding financial period. This was due to lower foreign exchange gains which was partly offset by higher interest income in the financial period under review.

Share of Profits less Losses of Associates

The Group recognised a profit of US$14.9 million as share of profits less losses of associates, an increase of US$12.7 million from the profit of US$2.1 million recognised as our net share of profits less losses of associates for the corresponding preceding financial period. This increase was primarily attributable to an increase in net profits from our associated company, Glenealy Plantations (Malaya) Berhad which benefited from an increase in crude palm oil prices.

Share of Profits less Losses of Jointly Controlled Entities

The Group recognised US$1.3 million as share of profits of jointly controlled entities, an increase of approximately 18.0%, from the US$1.1 million recognised in the corresponding preceding financial period. This increase was primarily attributable to an increase in the net profits of our door facing manufacturing joint venture, Magna-Foremost Sdn. Bhd. due to an increase in sales volume.

Income Tax

An income tax credit of US$2.5 million was accounted for in the financial period under review as compared to an income tax expense of US$14.7 million for the corresponding preceding financial period. The income tax credit arose mainly from a deferred taxation adjustment to account for the effects of a change in New Zealand tax rate from 33% to 30% with effect from 1 April 2008 and change in Malaysia tax rate offset the tax charge for the financial period.

Liquidity and Financial Resources

As at 31 December 2007, the Group's cash and bank balances amounted to US$284.0 million compared to US$326.5 million as at 30 June 2007.

Management Discussion and Analysis

Liquidity and Financial Resources (continued)

The gearing ratio was 28.9% and 28.4% as at 31 December 2007 and 30 June 2007, respectively. The gearing ratio is derived by dividing the total of bank overdrafts, loans and borrowings, finance lease liabilities and bonds by total assets. The gearing ratio remained relatively stable in the financial period under review compared to 30 June 2007.

Available facilities that were not drawndown as at 31 December 2007 amounted to US$36.3 million compared to US$34.7 million as at 30 June 2007. At 31 December 2007, the Group has outstanding indebtedness of US$391.2 million compared to US$372.8 million as at 30 June 2007. Of the US$391.2 million of indebtedness, US$184.2 million is repayable within one year with the balance of US$207.0 million having a maturity of more than one year as presented below:

	US$ million
Within one year	184.2
After one year but within two years	43.8
After two years but within five years	88.3
After five years	74.9
Total	391.2
Secured	232.5
Unsecured	158.7
Total	391.2

The indebtedness carry interest rates ranging from 3.0% to 15.0%.

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.

Management Discussion and Analysis

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 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 and Renminbi in the People's Republic of China ("PRC") operations. The sales and operations in Malaysia, Guyana, New Zealand and the PRC 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 at 31 December 2007 of US$54.8 million. As HFF's functional currency is the New Zealand dollar, exchange differences on the value of the HFF's US Dollars loans are recognised as part of the financial income and expense.

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

Capital Commitments

The Group's total commitments as at 31 December 2007 amounted to US$83.9 million. (Authorised and contracted for amounted to US$20.1 million. Authorised but not contracted for amounted to US$63.8 million).

Management Discussion and Analysis

Charge on Assets

As at 31 December 2007, the Group pledged assets with aggregate carrying value of US$279.9 million (30 June 2007: US$281.8 million) to secure bank loans facilities of the Group.

Contingent Liabilities

Detail of the Group's outstanding litigations and claims have been disclosed in note 35(c) of the 30 June 2007 Annual Report.

Save as disclosed above, the Company made an announcement on the matters in respect of the sanctions imposed on Barama Company Limited ("Barama") by the Guyana Forestry Commission on 26 October 2007. Although Barama has paid the penalty of approximately US$482,000 and there were no further claims from the suspension of the sub-contractual operations in the third party areas, the Group is unable to ascertain if there will be future contingent liabilities in respect of this matter.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 3 December 2007, the Company issued a circular in respect of the offer to acquire the entire equity interest in Brewster Ltd, a public unlisted company incorporated in Australia and based in Hobart, Tasmania, Australia for a consideration of approximately US$7.7 million. As at 20 December 2007, the Company had acquired a 99.69% equity interest in Brewster Ltd and has commenced compulsory acquisition for the remaining interest.

Other than the above, the Group had no material acquisition or disposal of subsidiaries and associated companies during the six months ended 31 December 2007.

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 2007.

Employees

As at 31 December 2007, the Group employed a total of 13,084 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 2007, there were no options granted to any employees.

Management Discussion and Analysis

Use of Proceeds

The net proceeds raised from the placing and initial public offer after deducting relevant expenses was approximately US$309.8 million.

The usage of these proceeds until 31 December 2007 are as follow:

Use		Planned amount *(US$ million)*	Actual progress *(US$ million)*
(a)	Acquisition opportunities and expansion of operations	263.8	12.4
(b)	Plantation development	16.0	—
(c)	Research, development and information systems	8.0	1.5
(d)	Repayment of debts	13.0	13.0
(e)	Working capital and other general corporate purposes	9.0	3.5
Total		309.8	30.4

The unutilised net proceeds have been placed as short term bank deposits.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2007. Accordingly, no closure of the Register of Members of the Company is proposed.

