Samling Global Limited
三林環球有限公司*

(a company incorporated in Bermuda with limited liability)

Stock code: 3938

MAXIMISING RESOURCES THROUGH INTEGRATION

ANNUAL REPORT 2008

* *for identification purposes only*

CONTENTS

MAXIMISING RESOURCES THROUGH INTEGRATION

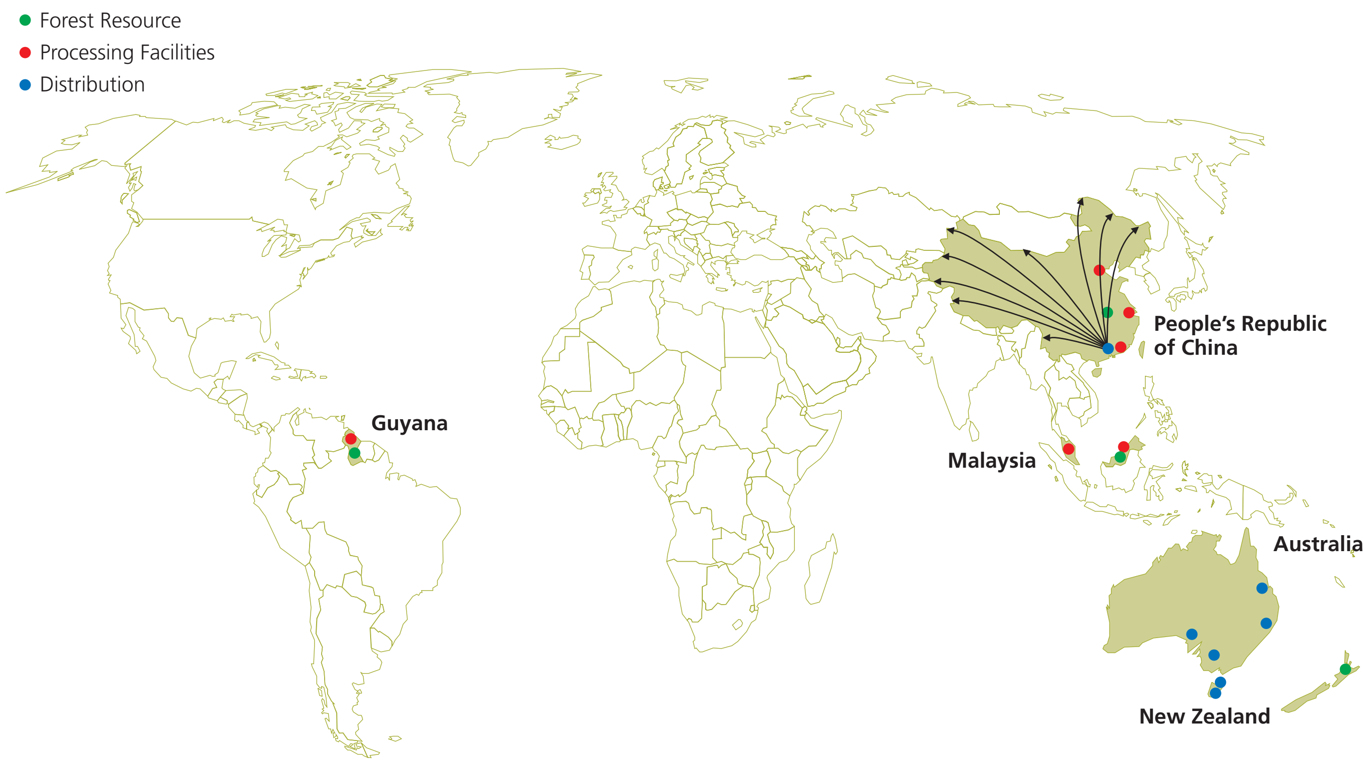
The theme of Samling Global Limited's 2008 Annual Report reflects our strategic direction of maximising the Group's integrated timber supply resources and value chain across geography, products and markets.

Samling Global Limited ANNUAL REPORT 2008

MAXIMISING RESOURCES THROUGH INTEGRATION

D i p t e r o c a r p

This two-winged fruit comes from the dipterocarp family of trees with over 600 species in the tropical rainforest. At fruiting season, the canopy bursts into color as countless dipterocarp fruits fall to the ground to continue the process of forest regeneration.



SAMLING GLOBAL LIMITED IS AN INTEGRATED FOREST RESOURCE AND WOOD PRODUCTS COMPANY WITH FOREST RESOURCES, PROCESSING FACILITIES AND DISTRIBUTION NETWORKS SITUATED IN DIFFERENT REGIONS AROUND THE WORLD.

CORPORATE STRUCTURE

As at 30 September 2008

CORPORATE STRUCTURE

As at 30 September 2008

CORPORATE STRUCTURE

As at 30 September 2008

SYARIKAT SAMLING TIMBER SDN. BHD. (MALAYSIA)

Contractor for timber extraction, tree plantation and investment holding

- **100% SERTAMA SDN. BHD.** — Extraction and sale of logs
- **100% SAMLING REFORESTATION (BINTULU) SDN. BHD.** — Tree plantation
- **54% SAMLING HOUSING PRODUCTS SDN. BHD.** — Manufacture and sale of housing products
  - **100% SAMLING CHIPBOARD SDN. BHD.** — Manufacture and sale of particleboard
- **100% SAMLING FLOORING PRODUCTS SDN. BHD.** — Manufacture and sale of flooring products, veneer and plywood
- **65% SAMLING DORFOHOM SDN. BHD.** — Investment holding and wood residual trading
  - **70% SAMLING MANUFACTURING PLANTATION SDN. BHD.** — Dormant
  - **50% MAGNA-FOREMOST SDN. BHD.** — Manufacture and sale of fibreboard door facings
- **100% KAYUNEKA SDN. BHD.** — Agent for sale of logs
- **100% BEDIANEKA SDN. BHD.** — Sales agent
- **100% SAMLING RESOURCES SDN. BHD.** — Rental of equipments
  - **49% SAMLING-PDT RESOURCES SDN. BHD.** — Dormant
- **100% SAMLING WOOD INDUSTRIES SDN. BHD.** — Extraction and sale of logs
  - **40% RIMALCO SDN. BHD.** — Manufacture and sale of sawn timber
- **70% MAJULABA SDN. BHD.** — Extraction and sale of logs
- **70% DAYALABA SDN. BHD.** — Extraction and sale of logs
- **100% MERAWA SDN. BHD.** — Extraction and sale of logs
- **100% KTN TIMOR SDN. BHD.** — Extraction and sale of logs
- **100% RAVENSCOURT SDN. BHD.** — Extraction and sale of logs
- **100% SYARIKAT RELOH SDN. BHD.** — Extraction and sale of logs
- **100% S.I.F. MANAGEMENT SDN. BHD.** — Extraction and sale of logs, manufacture and sale of veneer
- **100% SORVINO HOLDINGS SDN. BHD.** — Provision of machinery repairs and re-conditioning services

Places of incorporation

Malaysia

FIBREBOARD
Our medium-density fibreboard is manufactured exclusively from 100% blended recycled hardwood material.

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

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

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

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

COMPLIANCE ADVISER
CIMB-GK Securities (HK) Limited
25/F., Central Tower
28 Queen's Road Central
Hong Kong

AUDITORS
KPMG

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

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

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

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

STOCK CODE
Hong Kong Stock Exchange 3938

WEBSITE
www.samling.com

FINANCIAL HIGHLIGHTS

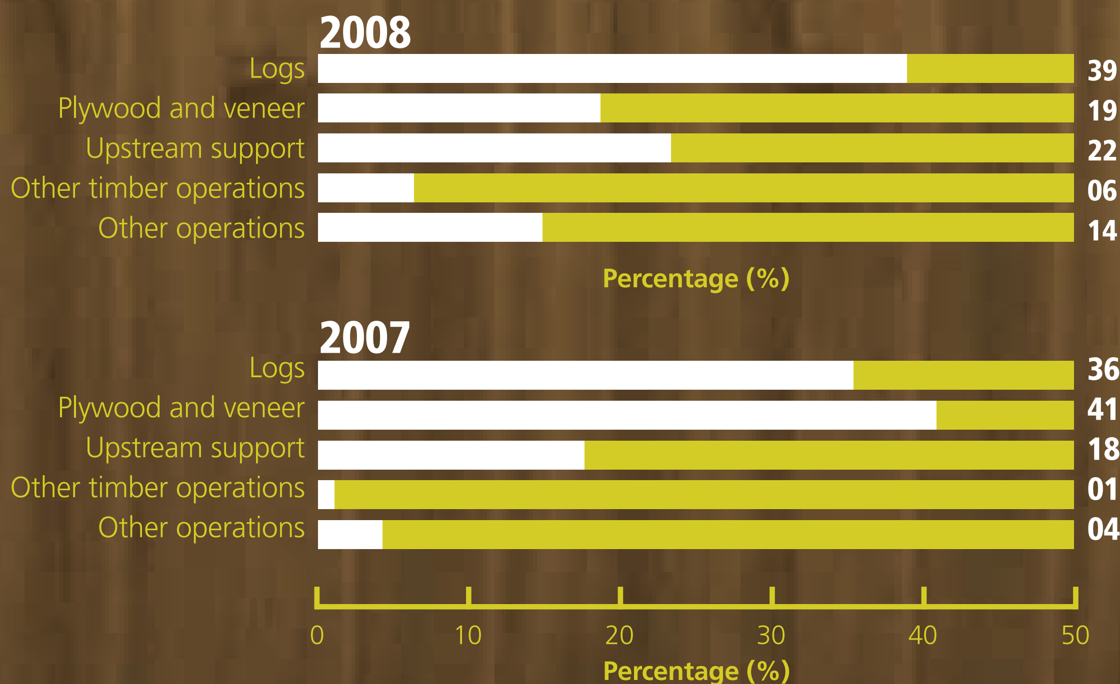
	For the year ended 30 June				
	2008 US$'000	2007 US$'000	2006 US$'000	2005 US$'000	2004 US$'000
Turnover	**545,288**	561,223	388,686	409,132	364,291
Profit/(Loss) before taxation	**27,492**	147,301	(199)	44,567	54,064
Profit attributable to shareholders	**13,893**	98,430	5,128	23,118	23,521
EBITDA (i)	**109,906**	196,679	83,487	111,555	97,771
Shareholders' funds	**596,114**	598,775	167,428	247,788	124,480
Total assets	**1,353,871**	1,314,051	892,467	957,143	907,945
Earnings per share (US cents) (ii)	**0.32**	6.03	0.17	0.75	0.76
Gearing ratio (%) (iii)	**28.8%**	28.4%	41.5%	32.2%	38.6%

i. EBITDA is equal to earnings/(losses) before net of financing costs, tax, depreciation, amortisation and gain/(loss) from changes in fair value of plantation assets less estimated point-of-sales costs.

ii. The calculation of basic earnings per share for the years ended 30 June 2004, 2005 and 2006 is based on the profit attributable to equity holders of the Company and divided by 3,094,236,830 shares in issue as at the date of the prospectus of 23 February 2007, as if the shares were outstanding throughout the year.

iii. Gearing ratio is equal to total borrowings divided by total assets times 100%.