Other Information

Directors' and Chief Executive's Interests in Securities

As at 31 December 2007, the interests or share positions of the Directors or 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein which are required to be notified to the Company and the Stock Exchange 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/Trust interest	Long	0.06%
	Glenealy Plantations (Malaya) Berhad ("Glenealy")	32,000 ordinary shares[2]	Beneficial owner/Interest in a controlled corporation	Long	0.03%
Yaw Chee Ming	Yaw Holding Sdn. Bhd.	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[3]	Interest in a controlled corporation	Long	100%
		1,497,021 redeemable preference shares[3]	Interest in a controlled corporation	Long	100%
		3,122,467 Class A redeemable preference shares[4]	Interest in a controlled corporation	Long	100%
		4,102,879 Class B redeemable preference shares[4]	Interest in a controlled corporation	Long	100%

Other Information

Directors' and Chief Executive's Interests in Securities (continued)

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
		100,000 Class C redeemable preference shares(5)	Interest in a controlled corporation	Long	100%
		950,000 Class D redeemable preference shares(4)	Interest in a controlled corporation	Long	100%
	the Company	2,320,290,260 ordinary shares(3)	Interest in a controlled corporation	Long	53.94%
	Glenealy	59,068,522 ordinary shares(6)	Interest in a controlled corporation	Long	51.77%
	Strategic Corporation Sdn. Bhd.	17,040,000 ordinary shares(7)	Beneficial owner/ Interest in a controlled corporation	Long	71%
	TSTC Sdn. Bhd.	6,125,000 ordinary shares(8)	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%
Tan Li Pin, Richard	the Company	1,800,000 ordinary shares(9)	Interest in a controlled corporation	Long	0.04%

Notes:

(1) (i) Chan Hua Eng is directly interested in 158,333 ordinary shares in Lingui.

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

(iii) Additionally, 96,290 ordinary shares of Lingui are held by CIMSEC Nominees (Tempatan) Sdn. Bhd. in favour of Chan Hua Eng.

Other Information

Directors' and Chief Executive's Interests in Securities (continued)

Notes: (continued)

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

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

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

(5) Yaw Holding Sdn. Bhd. holds 100% of Samling Mewah Sdn. Bhd.. Accordingly, by virtue of note (3) 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..

(6) (i) Our Company holds 100% of Samling Malaysia Inc., in turn holds 59.69% of Lingui, which, in turn, holds 36.42% of Glenealy. By virtue of note (3) above, Yaw Chee Ming is deemed to be interested in the 41,548,522 ordinary shares of Glenealy held by Lingui; and

(ii) Samling Strategic holds 15.35% of Glenealy. By virtue of note (3) above, Yaw Chee Ming is deemed to be interested in the 7,520,000 ordinary shares of Glenealy held by Samling Strategic, and the 10,000,000 ordinary shares of Glenealy held by RHB Capital Nominees (Tempatan) Sdn. Bhd., in favour of Samling Strategic which has been pledged as security for bank borrowings by Eternal Grand Sdn. Bhd., a wholly-owned subsidiary of Yaw Holding Sdn. Bhd..

(7) Samling Strategic holds 71.00% of Strategic Corporation Sdn. Bhd.. By virtue of note (3) above, Yaw Chee Ming is deemed to be interested in the 17,039,998 ordinary shares of Strategic Corporation Sdn. Bhd. held by Samling Strategic. Additionally, Yaw Chee Ming is directly interested in 2 ordinary shares of Strategic Corporation Sdn. Bhd..

(8) (i) Strategic Corporation Sdn. Bhd. holds 50.61% of TSTC Sdn. Bhd.. By virtue of note (3) and (7) above, Yaw Chee Ming is deemed to be interested in the 3,100,000 ordinary shares of TSTC Sdn. Bhd. held by Strategic Corporation Sdn. Bhd., 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 Sdn. Bhd.. Yaw Chee Ming is, therefore, deemed interested in the 3,025,000 ordinary shares of TSTC Sdn. Bhd. held by Loyal Avenue (M) Sdn. Bhd..

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

Directors' and Chief Executive's Interests in Securities (continued)

Save as disclosed above, as at 31 December 2007, none of our Directors or Chief Executive have any interests or short positions in the shares, underlying shares or debentures of the Company, subsidiaries or any of our associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange 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 the Stock Exchange pursuant to the Model Code.

Substantial Shareholders and Other Shareholders with Notifiable Interests

As at 31 December 2007, the interests 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	2,320,290,260	53.94%
Datuk Yaw Teck Seng(2)	Beneficial owner/Interest of a controlled corporation	2,592,291,280	60.26%
Yaw Holding Sdn. Bhd.(3)	Interest of a controlled corporation	2,320,290,260	53.94%
Samling Strategic	Beneficial owner	2,320,290,260	53.94%

Other Information

Substantial Shareholders and Other Shareholders with Notifiable Interests (continued)

Long positions of other substantial shareholders with notifiable interests:

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

Notes:

(1) Yaw Chee Ming is interested in approximately 39.60% of the issued share capital of Yaw Holding Sdn. Bhd., which owns the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the shares owned by Samling Strategic.

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

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

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

Save as disclosed above, as at 31 December 2007, 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 the highest standards of corporate governance throughout the Group and is accountable to the Company's shareholders for good governance.

The Company has, throughout the six months period ended 31 December 2007, complied with the provisions and best practices of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The Code Provision A.4.1 in respect of the specific term of Non-Executive Directors has been met by the bye-laws requiring at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their numbers is not a multiple of three, then the number nearest to but not less than one-third), including the Non-Executive Directors retiring from office by rotation so every Director shall be subject to retirement of at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with the arrangements disclosed in the Prospectus, the Independent Non-Executive Directors are to review whether or not to exercise any of the call options granted to the Company in respect of the Remaining Businesses held by the Controlling Shareholders of the Company under the Call Options agreement on a quarterly basis.

The Independent Non-Executive Directors have reviewed the relevant information up to or as at 1 February 2008, and have decided not to exercise any of the call options granted to the Company under the Call Options agreement.

In accordance with the arrangements disclosed in the Prospectus, the Independent Non-Executive Directors are to review whether or not to pursue or decline any investment or other commercial opportunity referred to the Company by the Controlling Shareholders of the Company under the non-competition agreement entered into between the Company and the Controlling Shareholders. No such investment or other commercial opportunity has been referred to the Company by the Controlling Shareholders of the Company for consideration by the Independent Non-Executive Directors.

Compliance with the Model Code for Securities Transactions by Directors

The Board has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors, they confirmed compliance with the standards set out in the Model Code.

Call Option Agreement

The Independent Non-Executive Directors have reviewed the relevant information up to, or as at 1 February 2008, and have decided not to exercise any of the call options granted to the Company in respect of the Remaining Businesses held by the Controlling Shareholders of the Company under the Call Options agreement.

Other Information

Non-Competition Agreement

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

Audit Committee

The audit committee comprises four members and is chaired by Mr. Fung Ka Pun, an Independent Non-Executive Director. Other members of the audit committee are Mr. David William Oskin and Mr. Tan Li Pin, Richard, who are also the Independent Non-Executive Directors, and Mr. Chan Hua Eng, who is a Non-Executive Director. The Board has determined that Mr. Fung Ka Pun has recent and relevant financial experience. The principal responsibilities of the audit committee cover internal control and risk management, internal audit, external audit (including auditors' independence) and financial reporting. The audit committee has reviewed the Group's unaudited interim financial statements for the six months period ended 31 December 2007.

Remuneration Committee

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

Nomination Committee

The nomination committee comprises three members, namely Mr. Tan Li Pin, Richard (Chairman of the committee) and Mr. Fung Ka Pun, who are Independent Non-Executive Directors, and Mr. Chan Hua Eng, who is a Non-Executive Director. The primary duties of the nomination committee include, among others, reviewing the structure, size and composition of the Board on a regular basis, and identifying, selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

Financial Section

Independent Review Report to the Board of Directors of Samling Global Limited

Introduction

We have reviewed the interim financial report set out on pages 31 to 56 which comprises the consolidated balance sheet of Samling Global Limited as of 31 December 2007 and the related consolidated income statements, and changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting" promulgated by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 December 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

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

19 February 2008

Consolidated Income Statement

For the six months ended 31 December 2007 — unaudited
(Expressed in United States dollars)

	Note	Six months ended 31 December 2007 $'000	2006 $'000
Turnover	4,5	**255,785**	298,267
Cost of sales		**(218,986)**	(209,048)
Gross profit		**36,799**	89,219
Other operating income		**7,629**	3,611
Distribution costs		**(3,436)**	(3,737)
Administrative expenses		**(15,396)**	(11,700)
Other operating expenses		**(111)**	(79)
(Loss)/gain from changes in fair value of plantation assets less estimated point-of-sale costs		**(1,886)**	2,809
Profit from operations		**23,599**	80,123
Financial income		**6,256**	7,882
Financial expenses		**(9,977)**	(10,816)
Net financing costs	6	**(3,721)**	(2,934)
Share of profit less losses of associates		**14,877**	2,129
Share of profit less losses of jointly control entities		**1,320**	1,119
Profit before taxation	7	**36,075**	80,437
Income tax credit/(expense)	8	**2,543**	(14,719)
Profit for the period		**38,618**	65,718
Attributable to:			
Equity holders of the Company		**26,161**	46,087
Minority interests		**12,457**	19,631
Profit for the period		**38,618**	65,718
Dividend attributable to the period:	9		
Interim dividend declared during the period		**—**	—
Final dividend proposed after the balance sheet date		**—**	—
		—	—
Earnings per share (US cents)	10		
— Basic		**0.61**	1.49

The notes on pages 36 to 56 form part of this interim report.