EBITDA Contribution in Percentage (%) by Segment



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board") of Samling Global Limited, I am pleased to present the Annual Report for the financial year ended 30 June 2008.

BUSINESS REVIEW

The financial year under review was challenging for the Group as it strived to preserve margins which were squeezed due to various factors. Japan's housing starts were affected due to regulatory changes in the Housing Act which stalled building approvals. This resulted in a build-up of inventory of plywood products which led to depressed plywood prices. The sub-prime mortgage issues in the United States ("US") significantly weakened the US housing sector which also impacted other markets as well. With operating costs on the rise caused by higher fuel and glue costs and the effects of a weakened US Dollar against the Malaysian Ringgit, there was much added pressure on the Group in maintaining its margins.

The combined effects of all these factors and with timber prices lagging behind and not progressing correlatively to compensate for the increase in costs, the Group's gross profit margin was severely squeezed to 9.5% compared to 26.8% for the preceding financial year. After accounting for an improved contribution from the share of profits less losses of associates of US$19.5 million, the Group achieved a profit before taxation of US$27.5 million for the financial year. This was 81.3% lower than the preceding financial year. Profit attributable to shareholders for the Company was US$13.9 million and on an EBITDA basis, the Group achieved US$109.9 million.

The log trading segment was the largest contributor to operating profits, accounting for 137.5% as the plywood and veneer segments were affected due to the depressed plywood prices. Malaysia export log prices remained stable due to continued strong demand from China and India as these two key markets with their urbanisation plans and rapid infrastructure development generally sustained log prices. However, it still lagged behind the rate of increase in operating costs due to rising crude oil prices and freight costs.

Contribution from the plywood and veneer segment to operating profits, which accounted for 14.5%, was significantly affected by the decrease in plywood prices predominantly due to the weak housing starts in Japan. The halt in building approvals as well as excess inventory build-up had caused a decrease in Japan's plywood demand which led to falling prices. With margins being affected as Japan was a premium market, the Group's strategy is to focus on selling higher value niche plywood which fetched a better premium.

The Group continued its efforts in attaining operational efficiency to minimise the significant increase in operating costs with the rise in diesel, glue and lubricant prices which negatively impacted upon margins. The Group seeks to implement processes to improve productivity and efficiency. In support of this effort, the Group's intention is to construct more co-generation plants, besides the existing co-generation plant at the Tebanyi veneer mill to convert wood waste from the manufacturing facility into electricity for the mills. This would reduce dependence on diesel as well as practise effective waste management.

FUTURE PLANS

The Group will continue to focus on increasing its sustainable woodflow from its existing resources, through both organic growth and acquisitions, to meet the needs of downstream processing. Currently, with a stable woodflow of about 1.8 million cubic metres (“m^3”) per annum in Malaysia from the existing concession base of approximately 1.3 million hectares, the Group’s tree plantations will meet the increase in woodflows needs in the future. In New Zealand, plans to ramp up the woodflows from its total planted area of 25,842 hectares to a sustainable level of 800,000 m^3 is progressing well with the necessary preparatory works being done especially on road construction and infrastructural development. In Malaysia, the Group will continue to plant up areas which has been designated for tree plantations, of which 14,812 hectares have been planted as at 30 June 2008. With the completion of the acquisition of Anhui Tongling Anlin Wood Plantation Co., Ltd. (“Anhui Tongling”) in the People’s Republic of China (“PRC”) on 15 August 2008, the Group will also commence tree planting in the PRC. Anhui Tongling has a total land area of 3,079 hectares of which 1,037 hectares have been planted up.

The Group will continue to consider proposals to increase its woodflow through the acquisition of new concessions and plantations that will strategically fit into the Group’s overall plans and provide the Group with synergistic advantages.

Downstream processing capacities will also be increased to add value to the increased woodflow. The construction of a downstream manufacturing facility in the town of Gisborne in New Zealand is progressing as planned. With the land for the processing site being secured, work has commenced on the mill design specifications and equipment requirements. In Malaysia, plywood manufacturing equipments will, under the scheduled replacement programme, be replaced by newer and better equipment to improve on wood recovery and also with the capability to peel smaller diameter logs from the plantation areas. With the planned increase of woodflow from Guyana, the construction of another sawmill in Buckhall, Guyana is in progress as planned and the Group’s sawmill manufacturing capacity will increase by another 24,000 m^3 per annum.

KITCHEN SYSTEMS
AinoKitchen, our retail kitchen and wardrobe solutions business, offers a wide range of premium customisable kitchen and wardrobe systems that are trendy and functional.

The Group's successful acquisition of Brewster Pty. Ltd. ("Brewster") and the assets of Elegant Living (Hong Kong) Limited, Elegant Living International Holdings Limited and New Elegant Living Timber Manufacturing (Zhongshan) Co., Ltd. (collectively known as "Elegant") have enabled the Group to reach further down the supply chain and enlarge its distribution presence in Australia and the PRC. The Group will build on this presence by expanding and enhancing its product range to both of these countries besides establishing closer rapport with the end customers. Brewster, which has distribution outlets in the major cities of Australia will, other than providing the support for the Group products from Malaysia and Guyana, play an important role in the distribution of the products from the new processing plant in New Zealand in the future. In the PRC, the Group will now have access to 486 Elegant distribution outlets and there are plans to expand the number of outlets further. The current main business of Elegant is flooring and it is the current market leader in China for hand sculptured engineered flooring. Going forward, the Group, besides working towards capturing more market share in other flooring products, will also introduce the Group's other products for sale through these distribution channels. Elegant offers other synergistic advantages to the Group as it adds value to the plywood and logs it purchases from the Group's companies.

The availability of up to date management information on the key areas of the business is important for decision making. The implementation of a new Enterprise Resource Planning system, Microsoft Dynamics AX from Microsoft, has progressed well and this has improved on the processes of tracking of the wood resource movement from the forest to the processing plants and to the point of final sale. Reporting information across the organisation has also been enhanced.

Although forest certification is voluntary, the Group intends to stay committed to forest certification in preparation to meet current and future market demands for certified wood products. The Group's practice of sustainable forest management is designed to ensure the long term supply of our forest resources and for the legality of log sources to be certified. Best practices which are adopted in the management of all the Group's forestry areas will be continuously improved upon. Currently, the Group has received forest certification for approximately 56,000 hectares on natural forests in Malaysia, which represents 4.2% of the forest resource in Malaysia and for approximately 35,000 hectares of tree plantations in New Zealand which represents all of the tree plantations in New Zealand. The Group is also currently working actively with the Forest Stewardship Council ("FSC") on the audit of the Guyana forest for the reinstatement of the FSC certification.

FLOORING
Elegant Living delivers a one-of-its-kind selection of hand-sculpted engineered flooring that is distinguished and sophisticated.

DIVIDEND

The Directors recommend the payment of a final dividend of 0.624 HK cents (equivalent to approximately 0.080 US cents) per share amounting to HK$26.8 million in respect of the financial year ended 30 June 2008 to shareholders whose names appear on the Register of Members of the Company on 24 November 2008. The proposed final dividend will be paid on 18 December 2008 following approval of the shareholders at the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE

The Board is committed to achieving and maintaining high standards of corporate governance in managing the business and affairs of the Group guided by the principles and best practices of Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These practices are instilled throughout the Group's operations. These are further described in the Corporate Governance Report found on pages 42 to 49.

HUMAN RESOURCE DEVELOPMENT

As the Group expands, there is a need to ensure that it continues to develop its human resource capabilities to take on new challenges and requirements. Besides the need to develop the knowledge of staff for effective succession planning, greater efforts are also being placed on training, teamwork, effective communications and clear key performance indicators for incentive schemes. The Group's incentive scheme ensures that performances that meet or surpass the targets set are recognised and rewarded.

CORPORATE RESPONSIBILITY

The Group's corporate responsibility emphasis is on achieving commercial success in a balanced, responsible manner taking into account the interest of all stakeholders. The Community Affairs Department continues to discharge its corporate responsibility to the native communities in areas in which the Group operates. The Group has contributed in various ways to the native communities which include the provision of necessities and infrastructure projects to uplift their standards of living. These are further described in the Corporate Responsibility Statement found on pages 14 to 21.

PROSPECTS

The prospects for the current financial year will continue to face many challenges but on a positive note, inventories are progressively drawn down and signs are pointing toward an increase in demand and this bodes well for timber prices which have started to increase gradually. Housing starts in Japan are showing signs of recovery after new housing regulations were confirmed and adopted.

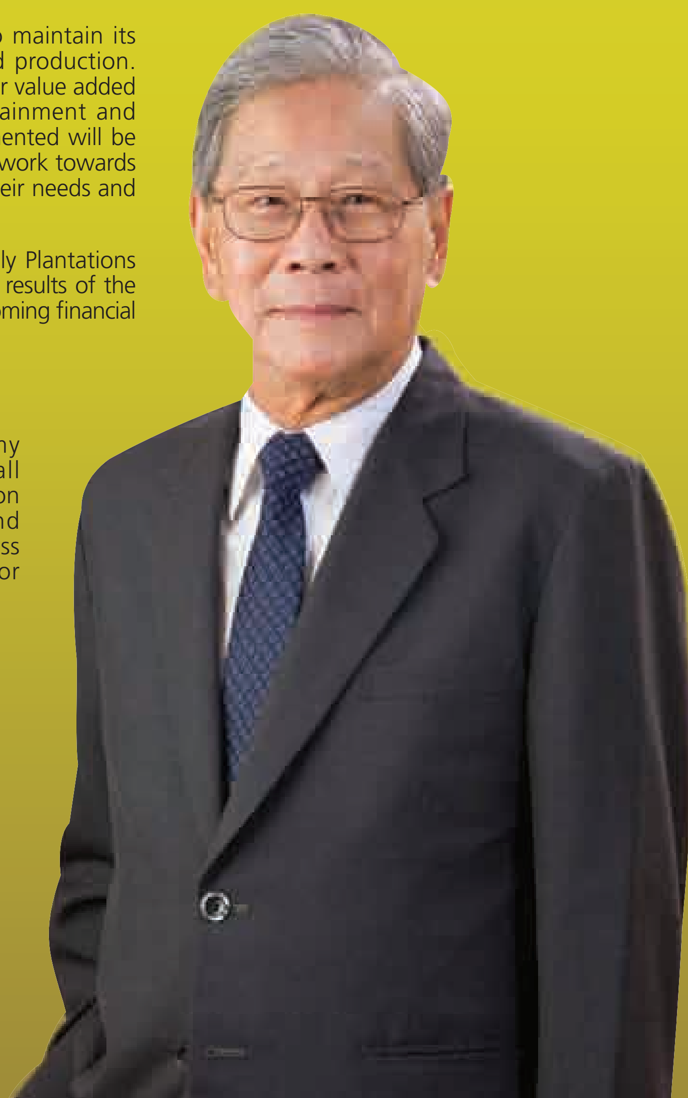
The prospect of the timber prices is expected to remain positive with continued tight log supply and firm demand from the two major importing countries China and India. The stiff competition from China is expected to be lower as its plywood exports are expected to further decline after the Chinese government reduced the export tax rebate to 5% in the preceding financial year. Russia, with its planned increase in export tax for logs to 80% or a minimum of Euro 50 per m^3 from 1 January 2009 is expected to have a significant effect on the market. It is anticipated that the price of Russian logs will increase as a result of this effect and it would cause buyers to shift its sourcing from other markets, like New Zealand, Chile and South Africa.