Consolidated Balance Sheet

At 31 December 2007 — unaudited
(Expressed in United States dollars)

	Note	At 31 December 2007 $'000	At 30 June 2007 $'000
Non-current assets			
Property, plant and equipment, net	11		
— Investment properties		**10,287**	9,940
— Other property, plant and equipment		**420,826**	415,246
Construction in progress		**8,495**	5,480
Lease prepayments		**27,867**	27,172
Timber concessions		**27,665**	28,945
Intangible assets		**6,489**	—
Goodwill		**804**	671
Plantation assets	12	**235,790**	226,050
Interest in associates		**69,843**	54,675
Interest in jointly controlled entities		**15,451**	14,592
Other investment		**33**	32
Deferred tax assets		**4,066**	3,578
Total non-current assets		**827,616**	786,381
Current assets			
Inventories	13	**142,314**	110,512
Trade and other receivables	14	**84,914**	78,603
Current tax recoverable		**16,013**	12,013
Cash and cash equivalents	15	**283,973**	326,542
Total current assets		**527,214**	527,670
Total assets		**1,354,830**	1,314,051
Current liabilities			
Bank overdrafts, loans and borrowings	16	**106,993**	103,782
Finance lease liabilities		**31,861**	29,222
Bonds		**45,365**	43,422
Trade and other payables	17	**120,694**	114,802
Current tax payable		**2,845**	2,632
Total current liabilities		**307,758**	293,860
Net current assets		**219,456**	233,810

The notes on pages 36 to 56 form part of this interim report.

Consolidated Balance Sheet

At 31 December 2007 — unaudited
(Expressed in United States dollars)

	Note	At 31 December 2007 *$'000*	At 30 June 2007 *$'000*
Total assets less current liabilities		**1,047,072**	1,020,191
Non-current liabilities			
Bank loans and borrowings	*16*	**144,531**	132,797
Finance lease liabilities		**62,422**	63,590
Deferred tax liabilities		**51,261**	59,015
Total non-current liabilities		**258,214**	255,402
Total liabilities		**565,972**	549,262
Equity			
Share capital		**430,174**	430,174
Reserves		**176,569**	168,601
Equity attributable to equity holders of the Company		**606,743**	598,775
Minority interests		**182,115**	166,014
Total equity		**788,858**	764,789
Total liabilities and equity		**1,354,830**	1,314,051

The notes on pages 36 to 56 form part of this interim report.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2007 — unaudited
(Expressed in United States dollars)

	Attributable to equity holders of the Company									
	Share capital $'000	Share premium $'000	Currency translation reserve $'000	Revaluation reserve $'000	Other reserve $'000	Capital reserve $'000	Retained earnings $'000	Sub-total $'000	Minority interests $'000	Total equity $'000
At 1 July 2006	979	72,276	16,596	6,673	(33,102)	40,477	63,529	167,428	118,892	286,320
Currency translation differences	—	—	12,215	—	—	—	—	12,215	10,137	22,352
Profit for the period	—	—	—	—	—	—	46,087	46,087	19,631	65,718
Dividends paid during the period	—	—	—	—	—	—	—	—	(1,084)	(1,084)
At 31 December 2006	979	72,276	28,811	6,673	(33,102)	40,477	109,616	225,730	147,576	373,306
At 1 July 2007	**430,174**	**261,920**	**40,403**	**6,673**	**(302,354)**	**—**	**161,959**	**598,775**	**166,014**	**764,789**
Currency translation differences	**—**	**—**	**9,381**	**—**	**—**	**—**	**—**	**9,381**	**5,992**	**15,373**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**26,161**	**26,161**	**12,457**	**38,618**
Dividends paid during the period	**—**	**—**	**—**	**—**	**—**	**—**	**(27,574)**	**(27,574)**	**(2,348)**	**(29,922)**
At 31 December 2007	**430,174**	**261,920**	**49,784**	**6,673**	**(302,354)**	**—**	**160,546**	**606,743**	**182,115**	**788,858**

The notes on pages 36 to 56 form part of this interim report.

Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2007 — unaudited
(Expressed in United States dollars)

		Six months ended 31 December	
		2007	2006
	Note	***$'000***	*$'000*
Net cash generated from operations		**38,049**	44,674
Net income tax paid		**(10,516)**	(2,216)
Net cash generated from operating activities		**27,533**	42,458
Net cash used in investing activities		**(21,732)**	(3,926)
Net cash used in financing activities		**(58,347)**	(31,388)
Net (decrease)/increase in cash and cash equivalents		**(52,546)**	7,144
Cash and cash equivalents at the beginning of the period	*15*	**295,408**	(17,093)
Effect of foreign exchange rate changes		**429**	1,580
Cash and cash equivalents at end of the period	*15*	**243,291**	(8,369)

The notes on pages 36 to 56 form part of this interim report.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

1 Basis of preparation

The interim financial report has been prepared in accordance with applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK"), including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting" promulgated by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 19 February 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the preparation of the Group's financial information for the years ended 30 June 2006 and 2007, as included in the 2007 Annual Report of the Company dated 30 August 2007 except for the accounting policy changes that are expected to be reflected in the 2008 Annual Report. 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 2007 Annual Report. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the IASB. IFRSs include all applicable IFRS, IAS and related interpretations.

IASB has issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 July 2007. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's financial statements for the year ending 30 June 2008, on the basis of IFRSs currently in issue, which directors believe, do not have a significant impact on the Group's prior year financial position and results of operations.

The IFRSs that will be effective or are available for voluntary early adoption in the Group's financial statements for the year ending 30 June 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report. The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standards on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 30.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

1 Basis of preparation (continued)

The financial information relating to the financial year ended 30 June 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 30 June 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 August 2007.

2 Changes in accounting policies

The IASB has issued a number of new and revised IFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the periods presented as a result of these developments. However, as a result of the adoption of IFRS 7, *Financial instruments: Disclosures* and the amendment to IAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of IFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments, compared with the information previously required to be disclosed by IAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are to be provided in the 2008 Annual Report.

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are to be provided in the 2008 Annual Report.

Both IFRS 7 and the amendment to IAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 22).

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

3 Acquisitions

On 3 December 2007, the Company issued a circular in respect of the offer to acquire the entire equity interest in Brewster Ltd, a public unlisted company incorporated in Australia and based in Hobart, Tasmania, Australia for a consideration of approximately $7.7 million. As at 20 December 2007, the Company had acquired a 99.69% equity interest in Brewster Ltd and has commenced compulsory acquisition for the remaining interest. Brewster Ltd's principal activities are the sales and distribution of building materials including panel and wood engineered products, timber and hardware.

The acquisition had the following effect on the Group's assets and liabilities:

	$'000
Fixed assets	3,914
Goodwill	104
Deferred tax assets	268
Inventories	6,622
Trade and other receivables	5,931
Cash and cash equivalents	3
Trade and other payables	(3,566)
Borrowings	(3,466)
Provision for taxation	9
Deferred tax liabilities	(281)
	9,538
Excess of fair value over consideration credited to profit or loss	(1,878)
Total consideration	7,660

As at 31 December 2007, the fair values assigned to Brewster Ltd's identifiable assets, liabilities and contingent liabilities were determined only provisionally as the acquisition took place on 20 December 2007. Management is in the midst of reassessing the fair values of the identifiable assets, liabilities and contingent liabilities and would recognise any adjustments thereto on completion of the initial valuations before 30 June 2008.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

4 Segment reporting

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

	Six months ended 31 December 2007						
	Logs *$'000*	Plywood and veneer *$'000*	Upstream support *$'000*	Other timber operations *$'000*	Other operations *$'000*	Eliminations *$'000*	Consolidated *$'000*
Revenue from external customers	81,237	147,067	6,877	15,604	5,000	—	255,785
Inter-segment revenue	43,275	11,551	94,167	1,809	1,857	(152,659)	—
Total revenue	124,512	158,618	101,044	17,413	6,857	(152,659)	255,785
Cost of sales	(107,875)	(146,458)	(96,789)	(15,160)	(5,363)	152,659	(218,986)
Other income and expenses	1,508	(4,422)	(5,488)	823	(3,735)	—	(11,314)
Segment result before changes in fair value of plantation assets	18,145	7,738	(1,233)	3,076	(2,241)	—	25,485
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	(1,886)	—	—	—	—	—	(1,886)
Segment result	16,259	7,738	(1,233)	3,076	(2,241)	—	23,599
Net financing costs							(3,721)
Share of profits less losses of associates and jointly controlled entities	—	—	—	1,546	14,651	—	16,197
Income tax							2,543
Profit for the period							38,618

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

4 Segment reporting (continued)

	Six months ended 31 December 2006						
	Logs $'000	Plywood and veneer $'000	Upstream support $'000	Other timber operations $'000	Other operations $'000	Eliminations $'000	Consolidated $'000
Revenue from external customers	93,771	174,868	10,098	14,229	5,301	—	298,267
Inter-segment revenue	45,601	14,707	96,557	1,447	1,169	(159,481)	—
Total revenue	139,372	189,575	106,655	15,676	6,470	(159,481)	298,267
Cost of sales	(107,442)	(143,069)	(98,787)	(14,375)	(4,856)	159,481	(209,048)
Other income and expenses	(1,915)	(6,743)	(717)	(1,323)	(1,207)	—	(11,905)
Segment result before changes in fair value of plantation assets	30,015	39,763	7,151	(22)	407	—	77,314
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	2,809	—	—	—	—	—	2,809
Segment result	32,824	39,763	7,151	(22)	407	—	80,123
Net financing costs							(2,934)
Share of profits less losses of associates and jointly control entities	—	—	—	1,484	1,764	—	3,248
Income tax							(14,719)
Profit for the period							65,718

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

5 Turnover

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

	Six months ended 31 December	
	2007	2006
	$'000	*$'000*
Sale of goods	**248,908**	288,169
Revenue from provision of services	**6,877**	10,098
	255,785	298,267