On a conservative note, the movement in fuel prices that had reached record levels and the uncertainty over the US economy with a slowdown in the US housing sector will have a ripple effect on the world economy. This may cause further slowdown in economic growth and affect demand for timber products as development activities slow down.

Recognising that margins will be under pressure from movement in foreign exchange rates and higher fuel prices, the Group will continue to take prudent measures and plans to improve productivity and efficiency of its business operations. Although the US Dollar has recently strengthened against the Malaysian Ringgit, any appreciation of the Malaysian Ringgit against the US Dollar will impact on cost and margins unless US Dollar sale prices move in tandem. To manage this foreign exchange exposure, the Group will apply appropriate hedge measures for its sales proceeds and payment obligations.

In facing the challenges ahead, the Group will strive to maintain its competitiveness by being efficient in its operations and production. Efforts will be focused on improvising and producing higher value added products to improve profit margins. Various cost containment and productivity enhancement programmes that were implemented will be closely monitored. On the marketing front, the Group will work towards fostering customer relationship by better understanding their needs and providing excellent customer service.

The Group's investment in the oil palm associate, Glenealy Plantations (Malaya) Berhad, is expected to contribute positively to the results of the Group even with crude palm oil prices at lower levels in the coming financial year.



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

17 September 2008

HOME FURNISHINGS
Samling Housing Products offers an exclusive collection of home furnishings featuring mix-and-match (modular) units to create unique pieces of furniture.

CORPORATE RESPONSIBILITY

THE GROUP CONTINUES TO TAKE ON THE CHALLENGE OF WEAVING CORPORATE RESPONSIBILITY ("CR") PRACTICES INTO ITS CORE BUSINESS PRACTICES. OUR COMMITMENT TO CR IS FOCUSED ON ENSURING SUSTAINABLE AND VIABLE GROWTH FOR OUR BUSINESSES, EMPLOYEES, CUSTOMERS, SHAREHOLDERS, PARTNERS, AS WELL AS THE COMMUNITIES AND ENVIRONMENT THAT WE OPERATE IN.

This section aims to provide an overview of the CR practices and initiatives that the Group has in place in the areas of the Community, Workplace, Marketplace as well as the Environment.

In 2008, driven by a need to take our approach to CR beyond existing practices, the Group engaged PricewaterhouseCoopers Advisory Services to help develop a measurement framework to better track the impact of our community and safety CR efforts. The initial phase of this framework is focused on developing core measures for the Group's Malaysian timber operations. The implementation of these measures aims to further enhance our community engagement and safety procedures.

REACHING OUT TO COMMUNITIES

ASSISTING INDIGENOUS COMMUNITIES

There are many indigenous people who live in the areas we operate. Our aim is to assist these community members lead safer and easier lives, empowering them to develop self-reliant, 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.

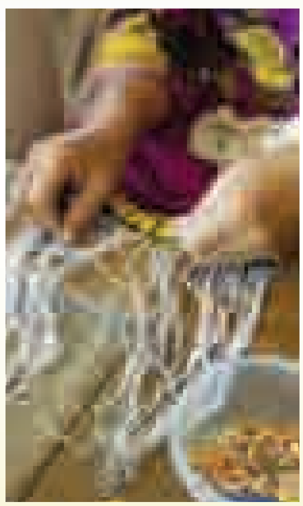
Our *Community Skills Programme* aims to equip and enhance the communities with daily living skills that will enable them to lead independent and self-reliant lives.

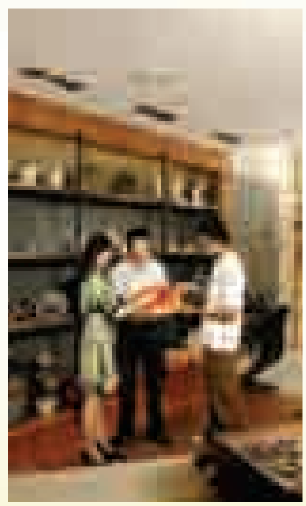
Community Development Highlights and Projects

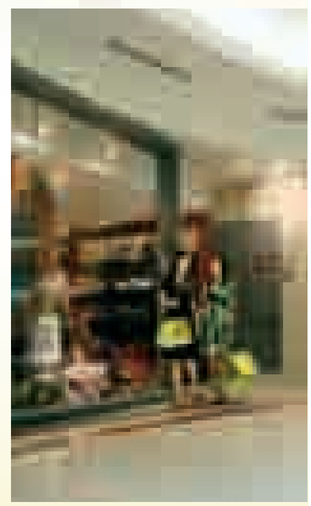
The colours of "Tamu"

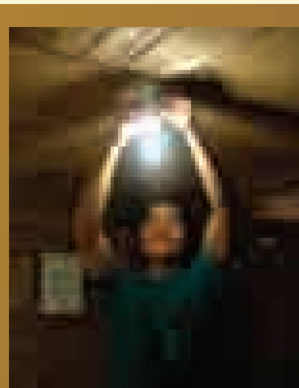
We built a marketplace or **'Tamu'** as the locals call it, near the compound of our timber operations in the Ulu Baram region in Sarawak. The 'tamu' benefits more than nine villages within a 72km radius of our operations, enabling local communities to buy and sell local market produce such as vegetables and fruits, providing them a source of income.

Janji (which means "Promise" in Malay language) is an initiative by the Group to promote Malaysian indigenous art and handicraft. The handicraft items are purchased from the communities to be sold in the *Janji* outlet in Suria KLCC, a leading shopping centre in Kuala Lumpur, Malaysia, with the proceeds of the sale going back to the Group's community projects.









Our **micro-hydro dam** and **electrification project** for the Penan villages of Long Main and Long Benalih have enabled water and electricity to be supplied and channeled directly to the villages.

INITIATING COMMUNITY-BASED ACTIVITIES – DONATION, DISASTER RELIEF AND PARTICIPATION IN CHARITY EVENTS

As an integral part of the communities in which we operate, the Group continues its effort in caring for the people in need, actively participating in and supporting different charity projects, such as the 10th Community Chest DHL Charity Golf Day in Hong Kong where we donated HK$28,000 to the cause.

In May and August 2008, fires razed the homes of two longhouse communities of Punan Bah in Ulu Kapit and Rumah Ado in Ulu Tatau, Sarawak leaving villagers homeless. On both occasions, we coordinated efforts and rushed to help in the recovery efforts by dispatching essential items such as food items and diesel fuel to provide immediate relief for the victims.

Our subsidiary in Guyana, Barama Company Limited ("Barama") donated building materials for the construction of one of the bridges across the Caria Caria Creek at the Essequibo River, near the company's Buckhall operations. This new bridge links two parts of the Caria Caria village across the creek and encounters pedestrian and vehicle traffic daily. The bridge was a result of a meaningful partnership between the government who commissioned the bridgeworks, Barama, who contributed building materials and the community who undertook the construction of the bridge.

SUPPORTING EDUCATION DEVELOPMENT

Education forms an essential part of the Group's community development. We recognise the need to nurture talent and facilitate education development to promote academic excellence among young people, who are future leaders of the nation and a driving force of the transformation to a knowledge-based economy.

In Malaysia, we granted a total of 36 scholarships amounting to more than HK$500,000 to academically outstanding students pursuing degrees in engineering, forestry science, wood technology and communications.

"After spending some time researching for my thesis at the Group's Sela'an-Linau Malaysian Timber Certification Council certified area, I find that there is a great opportunity to develop sustainable forestry practices in Sarawak. I was offered a full-time position in the Group's Sustainable Forest Management ("SFM") unit upon graduation. I am glad I can continue my involvement with SFM as there is much to be done."

Wilfred Sedau

Wilfred an Iban, completed his Bachelor in Forestry Science degree at Universiti Putra Malaysia in 2007.

EFFORTS FOR THE ENVIRONMENT

The Group is supportive of all efforts to reduce wastage, properly dispose waste and optimise efficiency in our operations. We constantly encourage our employees to participate in environmental activities and to develop keen awareness in the areas of concerns.

We continue to work closely with regulators and industry partners in providing technical expertise and support to identify areas of improvement for resource and waste management in our ground operations and offices.

Some of the initiatives that are continually implemented and improved on include:

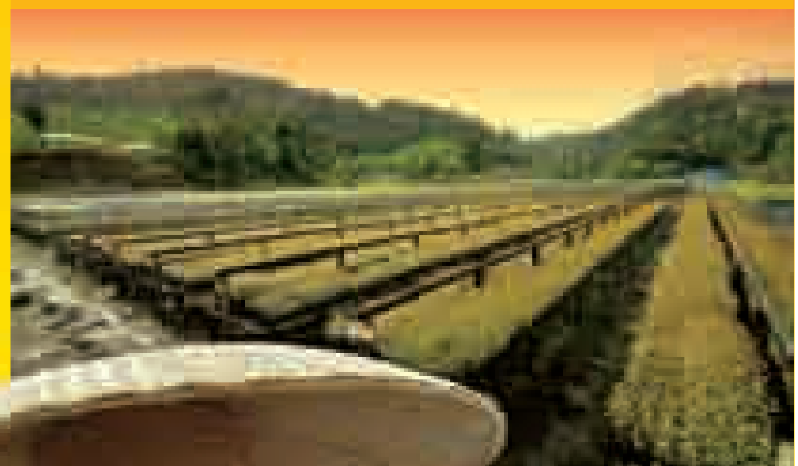
- Identifying road construction practices in our forest operations that minimises impact on the environment
- Segregating waste and managing disposal
- Using energy efficient boilers
- Recycling wood residue from our manufacturing processes to create value-added products such as fibreboard or particleboards
- Converting wood residue into a source of renewable energy and fuel for our production process

We introduced an Enterprise Resource Planning (ERP) system to improve and streamline the Group's resource planning, management control and operational control. This ensures a smooth integration of our upstream and downstream operations to better utilise our resources and reduce wastage.

We continue to work with the Wildlife Conservation Society, based in New York on a project involving conservation education for local communities and our employees, enforcement operations in our camps, and regular wildlife surveys to assess wildlife populations and hunting patterns.

As part of our sustainable forest management practice, we also replant trees in lands that have been degraded by shifting agricultural practices. As at 30 June 2008 in Malaysia, we have replanted acacia, khaya and rubberwood trees in forest plantation areas covering 15,000 hectares which will complement the sustainable wood resource from the natural forest in East Malaysia in the future.

Four-year old *acacia mangium* plantation in Sarawak, Malaysia.



Nurturing seedlings at the Group's nursery in Sarawak, Malaysia.

WORKPLACE – AN EMPLOYER OF CHOICE

We believe that the Group's success comes from our people. We have a workforce of 13,000 great people around the world, across a diverse range of backgrounds, cultures and occupations.

We are committed to providing a safe, effective and congenial work environment for our people at all levels, with career advancement opportunities for those with capabilities and dedication.

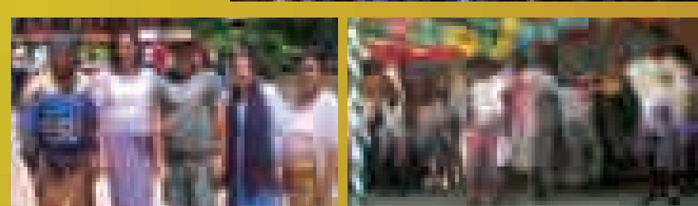
Occupational safety and health practices are priority in our operations. Key safety-related issues in our upstream and downstream Malaysian timber operations were identified and measures developed to help the Group track safety performance.