6 Net financing costs

	Six months ended 31 December	
	2007	2006
	$'000	*$'000*
Interest on loans from banks and other borrowings	**(12,824)**	(13,864)
Less: Borrowing costs capitalised into plantation assets *(note 12)*	**4,434**	4,271
Interest expense	**(8,390)**	(9,593)
Net loss on change in fair value of financial instruments	**(1,587)**	(1,223)
Financial expenses	**(9,977)**	(10,816)
Interest income	**5,446**	373
Foreign exchange gains	**810**	7,509
Financial income	**6,256**	7,882
	(3,721)	(2,934)

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

7 Profit before taxation

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

	Six months ended 31 December	
	2007	2006
	$'000	*$'000*
Depreciation	**31,832**	29,368
Less: Depreciation capitalised as plantation assets *(note 12)*	**(154)**	(134)
	31,678	29,234
Amortisation of lease prepayments	**354**	390
Amortisation of timber concessions	**2,511**	2,411
Amortisation of intangible assets	**42**	—

8 Income tax (credit)/expense

	Six months ended 31 December	
	2007	2006
	$'000	*$'000*
Current tax		
Current period	**5,071**	9,805
Under provision in respect of prior period	**1,720**	1,315
	6,791	11,120
Deferred tax		
Origination and reversal of temporary differences	**(1,469)**	3,851
Reduction in tax rate *(notes (c) and (e))*	**(7,865)**	(252)
	(9,334)	3,599
Total income tax (credit)/expense in consolidated income statement	**(2,543)**	14,719

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

8 Income tax (credit)/expense (continued)

Notes:

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

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 31 December 2006 and 2007.

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

(d) The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45%. One of the subsidiaries of the Group in Guyana was granted a tax holiday period for 5 years by the Ministry of Finance of Guyana from March 2005. No provision for Guyana income tax has been made as the subsidiaries either did not have assessable profits subject to Guyana income tax during the six months ended 31 December 2006 and 2007 or was exempted from income tax.

(e) The subsidiaries in New Zealand are liable to New Zealand income tax at a rate of 33%. No provision for New Zealand income tax has been made as the subsidiaries did not have assessable profits subject to New Zealand income tax during the six months ended 31 December 2006 and 2007. In May 2007, the New Zealand government announced a reduction in the income tax rate from 33% to 30% for the year of assessment 2008/2009.

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

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

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

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Enterprise Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. The PRC income tax rate is expected to gradually increase to the standard rate of 25% over a five-year transition period. Production foreign investment enterprises which have not fully utilised their five-year tax holiday will be allowed to continue to receive the benefits of tax exemption or reduction in income tax rate up to the end of the derating period, after which, the 25% standard rate applies. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheets in respect of current tax payable.

Further under the new tax law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 20% on various types of passive income such as dividends derived from sources in the PRC. The Group has already commenced an assessment on the impact of the new tax law regarding the above mentioned withholding tax but is not yet in a position to state whether the new tax law would have a significant impact on the Group's results of operations and financial position.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

9 Dividends

The directors do not recommend the payment of any interim dividend for the six months ended 31 December 2007 (six months ended 31 December 2006: $ Nil).

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

	Six months ended 31 December	
	2007	2006
	$'000	*$'000*
Final dividend in respect of the financial year ended 30 June 2007, approved and paid during the interim period of 0.641 US cents (year ended 30 June 2006: $ Nil)	**27,574**	—

The final dividend of 0.641 US cents amounted to $27,574,000 was paid on 18 December 2007.

10 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 31 December 2007 of $26,161,000 (six months ended 31 December 2006: $46,087,000) and weighted average number of ordinary shares in issue of 4,301,737,000 (six months ended 31 December 2006: 3,094,236,830).

There were no dilutive potential ordinary shares during the six months ended 31 December 2006 and 2007 and, therefore, diluted earnings per share are not presented.

11 Property, plant and equipment, net

(a) **Acquisition and disposal**

During the six months ended 31 December 2007, the Group acquired property, plant and equipment with an aggregate cost of $20,301,000 (six months ended 31 December 2006: $38,810,000). Items of property, plant and equipment with a net book value of $2,176,000 were disposed of during the six months ended 31 December 2007 (six months ended 31 December 2006: $7,043,000), resulting in a gain on disposal of $101,000 (six months ended 31 December 2006: $2,844,000).

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

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

12 Plantation assets

Included in additions to the Group's plantation assets are interest capitalised and depreciation of property, plant and equipment of $4,434,000 (six months ended 31 December 2006: $4,271,000) and $154,000 (six months ended 31 December 2006: $134,000) for the six months ended 31 December 2007 respectively.

A significant portion of trees in New Zealand are planted on freehold forest and a small portion on leasehold forest with 79 years term, expiring in 2060. The Group has been granted 7 forest plantation licences for a gross area of approximately 458,000 hectares in Malaysia. The licences are for 60 years, the earliest of which expires in December 2058. On 4 December 2007, the Group acquired a sub licence of the tree plantation compartment in Malaysia measuring approximately 40,684 hectares from Timor Enterprises Sdn. Bhd. for a cash consideration of $6.5 million (note 21).

The Group's plantation assets in Malaysia and New Zealand were independently valued by Pöyry Forest Industry Pte Ltd ("Pöyry") and Chandler Fraser Keating Limited ("CFK"), respectively. In view of the non-availability of market value for trees in New Zealand and Malaysia, both Pöyry and CFK have applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at the rate of 8.5% (2006: 8.5%) for plantation assets in New Zealand and 10.2% (2006: 10.2%) for plantation assets in Malaysia for each of the period applied to pre-tax cash flows to provide a current market value of the plantation assets.

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

The principal valuation methodology and assumptions adopted are as follows:

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

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

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

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

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

13 Inventories

(a) Inventories in the balance sheet comprise:

	At 31 December 2007 $'000	At 30 June 2007 $'000
Timber logs	**38,071**	31,546
Raw materials	**9,888**	9,394
Work-in-progress	**17,377**	13,506
Manufactured inventories	**41,776**	27,881
Stores and consumables	**35,202**	28,185
	142,314	110,512

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

	Six months ended 31 December	
	2007 $'000	2006 $'000
Carrying amount of inventories sold	**218,986**	209,048

14 Trade and other receivables

	At 31 December 2007 $'000	At 30 June 2007 $'000
Trade receivables	**51,639**	47,372
Prepayments, deposits and other receivables	**33,275**	31,231
	84,914	78,603

Included in trade receivables are amounts due from related parties of $12,351,000 as at 31 December 2007 (30 June 2007: $18,356,000).

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

14 Trade and other receivables (continued)

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

An ageing analysis of trade receivables is as follows:

	At 31 December 2007 *$'000*	At 30 June 2007 *$'000*
Within 30 days	**34,315**	22,454
31–60 days	**6,507**	3,486
61–90 days	**3,027**	4,800
91–180 days	**3,249**	5,817
181–365 days	**2,660**	5,796
1–2 years	**1,881**	2,735
Over 2 years	**—**	2,284
	51,639	47,372

Trade debtors that are not impaired

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

	At 31 December 2007 *$'000*	At 30 June 2007 *$'000*
Within 30 days	**34,315**	22,454
31–60 days	**6,507**	3,486
61–90 days	**3,027**	4,800
91–180 days	**3,249**	5,817
181–365 days	**2,660**	5,796
1–2 years	**856**	1,701
Over 2 years	**—**	1,315
	50,614	45,369

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

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

14 Trade and other receivables (continued)

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.

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 2007, the Group's trade receivables of $8,862,000 (June 2007: $9,498,000) 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 $7,837,000 (June 2007: $7,495,000) were recognised . The Group does not hold any collateral over these balances.

15 Cash and cash equivalents

	At 31 December 2007 *$'000*	At 30 June 2007 *$'000*
Deposits with banks and other financial institutions	**266,785**	310,789
Cash at bank and in hand	**17,188**	15,753
Cash and cash equivalents in the consolidated balance sheet	**283,973**	326,542
Bank overdrafts *(note 16)*	**(31,260)**	(21,981)
Fixed deposits and bank balances held as security	**(9,422)**	(9,153)
Cash and cash equivalents in the consolidated cash flow statement	**243,291**	295,408

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

16 Bank overdrafts, loans and borrowings

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

	At 31 December 2007 *$'000*	At 30 June 2007 *$'000*
Within 1 year or on demand	**106,993**	103,782
After 1 year but within 2 years	**16,423**	14,136
After 2 years but within 5 years	**53,199**	42,542
After 5 years	**74,909**	76,119
	144,531	132,797
	251,524	236,579

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

	At 31 December 2007 *$'000*	At 30 June 2007 *$'000*
Overdrafts *(note 15)*		
— unsecured	**25,897**	20,195
— secured	**5,363**	1,786
	31,260	21,981
Bank loans and borrowings		
— unsecured	**132,761**	123,221
— secured	**87,503**	91,377
	220,264	214,598
	251,524	236,579

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

16 Bank overdrafts, loans and borrowings (continued)

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

	At 31 December 2007 *$'000*	At 30 June 2007 *$'000*
Property, plant and equipment	**50,858**	55,309
Lease prepayments	**1,976**	2,967
Plantation assets	**217,602**	214,327
Cash and cash equivalents	**9,422**	9,153
	279,858	281,756

The banking facilities of the Group amounted to $287,815,000 (30 June 2007: $271,243,000), and were utilised to the extent of $251,524,000 (30 June 2007 : $236,579,000).

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2007 and 30 June 2007, none of the covenants relating to the facilities had been breached.

17 Trade and other payables

	At 31 December 2007 *$'000*	At 30 June 2007 *$'000*
Trade payables	**59,242**	47,652
Other payables	**22,879**	35,886
Accrued expenses	**38,573**	31,264
	120,694	114,802

Included in trade payables are amounts due to related parties of $7,779,000 as at 31 December 2007 (30 June 2007: $6,935,000).