We believe in investing in training and development programmes to develop and expand our employees' skills and capabilities to excel in their jobs. We also open our doors for "new blood" with internship opportunities and talent-scouting at career fairs held at local universities.

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 our employees' skill sets and business expertise.

The Group's employees in Miri, Sarawak, Malaysia coming together to help clean-up the neighbourhood beach.

A safety campaign called "**Safety Starts with Me**" was launched across our Malaysian timber operations to increase staff awareness on the importance of a safe workplace.



Having a sporting good time at work.
Employees taking part in sports and games during Barama's Sports Day.

UNDERSTANDING OUR MARKETPLACE

The Group's 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 are committed to high standards of corporate governance and are mindful of the social and environmental impact of our business practices and policies.

CERTIFIED PRODUCTS

We continually try to improve our management of forest resources and operations so that the supply of wood meets the needs of society today and in the future. We endeavour to achieve certification for our forest concessions, manufacturing practices and products, 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 forest concessions and plantations. We understand that forest certification is not a static process, rather, it is a means for timber companies to strive for continuous improvement over a period of time throughout their operations.

Currently, the Group has forest management certifications for approximately 56,000 hectares of natural forests in Malaysia, which represents 4.2% of the forest resource in Malaysia and for approximately 35,000 hectares of tree plantations in New Zealand which represents all of the tree plantations in New Zealand. The Group is working towards reinstating its Forest Stewardship Council ("FSC") certification in Guyana and is engaged in ongoing discussions with all relevant parties to resolve the issues and meet the dynamic criteria of the certification.

In mid March 2008, Barama underwent a rigorous pre-assessment of certification reinstatement process by Smartwood (the FSC certification arm of the Rainforest Alliance). The pre-assessment covered Barama's concession in compartments 4 and 5 in Guyana. Barama will schedule a full assessment of certification reinstatement process with Smartwood at a time agreed by both parties.

For more information of the Group's certification, visit our website at **www.samling.com**.

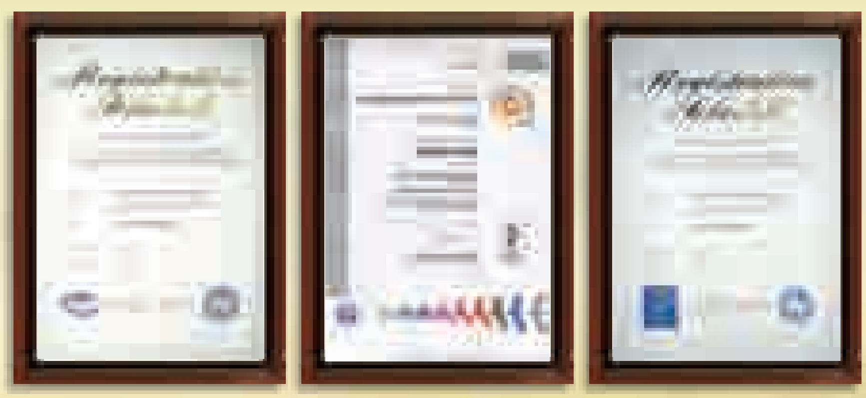
ENGAGING OUR STAKEHOLDERS

We believe in establishing collaborative relationships with our stakeholders by being responsive in both formal and informal ways, and engaging in dialogues with a variety of interest groups.

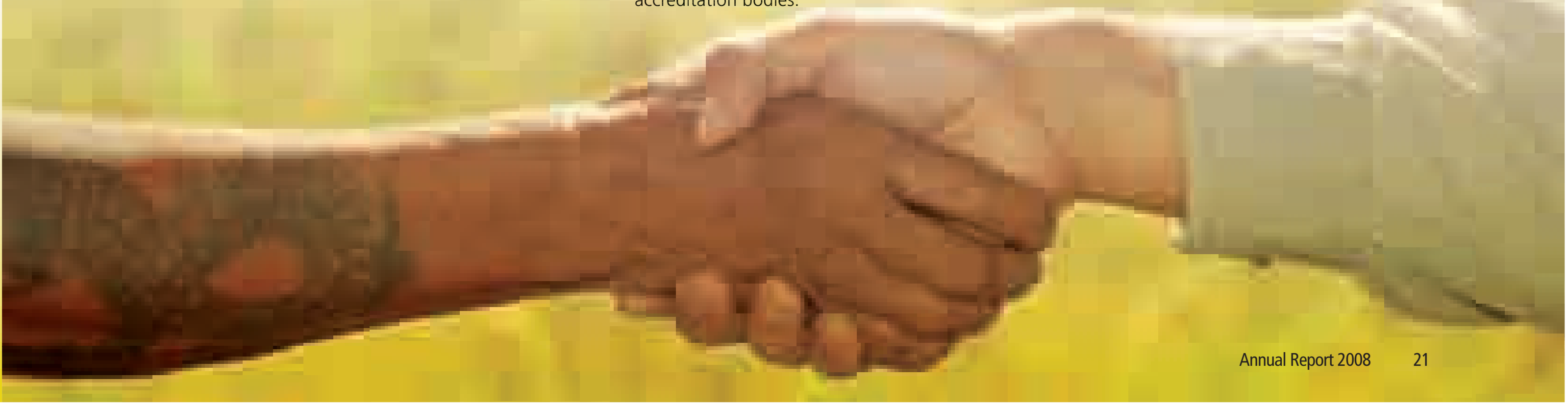
We hold analysts/press briefings, and annual general meetings and work actively to maintain and foster relationships with our shareholders, both locally and internationally. The Group's website allows users to access the latest announcements, quarterly reports, corporate news and information of the Group and its products.

The Group also undertakes regular and ongoing stakeholder engagement with the Government, regulatory bodies, industry peak bodies, investors, suppliers and the media through regular site visits, meetings, reports and correspondence.

Our indigenous community liaison officers, many of whom belong to the indigenous tribes, are recruited specially 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 concerns, needs and better cope with inevitable issues that may arise from time to time.



Samling Housing Products Sdn. Bhd., one of the Group's subsidiaries, was awarded the internationally recognised ISO 9001:2000 Quality Management System Certifications for design and manufacturing of home furnishing and furniture products by United States, United Kingdom and Malaysian accreditation bodies.



DOOR FACINGS
Our joint venture with Masonite USA manufactures and distributes doors and door skins that enhance architectural design with functional beauty.

MANAGEMENT DISCUSSION AND ANALYSIS

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							
2008							
External customers	174,072	294,702	11,051	54,972	10,491	—	545,288
Inter-segment revenue	88,408	24,866	205,191	3,592	3,337	(325,394)	—
Total revenue	262,480	319,568	216,242	58,564	13,828	(325,394)	545,288
2007							
External customers	172,563	336,631	16,131	26,716	9,182	—	561,223
Inter-segment revenue	86,161	25,108	190,952	2,534	3,751	(308,506)	—
Total revenue	258,724	361,739	207,083	29,250	12,933	(308,506)	561,223
Segment Gross Profit (before inter-segment elimination)							
2008							
Gross profit	27,212	11,332	2,781	7,509	2,918		51,752
Gross profit margin (%)	*10.4*	*3.5*	*1.3*	*12.8*	*21.1*		*9.5*
Percentage of segment contribution (%)	*52.6*	*21.9*	*5.4*	*14.5*	*5.6*		*100.0*
2007							
Gross profit	59,052	74,200	13,384	1,180	2,573		150,389
Gross profit margin (%)	*22.8*	*20.5*	*6.5*	*4.0*	*19.9*		*26.8*
Percentage of segment contribution (%)	*39.3*	*49.3*	*8.9*	*0.8*	*1.7*		*100.0*

KEY FINANCIAL HIGHLIGHTS (Continued)
Profit Attributable to Equity Holders of the Company

	2008 US$'000	2007 US$'000
Gross profit	51,752	150,389
Other expenses net of other income before (loss)/gain from changes in fair value of plantation assets less estimated point-of-sale costs	(32,638)	(28,242)
(Loss)/gain from changes in fair value of plantation assets less estimated point-of-sale costs	(3,040)	3,508
Profit from operations	16,074	125,655
Net financing (costs)/income	(9,883)	11,981
Share of profits less losses of associates and jointly controlled entities	21,301	9,665
Income tax	(1,521)	(16,420)
Profit for the year	25,971	130,881
Minority interests	(12,078)	(32,451)
Profit attributable to equity holders of the Company	13,893	98,430

REVIEW OF GROUP RESULTS

For the financial year under review, the Group achieved a turnover of US$545.3 million representing a 2.8% decrease from the turnover of US$561.2 million achieved in the preceding financial year. This decrease was primarily attributable to a decrease in revenue from plywood sales as a result of lower selling prices and volumes sold.

The Group's results for the financial year under review was adversely affected by lower selling prices of plywood and veneer which was further affected by cost pressures brought about by higher diesel prices and a strengthening Malaysian Ringgit against the US Dollar. As a consequence, gross profit has decreased to US$51.8 million from US$150.4 million achieved in the preceding financial year, a drop of about 65.6%. Gross profit margin has also decreased to 9.5% compared to 26.8% for the preceding financial year. Other expenses net of other income has increased to US$32.6 million, which was 15.6% higher than the preceding financial year. After recognising a loss of US$3.0 million from changes in fair value of plantation assets less estimated point-of-sale costs, profit from operations was US$16.1 million, a decrease of US$109.6 million from the US$125.7 million recorded in the preceding financial year. Share of profits less losses of associates and jointly controlled entities was higher at US$21.3 million principally as a result of the higher crude palm oil prices ("CPO") achieved by the associate involved in oil palm plantations. The effective tax rate of 5.5% was 5.6% lower than the preceding financial year. This was principally due to lower profit achieved during the financial year for set-off against tax credits available for double deduction claims in respect of freight charges for certain subsidiary companies in the Group. After accounting for minority interest of US$12.1 million, profits attributable to equity holders of the Company was US$13.9 million which was 85.9% lower than the preceding financial year. On an earnings before income tax, depreciation and amortisation and (loss)/gain from changes in fair value of plantation assets less estimated point-of-sale costs ("EBITDA") basis, the Group achieved US$109.9 million which was 44.1% lower than that of the preceding financial year.

REVIEW OF BUSINESS SEGMENT RESULTS

Log Trading

Log trading, a major business segment, accounted for approximately 31.9% and 30.7% of total turnover for the financial year under review and the preceding financial year 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.

	Year ended 30 June 2008			Year ended 30 June 2007		
	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000	Sales Volume m^3	Weighted Average US$/$m^3$	Revenue US$'000
Hardwood logs — export sales	703,144	172.14	121,037	792,995	168.71	133,785
Hardwood logs — local sales	399,483	93.11	37,196	345,345	93.44	32,269
Softwood logs — export sales	179,035	62.24	11,144	67,132	70.10	4,706
Softwood logs — local sales	57,230	82.04	4,695	22,997	78.40	1,803
Total external log sales	1,338,892	130.01	174,072	1,228,469	140.47	172,563
Internal log sales [(i)]	940,390	94.01	88,408	979,548	87.96	86,161
Total log sales	2,279,282	115.16	262,480	2,208,017	117.17	258,724

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

The Group sold 1,102,627 cubic metres ("m^3") of hardwood logs and 236,265 m^3 of softwood logs which was 3.1% lower and 162.1% higher respectively than the preceding financial year.

The volume of hardwood logs sold in the financial year under review represented approximately 46.4% 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 preceding financial year principally due to a less than conducive weather conditions in the Malaysian forest and the partial effects of the suspension of harvesting from certain third party harvesting rights in Guyana by the Guyana Forestry Department. As a consequence the volume of hardwood logs sold was also correspondingly lower. The average hardwood log export prices achieved for the financial year under review was US$172.1 per m^3 compared to US$168.7 per m^3 achieved for the preceding financial year.

The 236,265 m^3 of softwood logs sold were from the Group's maturing radiata pine tree plantations in New Zealand. The increase in volume sold by 162.1% as compared to the preceding financial year was the result of the gradual ramp up of production. In view of the current market situation, the New Zealand plantations has yet to maximise the full ramp up of its production level as the planned harvesting schedule was deferred slightly in anticipation of higher selling prices due to effects of higher Russian export tax which will move from the current minimum of Euro 15 per m^3 to Euro 50 per m^3 in 1 January 2009. However, the Group's plans to ramp up the woodflows in New Zealand to a sustainable level of 800,000 m^3 is progressing with the necessary preparatory works being done especially on road construction and infrastructural development. The average softwood log prices achieved of US$67.0 per m^3 was 7.2% lower than that of the preceding financial year.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Log Trading (Continued)

For the financial year under review, although the timber market was partly affected by the sub-prime mortgage issues in the United States of America ("USA") and slightly lower demand from Japan, the effects were partly mitigated by demand from the Group's traditional markets of China and India which remained strong. China, with its strong economic growth driving an increase in construction and infrastructure development activities remains as the largest importer of both tropical hardwood and softwood logs. As the level of affluence and urbanisation increases, China's production of wood products has correspondingly risen to meet domestic demand. This strong level of demand from China has generally helped sustain overall export log prices achieved by the Group even with downward pressure on prices from other markets. The Group sold 31.1% of its log exports to China.

Another market which the Group has focused on is the expanding economy of India. Construction spending is on an upward trend with increased housing starts fuelled by rapid urbanisation and improved living conditions. Being a net importer of timber, the government has encouraged the import of logs to domestic production needs by imposing relatively lower import duties. The Group has been actively promoting the harder species which are used for the flooring, furniture and construction industry. These logs are sold at higher prices and are exported from both Malaysia and Guyana. It accounts for 20.9% of the Group's total log exports.

Although Japan's demand for logs has decreased as domestic plywood mills lowered their production volumes with the lower housing starts in the financial year under review, the Group managed to sell 9.5% of its log exports to Japan. Sales to Japan were mainly of the premium grade which fetched better prices. Generally, there has been a decline in demand for tropical log imports by Japan as domestic plywood manufacturers switched to using more softwood logs in their efforts to contain costs. The Group's long term relationship with loyal Japanese customers, having established a proven track record on meeting their requirements not only in terms of quality but also consistency and timeliness of supply, has enabled the Group to continue to sell to these customers even with a general slowdown in demand.

On the supply side, the volume of logs being harvested and exported from Indonesia was generally under control. The consistent supply flow from Indonesia augers well for maintaining stable hardwood logs prices in the market. For softwood, although Russia still remains as the key supplier in the market, especially to China, the increase in export taxes has caused a certain level of uncertainty on the supply from this source and buyers have been moving to source from other markets including New Zealand in which the Group has a 25,842 hectare in planted forest resource.

The log trading segment results for the financial year under review were generally affected by higher operating costs. Overall operating costs was under much pressure brought about by the sharp rise in crude oil prices and higher spare parts cost. Although selling prices have increased, it still lagged behind the rate of increase in costs, insufficient to offset the overall cost increase. Further, there were resistance from buyers to the increase as the landed costs of logs have also increased due to rising freight charter rates. As a consequence, margins were squeezed and log trading recorded a gross profit of US$27.2 million, a drop of US$31.9 million compared to US$59.1 million achieved in the preceding financial year. Gross profit margin also decreased to 10.4% from 22.8% in the preceding financial year.

The changes in fair value of plantation assets less estimated point-of-sale costs was a loss of US$3.0 million compared to a gain of US$3.5 million in the preceding financial year. The change for the financial year under review was due to the impact of generally higher operating costs which offset the value of growth of the planted trees.

At the operating profit level, the log trading segment recorded a profit of US$22.1 million which was 61.8% lower than the US$57.8 million achieved in the preceding financial year.

In the financial year under review, the Group expended US$10.9 million to maintain and expand its forest plantation areas in New Zealand and Malaysia. The New Zealand radiata pine plantation with a planted area of 25,842 hectares is a strategic long term asset that will complement the Group's hardwood resource. It is continuously maintained and pruned to ensure that it provides the highest percentage of clear pruned logs when harvested. In Malaysia, an additional 3,788 hectares were planted with acacia, khaya and rubberwood species in the financial year under review bringing the total planted area to 14,812 hectares. This plantation wood resource will complement the sustainable wood resource from the natural forest in East Malaysia in the future.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Plywood and Veneer

Plywood and veneer remained the largest contributor to turnover to the Group accounting for 54.0% and 60.0% of total turnover for the financial year under review and the preceding financial year respectively. The following table shows selected operating and financial data with respect to sales volume, weighted average price and revenue of plywood and veneer sold, including inter-company sales.

Plywood

	Year ended 30 June 2008			Year ended 30 June 2007		
	Sales Volume m^3	Weighted Average US\$/m^3	Revenue US\$'000	Sales Volume m^3	Weighted Average US\$/m^3	Revenue US\$'000
Plywood — export sales	509,832	436.21	222,392	580,921	470.26	273,185
Plywood — local sales	51,858	354.10	18,363	34,249	347.78	11,911
Total external plywood sales	561,690	428.63	240,755	615,170	463.44	285,096
Internal plywood sales	19,361	478.59	9,266	5,790	455.96	2,640
Total plywood sales	581,051	430.29	250,021	620,960	463.37	287,736

Veneer

	Year ended 30 June 2008			Year ended 30 June 2007		
	Sales Volume m^3	Weighted Average US\$/m^3	Revenue US\$'000	Sales Volume m^3	Weighted Average US\$/m^3	Revenue US\$'000
Veneer — export sales	92,395	309.76	28,620	99,175	338.58	33,579
Veneer — local sales	94,745	267.32	25,327	62,193	288.71	17,956
Total external veneer sales	187,140	288.27	53,947	161,368	319.36	51,535
Internal veneer sales	58,048	268.74	15,600	72,334	310.61	22,468
Total veneer sales	245,188	283.65	69,547	233,702	316.66	74,003

The Group sold 561,690 m^3 of plywood and 187,140 m^3 of veneer to external parties which when compared to 615,170 m^3 of plywood and 161,368 m^3 of veneer sold in the preceding financial year was a 8.7% lower and 16.0% higher respectively. Prices of plywood export sales achieved was US$436.2 per m^3 which was 7.2% lower than the preceding financial year. As one of use of veneer is for the production of plywood, its prices have a correlation with the movement in plywood prices. Veneer export prices, which averaged US$338.6 per m^3 for the preceding financial year, decreased to an average of US$309.8 per m^3 for the financial year under review.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Plywood and Veneer (Continued)

The main factor for the decrease in sales volume and selling prices for plywood was the slowdown in demand from Japan. The weak housing starts in Japan due to the effect of the regulatory change in the Housing Act which halted building approvals as well as the excess inventory build-up following the 2007 timber rally had caused the decrease in plywood demand and plywood prices to fall across the board. In spite of the lower housing starts, total sales to Japan, which purchases higher quality plywood at premium prices, accounted for 41.1% of the Group's total exported plywood sales. The Group's plywood mills, the products of which are all able to comply with the Japanese Agricultural Standard ("JAS"), was able to maintain its sales due to its long established relationship with its loyal buyers.

Sales to the USA was partly affected by the sub-prime lending issues, rising interest rates and the slowdown in housing starts. Working closely with its main customers and focusing on improving its distribution network to meet customers' needs on delivery schedules and product requirements, the Group was still able to export 12.0% of its total exported plywood sales to the USA.

In China, with significant investments in plywood manufacturing plants and equipments to meet the growth in plywood requirements in recent years as the construction and infrastructure boomed, local mills are a major competitor not only for the local market but for the export market as well. Currently as the third largest plywood exporter after Malaysia and Indonesia, the advantage of having lower production costs provides it with a competitive edge. The Group's key focus on China was mainly on selling niche plywood products and not on lower commodity based plywood which will bring it in direct competition with China's domestic production. Although the competitiveness of plywood exported from China has been partly reduced due to the reduction in export tax rebates on plywood exports to 5% last year, it still remains a major competitor in the plywood market. In the financial year under review, the Group sold 8.4% of its total plywood sales to China.

Capitalising on its wide customer base, the Group has been able to divert some of its sales from the USA and Japanese markets to other markets, which includes South Korea and Europe which accounts for 15.1% and 9.8% respectively of the Group's total exported plywood sales in the financial year under review.

The Group's total veneer sales from its 4 veneer mills, which are located near to the forest resource to peel fresh salvage logs from plantation areas that are just harvested to maximise log recovery, totalled 245,188 m^3 of which 23.7% was used internally in the Group's plywood factories as a raw material input with the balance sold to external customers. The Group's focus in the financial year under review was on maximising log recovery and production of higher percentage of face and back veneer.

In the financial year under review, the Group continues to focus on its operational efficiency to address rising cost of production, especially in glue, fuel and electricity usage, the cost of which has increased in tandem with rising fuel prices and tariff rates. The Tebanyi co-generation plant which utilises wood waste as fuel for production of electricity has partly helped on saving diesel usage, the price of which has increased significantly. Another new co-generation plant is currently being constructed near the Layun veneer mill will also help to reduce diesel usage even further in the coming financial year. Due to lower selling prices and higher costs, margins were under pressure and the Group's plywood and veneer operations achieved a gross profit margin of 3.5% compared to 20.5% in the preceding financial year. A gross profit of US$11.3 million was achieved which was 84.8% lower than the preceding financial year.

REVIEW OF BUSINESS SEGMENT RESULTS (Continued)

Upstream Support

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

Revenue from upstream support for external sales decreased by US$5.0 million, or approximately 31.5%, to US$11.1 million for the financial year under review from US$16.1 million for the preceding financial year. Total revenue from billings to internal companies for the financial year under review amounted to US$205.2 million compared to US$191.0 million for the preceding financial year. This increase in billing was principally to recover the higher operating costs.

As the upstream support services involves a large fleet of machineries and vehicles operating at the forest resource, controlling operating costs and increasing productivity is of paramount importance. For the financial year under review, the impact of rising fuel and spare parts cost have impacted the operating cost of the upstream support operations. Diesel cost had increased to an average of US$0.78 per litres compared to an average of US$0.53 per litre in the preceding financial year. This impact of rising fuel and spare parts cost on the Group would have been even more significant had the Group not pursued a programme of replacing its equipment fleet in the past few years. The current fleet is relatively new and besides being more efficient in its production, it also consumes generally lesser fuel per m^3 of logs produce compared to older units.