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

17 Trade and other payables (continued)

An ageing analysis of trade payables is as follows:

	At 31 December 2007 $'000	At 30 June 2007 $'000
Within 30 days	**20,275**	20,613
31–60 days	**11,366**	7,737
61–90 days	**5,519**	4,929
91–180 days	**10,088**	3,790
181–365 days	**5,914**	6,044
1–2 years	**2,518**	1,059
Over 2 years	**3,562**	3,480
	59,242	47,652

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

19 Capital commitments

	At 31 December 2007 $'000	At 30 June 2007 $'000
Authorised and contracted for	**20,085**	—
Authorised but not contracted for	**63,805**	112,829

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

20 Contingent liabilities

Detail of the Group's outstanding litigations and claims have been disclosed in note 35(c) of the 30 June 2007 Annual Report.

Save as disclosed above, the Company made an announcement on the matters in respect of the sanctions imposed on Barama Company Limited ("Barama") by the Guyana Forestry Commission on 26 October 2007. Although Barama has paid the penalty of approximately $482,000 and there were no further claims from the suspension of the sub-contractual operations in the third party areas, the Group is unable to ascertain if there will be future contingent liabilities in respect of this matter.

21 Related party transactions

During the six months ended 31 December 2006 and 2007 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
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

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

21 Related party transactions (continued)

Name of party	Relationship
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
Si Khiong Industries Sdn. Bhd. ("Si Khiong")	Si Khiong is controlled by the father-in-law of Mr. Yaw Chee Ming
PT Batamec ("PT Batamec")	PT Batamec is controlled by the father of Mr. Yaw Chee Ming
Sojitz Building Materials (previously known as Sun Building Materials Corporation) ("Sojitz Building")	Sojitz Building is a subsidiary of Sojitz Corporation, a substantial shareholder of Samling Housing Products Sdn Bhd, a subsidiary of the Group
SUS Company, LLC ("SUS"), Pi Zhou Yanglin Woodware Co Ltd ("Yanglin") and Pacific Plywood Co Ltd ("Pacific Plywood")	SUS, Yanglin and Pacific Plywood are controlled by Mr. Chia Ti Lin, Colin, a senior management of the Group
Yong Joo Sawmill Sdn. Bhd. ("Yong Joo Sawmill")	Yong Joo Sawmill is an associate of Titimas Global Agencies Sdn Bhd, a company controlled by Mr. Pui Kian Onn, a director of Riverside, a subsidiary of the Group

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

21 Related party transactions (continued)

Particulars of significant transactions between the Group and the above related parties during the six months ended 31 December 2006 and 2007 are as follows:

	Six months ended 31 December	
	2007	2006
	$'000	*$'000*
Sale of goods to:		
Sojitz Building	**6,730**	5,652
Yaw Holding Group	**64**	190
Rimalco	**2,877**	4,840
SIL Group	**312**	535
Glenealy Group	**—**	800
Daiken	**30**	20
Magna-Foremost	**2,572**	1,235
SUS	**—**	10,668
Pacific Plywood	**—**	177
Yong Joo Sawmill	**875**	475
	13,460	24,592
Provision of services to:		
Yaw Holding Group	**51**	2,122
Glenealy Group	**—**	813
Daiken	**44**	50
Rimalco	**—**	2
Magna-Foremost	**239**	246
Foremost Crest	**1**	48
	335	3,281
Rental of properties and equipment to:		
Rimalco	**141**	136
Daiken	**52**	73
Yaw Holding Group	**15**	8
3D Networks	**24**	20
Magna-Foremost	**11**	9
	243	246

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

21 Related party transactions (continued)

	Six months ended 31 December	
	2007	2006
	$'000	*$'000*
Sale of property, plant and equipment to:		
Glenealy Group	**—**	116
Sale of sub licence to:		
Glenealy Group	**5,818**	—
Purchase of goods from:		
Sepangar	**7,484**	6,065
Yaw Holding Group	**—**	2,537
Si Khiong	**1,780**	2,006
Daiken	**1,277**	1,251
Glenealy Group	**—**	874
Foremost Crest	**26**	—
Yanglin	**1,327**	2,029
Pacific Plywood	**541**	1,952
	12,435	16,714
Purchase of services from:		
Yaw Holding Group	**676**	503
Glenealy Group	**—**	3
	676	506
Purchase of property, plant and equipment from:		
Si Khiong	**3,692**	11,069
Yaw Holding Group	**25**	—
	3,717	11,069
Purchase of sub licence from:		
Glenealy Group *(note 12)*	**6,531**	—

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.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

22 Possible impact of amendments, new standards and interpretation issued but not yet effective for the annual accounting period ending 30 June 2008

Up to the date of issue of this interim report, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period ending 30 June 2008 and which have not been adopted in this interim report.

		Effective date
International Financial Reporting Standards		
IFRS 8	Operating segments	1 January 2009
Revised IAS 1	Presentation of financial statements	1 January 2009
Revised IAS 23	Borrowing costs	1 January 2009
IFRIC Interpretations		
IFRIC 12	Service concession arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 14	IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

Aerial view of tropical forest in Guyana
蓋亞那熱帶森林俯瞰圖

Samling Global Limited
三林環球有限公司*

* For identification purposes only
僅供識別