Emphasis is also placed on improving workers' productivity, through a performance based reward system. This performance based system improves productivity over the years as workers are aware of specific targets that they should focus on. As the cost of extraction of a log is similar irrespective of species, the continuing monitoring of logs extracted is done on an on-going basis to ensure that the best value logs are extracted to maximise margins.

The Group's central purchasing company continues to source for spare parts from new suppliers and also directly from manufacturers whilst at the same time, maintain the quality of the spare parts.

For the financial year under review, gross profit achieved for the timber support services was US$2.8 million which was US$10.6 million lower than that of the preceding financial year. In terms of gross profit margin, it has decreased to 1.3% compared to 6.5% in the preceding financial year.

Other Timber Operations

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

Revenue from other timber operations increased by US$28.3 million or approximately 105.8%, to US$55.0 million in the financial year under review from US$26.7 million in the preceding financial year. This increase was primarily due to the inclusion of the revenue of Brewster Pty. Ltd. ("Brewster") which was acquired in December 2007.

In terms of gross profit, other timber operations achieved US$7.5 million which was 536.4% higher than the preceding financial year. This was principally due to the inclusion of the gross profit of Brewster.

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 increased by US$1.3 million or approximately 14.3%, to US$10.5 million in the financial year under review from US$9.2 million in the preceding financial year due to higher sales of granite stone aggregates from the quarry operations and rubber retread compound operations. The quarry division performance has not shown much improvement from the preceding financial year as there were no major construction activities in areas near Kuching and the Group continued to face stiff competition from other granite and limestone quarry operators as well. The local tyre retreading business recorded an improvement in results though competition remains stiff. The Group continued to focus on customers' needs with better quality products and managed to secure demand for certain masterbatch products which generated better margin.

Other operations achieved a gross profit of US$2.9 million for the financial year under review compared to US$2.6 million achieved in the preceding financial year. The highest contributor to the gross profit was from the quarry operations at US$1.1 million followed by the rubber retread compound operations at US$0.8 million.

Net Financing (Costs)/Income

The Group recorded a net financing costs of US$9.9 million compared to net financing income of US$12.0 million for the preceding financial year. This was due to recognition of foreign exchange loss instead of a gain as well as lower interest income recognised during the financial year under review.

Share of Profits less Losses of Associates

The Group recognised a profit of US$19.5 million as share of profits less losses of associates, an increase of US$11.7 million from the profit of US$7.8 million recognised as our net share of profits less losses of associates for the preceding financial year. This increase was primarily attributable to an increase in net profits from our associated company, Glenealy Plantations (Malaya) Berhad ("Glenealy") which benefited from a significant increase in CPO prices coupled with higher CPO sales as yields from the matured palms improved as they progressively reach their prime age.

Share of Profits less Losses of Jointly Controlled Entities

The Group recognised US$1.8 million as share of profits less losses of jointly controlled entities, a decrease of approximately 7.5%, from the US$1.9 million recognised in the preceding financial year. This decrease was primarily attributable to a decrease in the net profits of our door facing manufacturing joint venture, Magna-Foremost Sdn. Bhd. due to slowdown in demand which affected sales.

Income Tax

An income tax expense of US$1.5 million was accounted for during the financial year under review as compared to US$16.4 million for the preceding financial year. The effective tax rate was 5.5% as there were tax credits available for double deduction claims in respect of freight charges for certain subsidiary companies in the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group's cash and bank balances amounted to US$273.3 million compared to US$326.5 million as at 30 June 2007.

The gearing ratio was 28.8% and 28.4% as at 30 June 2008 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 year under review compared to 30 June 2007.

Available facilities that were not drawndown as at 30 June 2008 amounted to US$27.3 million compared to US$34.7 million as at 30 June 2007. At 30 June 2008, the Group has outstanding indebtedness of US$389.7 million compared to US$372.8 million as at 30 June 2007. Of the US$389.7 million of indebtedness, US$153.3 million is repayable within one year with the balance of US$236.4 million having a maturity of more than one year as presented below:

	US$ million
Within one year	153.3
After one year but within two years	43.0
After two years but within five years	93.5
After five years	99.9
Total	389.7

	US$ million
Secured	187.4
Unsecured	202.3
Total	389.7

The indebtedness carry interest rates ranging from 2.85% 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.

INTEREST RATE RISK

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

FOREIGN EXCHANGE RISK

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

Certain of the foreign exchange gains and losses are attributable to foreign exchange transactions on the US Dollars loan above booked on the accounts of the New Zealand plantation forest subsidiary, Hikurangi Forest Farms Limited ("HFF") with outstanding principal amount, including capitalised interest, as of 30 June 2008 of US$54.8 million. As HFF's functional currency is the New Zealand Dollar, exchange differences on the value of the HFF's US Dollars loans are recognised as part of the financial income and expense.

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

CAPITAL COMMITMENTS

The Group's authorised but not contracted for total commitments as at 30 June 2008 amounted to US$70.1 million.

CHARGE ON ASSETS

As at 30 June 2008, the Group pledged assets with aggregate carrying value of US$280.1 million (30 June 2007: US$281.8 million) to secure bank loan facilities of the Group.

CONTINGENT LIABILITIES

As at 30 June 2008, the Group had no material contingent liabilities except as disclosed in note 34(c) to the financial statements.

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 100% equity interest in Brewster, a proprietary company incorporated in Australia and based in Hobart, Tasmania, Australia for a consideration of approximately US$7.7 million. This acquisition was completed on 11 February 2008 and the Company now holds 100% of equity interest in Brewster. Following the acquisition, Brewster changed its legal status to a proprietary company.

On 25 February 2008, the Company announced the proposed acquisition of the assets of Elegant Living (Hong Kong) Limited, Elegant Living International Holdings Limited and New Elegant Living Timber Manufacturing (Zhongshan) Co., Ltd. for an initial consideration of US$38.3 million and a further payment of up to approximately US$25.4 million if certain profit targets are achieved within the three years after completion. The acquisition was completed on 26 August 2008.

On 5 June 2008, the Company announced the exercise of a call option granted by Samling International Limited under a Call Option Agreement dated 12 February 2007 for the acquisition of 100% of the equity capital of Anhui Tongling Anlin Wood Plantation Co., Ltd., a company incorporated in the People's Republic of China for a consideration of US$8.6 million. The acquisition was completed on 15 August 2008.

Other than the above, the Group had no material acquisition or disposal of subsidiaries and associated companies during the year ended 30 June 2008.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the financial year ended 30 June 2008.

EMPLOYEES

As at 30 June 2008, the Group employed a total of 12,887 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 30 June 2008, there were no options granted to any employees.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of 0.624 HK cents (equivalent to approximately 0.080 US cents) per share amounting to HK$26.8 million in respect of the financial year ended 30 June 2008 to shareholders whose names appear on the Register of Members of the Company on 24 November 2008. The proposed final dividend will be paid on 18 December 2008 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

DIRECTORS' PROFILE

FLOORING
Our premium hardwood floors are an affordable luxury that is beautiful and durable, accommodating varying lifestyles, with a wide selection of colours and styles.

DIRECTORS' PROFILE

YAW CHEE MING

Executive Director

CHEAM DOW TOON

Executive Director

CHAN HUA ENG

Non-Executive Director

Yaw Chee Ming, 49, has been a Director of our Company since 29 June 2005 and the Chief Executive Officer and an Executive Director of our Company since 20 August 2006. He is also the Managing Director of both Lingui Developments Berhad ("Lingui") and Glenealy Plantations (Malaya) Berhad ("Glenealy"), where he was appointed an Executive Director on 4 July 1989 and 22 June 1995 respectively. He is also the Chief Executive Officer and an Executive Director of Samling Strategic Corporation Sdn. Bhd., one of our Controlling Shareholders. Mr. Yaw has over 20 years of extensive knowledge and experience in the timber industry. Under his leadership, our Group has established an international presence with highly integrated business operations. He spearheaded the commitment of our Group towards responsible forest management and has led our Group to various internationally recognised certifications for forest management and downstream operations. Mr. Yaw graduated from the University of Southern California in the United States with a Master of Business Administration degree.

Cheam Dow Toon, 54, has been a Director of our Company since 29 June 2005 and the Chief Finance Officer and an Executive Director of our Company since 20 August 2006. He is also the Finance Director of both Lingui and Glenealy, where he was appointed an Executive Director on 7 March 1994 and 24 July 1995 respectively. He has been with our Group since 1987. He has over 18 years of experience in the timber industry and over 10 years in the oil palm industry. Mr. Cheam is an Associate Member of The Chartered Institute of Management Accountants, a graduate of The Institute of Chartered Secretaries and Administrators in the United Kingdom, and a Member of the Malaysian Institute of Accountants. Prior to returning to Malaysia in 1981, he was trained in the United Kingdom with a multinational company in Management Accounting and served as a Divisional Accountant in one of its operating divisions. Subsequently, he served in several public listed companies in Malaysia. He was the Financial Controller and Company Secretary of Dunlop Estates Berhad from 1983 to 1987, and the Group Company Secretary of Multi-Purpose Holdings Berhad from 1986 to 1987. He completed the Wharton Advanced Management Programme at Wharton Business School of the University of Pennsylvania in 1999. In October 2007, he attended the Insead Advance Management programme in Fontainebleau, France.

Chan Hua Eng, 80, was appointed Chairman and Non-Executive Director of our Company on 17 October 2005 but was classified by a direction of the Listing Committee of the Hong Kong Stock Exchange as a Non-Independent Director on 26 January 2007. He was appointed to the Board of Lingui as an Independent Non-Executive Director on 28 March 1990 and appointed Chairman on 8 November 1990. He was also appointed the Chairman of the Board and an Independent Non-Executive Director of Glenealy on 28 September 1995. Mr. Chan is also currently a Director of other public listed companies in Malaysia, namely Lafarge Malayan Cement Berhad and Pacific & Orient Berhad. He graduated from the University of Bristol with a Bachelor of Law (Honours) degree. He is an Associate Member of the Chartered Institute of Taxation in the United Kingdom. Mr. Chan is also a Barrister of the Middle Temple having been called to the Bar in the United Kingdom. He was admitted as an Advocate & Solicitor of the High Court in Malaya and later became a Partner of Shearn Delamore & Co, Advocates & Solicitors in Malaysia in 1960 and retired as its Senior Partner in 1987.

FUNG KA PUN

Independent Non-Executive Director

DAVID WILLIAM OSKIN

Independent Non-Executive Director

TAN LI PIN, RICHARD

Independent Non-Executive Director

Fung Ka Pun (alias K. B. Fung), 63, has been a Director of our Company since 17 October 2005 and has been appointed an Independent Non-Executive Director and Deputy Chairman of our Company since 20 August 2006. Mr. Fung is the Vice Chairman of CIAM Group Limited, a company listed on the Hong Kong Stock Exchange. He is also the Founder and Chairman of Goodwill International (Holdings) Limited. Mr. Fung has over 30 years of experience in finance, securities and commodities trading and corporate finance. He is a Member of the Association of International Accountants. Mr. Fung worked for Deloitte Touche Tohmatsu from 1970 to 1972, and has extensive experience in dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements of public companies. He is also a Member of the Institute of Chartered Secretaries and Administrators. Mr. Fung is also a Director of a number of other listed companies in Hong Kong. He is an Independent Non-Executive Director of GZI Transport Limited, Lei Shing Hong Limited, Lee Hing Development Limited and Denway Motors Limited. Mr. Fung is the Chairman of the Audit Committee of Lei Shing Hong Limited, and was a Member of the Audit Committee of Denway Motors Limited, Lee Hing Development Limited and GZI Transport Limited.

David William Oskin, 66, has been a Director of our Company since 17 October 2005 and has been an Independent Non-Executive Director of our Company since 20 August 2006. He is the President of Four Winds Ventures LLC. He is currently an Independent Director of Pacific Millennium Investment Company, an Independent Director of Verso Paper Holdings, and a Director of Big Earth Publishing. Mr. Oskin has more than 25 years of experience in the timber, wood processing, paper and packaging industries. From 1975 to 1992, he took up various leadership positions at International Paper Company, responsible for managing worldwide human resources, quality management, forest and wood products businesses and paper distribution. From 1992 to 1996, he was the Chief Executive Officer and a Director of Carter Holt Harvey Limited, a paper, packaging and forest products company which shares are listed on the New Zealand and the Australian Stock Exchanges. From 1996 to 2003, he served as the Executive Vice President of International Paper Company. From 2003, he served as Adviser to various other companies in the paper, packaging and publishing industries. Mr. Oskin graduated from Widener University in the United States with a Bachelor of Arts degree and was subsequently awarded a Doctor of Public Service degree. He is the Chair of the Board of Trustees of Widener University.

Tan Li Pin, **Richard**, 53, has been a Director of our Company since 17 October 2005 and has been an Independent Non-Executive Director of our Company since 20 August 2006. Mr. Tan is the Founder and has been Chief Executive Officer since 1990 of various companies under the Pacific Millennium group. He is also the Chief Executive Officer of Stone Tan China Acquisition Corporation, a company which shares are listed on the OTC Exchange in the United States. Mr Tan is a Director of Domtar Corporation, an established producer of white paper in North America which shares are listed on the New York Stock Exchange in the United States and the Toronto Stock Exchange in Canada. Mr. Tan participates actively in public services. He is a Member of the China National Political Consultative Committee, a Member of the Anhui Province Political Consultative Committee, a Business Adviser of the Chongqing Municipality, Vice Chairman of the Shanghai International Chamber of Commerce, Vice Chairman of the China Chamber for the Promotion of International Trade (Shanghai), and Adviser of the Shanghai Modern Management Center. He has a Master of Business Administration degree from the University of Southern California.

SENIOR MANAGEMENT PROFILE

MALAYSIA

James Ho Yam Kuan, 62, has been with our Group since 1993. He is currently the Chief Operating Officer of our operations in Malaysia, responsible for managing the Group's various upstream and downstream businesses' operational requirements. He joined the Log Marketing Division of our Group in 1993 and served as its Vice President (Marketing) until 1997. In 1997, the scope of his responsibilities in the upstream operations expanded to include managing various operational requirements, from human resources to machinery and equipment fleet and logs, transportation and logistics. Mr. Ho has in-depth knowledge and over 15 years of operational and managerial experience in the timber industry. He graduated from the University of Strathclyde in the United Kingdom with a Master of Business Administration degree. Mr. Ho also qualified as a Barrister-at-Law in the United Kingdom.

Chin That Thong, 58, has been with our Group since 1987. He is currently the General Manager of Forest Operations in the Forest Resource Division of our upstream operations in Malaysia. Mr. Chin began his career in the Group as a Camp Manager in 1987 and became the Regional Manager of our Forest Resource Division in 1998. From 1998 to 2007, Mr Chin served as the Assistant General Manager of our Forest Operations in Malaysia. He was appointed to his current position in 2008. Mr. Chin has over 35 years of experience in forest operations and the forestry industry.

Yeo Soon Hee, 45, has been with the Group since 1987. He is currently the Assistant General Manager of Forest Operations in the Forest Resource Division of our upstream operations in Malaysia. Over the years, Mr. Yeo has held various positions in the Group's upstream forest operations mainly in timber camp operations and administration. Mr. Yeo has over 20 years of experience in forest operations. He holds a Bachelor of Science Degree in Business Administration with a minor in Marketing from the Oklahoma State University in the United States.

Choo Siong Liew, 48, has been with our Group since 1997. He is currently the General Manager of our Malaysian plywood operations and is responsible for the production and management of our downstream plywood operations. He was previously the General Manager of Samling Plywood (Bintulu) Sdn. Bhd. from 2003 to 2007 and the Assistant General Manager of Samling Flooring Products Sdn. Bhd. from 1997 to 2003.

Eric Kang Kun Wee, 40, has been with our Group since 1992 and is currently the Assistant General Manager of Plywood Marketing, responsible for the business development, marketing and positioning of our downstream plywood products in the international market. Mr. Kang has extensive experience of more than 10 years in marketing within the Group. He holds a Bachelor of Arts Degree in Business Studies and a Diploma in Market Research.

Lin Lan Hui, 55, has been with our Group since 1991. He is currently the Assistant General Manager (Marketing) of Samling Flooring Products Sdn. Bhd. and is responsible for the marketing of veneer products for our downstream operations and veneer plants' production in Malaysia. Mr. Lin has over 32 years of experience in plywood manufacturing.

Vincent Chieng Ai Ung, 39, joined our Group in 1999 and is currently the Assistant General Manager of our Veneer Operations. He is involved in the production and management of the Group's veneer plants in our downstream business. Prior to his current position, Mr. Chieng was primarily involved in managing the marketing and operations of our downstream door facing manufacturing business. He has a degree in Forestry Science, majoring in wood industry.

UNITED STATES AND PEOPLE'S REPUBLIC OF CHINA ("PRC")

Chia Ti Lin, Colin, 50, has been with our Group since 1992. He is currently the President of Riverside Plywood Corporation and the Senior Vice President of our PRC and United States operations, and is responsible for developing our downstream processing operations in the PRC. He is also responsible for establishing our distribution network for the marketing of our products in the United States, building supply chain alliances with end-user customers and developing key strategies and creating a brand identity for our products in the United States. Mr. Chia served in various capacities in our wood-based downstream operations in Malaysia for 9 years from 1994 to 2002, including being the Senior Vice President of our downstream operations in Sarawak from 1997 to 2002.

NEW ZEALAND

Norman Robert Hunter, 58, has been with our Group since 1995. He is currently the General Manager of our New Zealand operations and the Managing Director of Hikurangi Forest Farms Limited, a subsidiary in New Zealand. Mr. Hunter has worked in the forest industry for 38 years and has extensive experience gained throughout North, South and Central America, Africa, Australasia, the Asia Pacific region, Eastern and Western Europe and Russia. Mr. Hunter graduated from the University of Southern California with a Master of Business Administration degree and the University of Alberta with a Bachelors Degree in Forest Science, and obtained a Diploma in Forestry at the British Columbia Institute of Technology. He is a brother-in-law of Mr. Yaw Chee Ming, an Executive Director and the Chief Executive Officer of our Company.

Yaw Chee Chik, 48, has been with our Group since 1988. Mr. Yaw is currently the Vice President of our New Zealand downstream operations, responsible for overseeing the operations of our downstream division and business development in New Zealand. Mr. Yaw has over 20 years of experience in the timber industry and has held various leadership positions within our Group. Mr. Yaw graduated from City of London Polytechnic (currently known as the London Metropolitan University) and the University of Salford in the United Kingdom with a Bachelor of Arts degree and a Master of Science degree, respectively. He is a brother of Mr Yaw Chee Ming, an Executive Director and the Chief Executive Officer of our Company.

AUSTRALIA

David Keith Richards, 43, is the Managing Director of our recently acquired subsidiary, Brewster Pty. Ltd. ("Brewster") in Australia. He oversees the management and operations of Brewster's six operations which are located in Brisbane, Sydney, Melbourne, Adelaide, Hobart and Launceston. Mr. Richards has extensive experience in the Australian timber products industry. He has held senior management positions with Boral Limited and CSR Timber Products, the two largest building products companies in Australia.

GUYANA

Peter Ho, 53, joined our Group in 2007. He is the Chief Executive Officer of Barama Company Limited, our subsidiary in Guyana. Mr. Ho has more than 25 years of global experience in the downstream oil industry. He last served as General Manager — Sites and Engineering Facilities of Maxis Communications Berhad, Kuala Lumpur, from January 2005 to June 2007. In addition, Mr. Ho previously served in various senior executive positions within the Shell Group, including General Manager — Retail Network and Engineering (Asia Pacific) of Shell Oil Products, covering the Middle East and Asia Pacific regions, General Manager — Commercial Business (Malaysia/Singapore) of Shell Oil Products, Managing Director of Shell Timur Sdn. Bhd. and Director of Shell Malaysia Trading Sdn. Bhd. Mr. Ho obtained his Bachelor of Science in Chemical Engineering in 1978 from the University of Wales (Swansea) in the United Kingdom.

FINANCE

Goh York Pooi, 46, is our General Manager (Finance). He joined our Group in 1993 and is currently responsible for our financial reporting, corporate finance, treasury, tax and other related finance matters. Prior to joining our Group, from 1982 to 1988, he worked at Price Waterhouse (currently known as PricewaterhouseCoopers) where he acquired auditing experience in various industries, including manufacturing and banking. Subsequently, he joined the Malaysian Sime Darby Group in 1989 as its Finance Manager before leaving in 1993. He is a Member of Malaysian Institute of Certified Public Accountants. He has a Master of Finance degree from RMIT University, Australia.

Tan Foong Ching, **Katherine**, 34, is our Head of Corporate Finance. She joined our Group in 2002 and is currently responsible for our corporate finance and other related finance matters. Prior to joining our Group, from 1996 to 2002, she worked at PricewaterhouseCoopers where she acquired auditing experience in various industries, including manufacturing, property and financial services industries, with a focus on the oil and gas industry. She is a Member of Certified Public Accountants Australia, the Malaysian Institute of Accountants and the Malaysian Institute of Corporate Governance. She graduated from the Monash University in Australia with a Bachelor of Commerce (Accounting and Econometrics) degree.

CORPORATE GOVERNANCE REPORT

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

The Board is pleased to report on the application of the code provisions of corporate governance contained in the Code on Corporate Governance Practices ("the CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company has complied with the code provisions in the CG Code throughout the financial year ended 30 June 2008 except for the Code Provision A.4.1. The Code Provision A.4.1 in respect of the specific term of the non-executive directors has been met by the bye-laws requiring at each annual general meeting of the Company, one-third of the directors for the time-being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third), including the non-executive directors retiring from office by rotation so every director shall be subject to retirement of at least once every three years. A retiring director shall be eligible for re-election.

In addition, the Group has also put into place corporate governance practices to meet most of the recommended best practices in the CG Code.

DIRECTORS

The Board and its Responsibilities

The Group is headed by an effective Board which leads and controls the Group in the discharge of its stewardship responsibilities.

The Board is primarily responsible for the followings:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business to ensure that it is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Appointing, training, fixing the compensation of, and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme or shareholder communications policy for the company; and
- Reviewing the adequacy and the integrity of the Group's system of internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The authority for implementing the Board's policies is delegated to the Chief Executive Officer within the limits authorised by the Board. The Directors have, through various Board meetings, provided leadership and discussed various corporate affairs pertaining to the Group including its overall strategy and plans to enable the achievement of the Group's business objectives whilst fulfilling its obligations to shareholders and other stakeholders.

The Board have a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure projects and significant financial, operational and compliance matters. The schedule ensures that the Board has overall control of the Group's affair and governance.

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

DIRECTORS (Continued)

Board Composition and Balance

The Board comprises two (2) Executive Directors, one (1) Non-Executive Director and three (3) Independent Non-Executive Directors. Save where a situation of conflict of interest arises when Executive Directors do not vote, the three (3) Independent Non-Executive Directors exercise their duties and functions in the manner expected of them as Independent Directors. A brief description of the background of each Director is presented on pages 38 to 39.

The Board fulfils the requirement to have at least one third of the Board comprising of Independent Non-Executive Directors. This balance ensures that all matters brought before the Board are fully and objectively discussed, taking into account the interest of shareholders as a whole including in particular, those of minority shareholders.

The Board is led by Mr. Chan Hua Eng who is a Non-Executive Chairman, and the executive management of the Company is led by Mr. Yaw Chee Ming as the Chief Executive Officer. The roles and responsibilities of the Chairman and the Chief Executive Officer are clearly defined and separated so as to ensure a balance of power and authority. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in the Board decisions. The Directors are professionals in the field of business administration, finance, accounting and legal services. The Executive Directors, with their intimate knowledge of the business, take on the primary responsibility for leadership of the Group whilst the Non-Executive Directors bring in independent judgement and insights from a broader perspective to the Group's business in terms of strategy, business performance, resources and standards of conduct. Together, they provide the Group with a wealth of technical skills, experience and expertise to deal with the current and emerging business issues.

Board Meetings and Supply of Information

The Board meeting is held at least quarterly, and more frequently as and when the business or operational needs arise. Board meetings are also held whenever necessary to discuss various corporate matters including corporate exercises, new major investments and significant changes in regulatory requirements that affect the Group. The Board meetings are held to discuss and review the interim and annual results of the Group for announcement to The Stock Exchange of Hong Kong ("SEHK"), and to discuss and approve the Group's annual budget and business plans.

There were six (6) Board meetings held during the last financial year and the number of meetings attended by each Director was as follows:

Name of Directors	Number of Meetings Attended	Percentage of Attendance (%)
Chan Hua Eng	6/6	100%
Fung Ka Pun	5/6	83%
David William Oskin	6/6	100%
Tan Li Pin, Richard	5/6	83%
Yaw Chee Ming	6/6	100%
Cheam Dow Toon	6/6	100%

DIRECTORS (Continued)

Board Meetings and Supply of Information (Continued)

Non-attendance at Board and Committee meetings is rare, and it is usually caused by an unexpected commitment which could not be rearranged. Directors are provided with the agenda and full set of board papers normally a week prior to the meeting of the Board to ensure that sufficient time is given to the Directors to review the matters to be discussed. This includes various reports and information that goes beyond assessing the quantitative performance of the Group but also other performance factors. Directors who are unable to attend will provide their comments and feedback to the Chairman or the Chairman of the relevant Committee and the Company Secretary, who will ensure that their comments and views are raised during the meeting. The Chairman undertakes the primary responsibility for organising information necessary for the Board to deal with the agenda and for providing this information to the Directors on a timely basis.

Board meetings are periodically held at locations within the Group's operating business to enable the Directors to obtain a better understanding and perspective of the Group's business. When a new Director joins the Group, an induction programme will be held for the Director to introduce him to the Group's business and operations.

All Directors have full and unrestricted access to information pertaining to the Group and access to and interaction with Senior Management. In furtherance of their duties, they have access to the services of the Company Secretary and may take independent professional advice at the Group's expense. The Group provides insurance cover and indemnities for its Director. The Board believes that the current Company Secretary is capable of carrying out the duties required to ensure the effective functioning of the Board and the removal of the Company Secretary is a matter for the Board as a whole.

Board Committees

The Board governs through a number of Board Committees, i.e., the Audit, Remuneration, Nomination and Independent Non-Executive Directors Committees, to which certain duties and responsibilities are delegated. These Committees operate under clearly defined terms of reference and the outcome of the Committee meetings are reported to the Board. The effectiveness of the Audit, Remuneration and Nomination Committees is underpinned by a majority of Independent Non-Executive Director membership, which provides independent insight on governance matters. All terms of reference for the Committees of the Board are available on the Company's website.

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

1. **Audit Committee**

   The Audit Committee was established on 20 August 2006. It comprises four (4) members and is chaired by Mr. Fung Ka Pun, an Independent Non-Executive Director. Other members of the Audit Committee are Mr. David William Oskin and Mr. Tan Li Pin, Richard, who are also the Independent Non-Executive Directors, and Mr. Chan Hua Eng, a Non-Executive Director. A summary of the activities and the terms of reference of the Audit Committee are set out on pages 50 to 55.

2. **Remuneration Committee**

   The Remuneration Committee was established on 20 August 2006. It comprises three (3) members, namely Mr. David William Oskin (Chairman of the Committee) and Mr. Fung Ka Pun, who are the Independent Non-Executive Directors, and Mr. Yaw Chee Ming, who is an Executive Director. The primary duties of the Committee include, amongst others, evaluating the performance and determining the specific remuneration packages of all Executive Directors and senior management by reference to corporate objectives and goals, recommending to the Board the remuneration of Non-Executive Directors and advising shareholders on the reasonableness of the terms of Executive Directors' service contracts.

   During the financial year, the Remuneration Committee held four (4) meetings with the presence of all members to deliberate, review and recommend to the Board the remuneration packages of the Executive Directors and senior management. All Directors abstain from discussing their own remuneration.

DIRECTORS (Continued)

Board Committees (Continued)

3. **Nomination Committee**

   The Nomination Committee was established on 20 August 2006. It comprises three (3) members namely Mr. Tan Li Pin, Richard (Chairman of the Nomination Committee) and Mr. Fung Ka Pun, who are the Independent Non-Executive Directors, and Mr. Chan Hua Eng, who is a Non-Executive Director. The primary duties of the Committee include, amongst others, to review the structure, size and composition of the Board on a regular basis, and to identify, select or make recommendations to the Board on the selection of individuals nominated for directorships.

   Members of the Nomination Committee abstain from participating in matters concerning their own appointments. The Committee has available to it the services of external advisers, at the Group's expense, as and when it deems necessary.

   During the financial year, all members of the Nomination Committee met on one occasion to review and assess the effectiveness of the Board. The Committee also recommended the retirement and re-election of Mr. Yaw Chee Ming and Mr. Cheam Dow Toon, the Executive Directors in accordance with the bye-laws of the Company.

4. **Independent Non-Executive Directors Committee**

   The Independent Non-Executive Directors Committee ("INED Committee") comprising Mr. David William Oskin as the Chairman and, Mr. Fung Ka Pun and Mr. Tan Li Pin, Richard as members, held four (4) meetings during the financial year. A summary of the activities and the terms of reference of the INED Committee are set out on pages 56 to 58.

Directors' Training

During the year, the Company Secretary, external auditors and consultants engaged by the Company provided updates to the Board on relevant governance matters and on new legislations and regulations concerning the Group and the Directors' duties and obligations. The Audit Committees regularly considers new accounting developments through presentations from the management and the external auditors. Non-Executive Directors increases their understanding of the business and sector through regular presentations given by the management on issues, developments, innovations and competitive intelligence concerning the industry and the business.

Respective Directors have also participated in trainings and development programmes during the year to update their skills and knowledge and to keep abreast of the developments on a variety of areas relevant to the Group's business with emphasis on governance and accounting matters.

Appointments to the Board

The Nomination Committee, as part of its terms of reference, is responsible for making recommendations to the Board on the appointment of Directors. In making these recommendations, the Nomination Committee considers the composition of the Board and the required mix of skills and experience which the Nomination Committee feels is necessary for the effective management of the Group. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Re-election

The bye-laws of the Company requires that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement of at least once every three years. A retiring Director shall be eligible for re-election.

For the purpose of the election or re-election of Directors, the notice of meeting will be included in a separate statement with information, such as the personal profile, meetings attendance and the shareholdings of the Directors standing for the election or re-election.

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration and Procedures

The levels of remuneration for each of the Director are designed to be adequately sufficient to attract and retain the Directors needed to manage the business of the Group. The level of remuneration reflects the level of responsibility and commitment that goes with the Board membership.

The remuneration of the Executive Directors has been structured to link rewards to the individual and Group performance. It reflects the Director's level of responsibility, contribution and commitment made to the Group. The level of remuneration of the Executive Directors has to be considered by the Remuneration Committee as part of its terms of reference.

Details of Directors' Remuneration

The aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the Company during the financial year was as follows:

Category	Salaries, Other Emoluments and Benefits-in-Kind US$'000	Fees US$'000
Executive Directors	1,549	76
Non-Executive Director	50	56
Independent Non-Executive Directors	190	65

The number of Directors whose income from the Company falling within the following bands were:

	Number
Executive Directors	
US$950,001 to US$1,000,000	1
US$650,001 to US$700,000	1
Non-Executive Director	
US$100,001 to US$150,000	1
Independent Non-Executive Directors	
US$50,001 to US$100,000	3

Additional details on Directors' remuneration are set out on page 110.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements, interim financial statements and the annual and interim results announcements to shareholders, the Board has taken reasonable steps to ensure that the financial statements are a true and fair reflection of the Group's position and prospects. This also applies to circulars to shareholders and other documents that are submitted to the authorities and regulators.

Internal Control

The Board acknowledges its responsibilities for the Group's system of internal control covering not only financial controls but also operational and compliance controls as well as risk management. The Group's Statement on Internal Control set out on pages 59 to 61 provides an overview of the system of internal control within the Group.

Relationship with the External Auditors

The Board and the Audit Committee have established transparent and appropriate relationships with the external auditors. Continuous communications are held with external auditors throughout the financial year and the external auditors participate in Audit Committee meetings at least twice a year.

The role of the Audit Committee with the external auditors is set out in the Audit Committee Report on page 53.

During the financial year, audit fees paid to the external auditors totalled US$694,000, whilst non-audit fees paid amounted to US$240,000. Significant non-audit services rendered by the external auditors were as follows:

Nature of service	Fees paid (US$'000)
Tax services	104
Other advisory services	136

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring the Company and the Group keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution by the Board of Directors dated 17 September 2008.

The responsibility statement made by the Group's auditors in respect of the financial statements is set out in the section headed "Independent Auditor's Report" on pages 79 to 80 of the annual report.

SAFEGUARDING THE INTEREST OF INDEPENDENT SHAREHOLDERS

Mechanisms are in place to safeguard the interest of independent shareholders in the decision making process in relation to connected transactions entered into by the Group with its Controlling Shareholders and their respective associates, as described below.

Call Option Agreement

On 26 May 2008, the Board considered the recommendation of the INED Committee in respect of the Anhui Tongling Anlin Wood Plantation Co., Ltd. ("Anhui Tongling") Option and approved the exercise of the Option. The acquisition was completed on 15 August 2008.

The details of the acquisition of Anhui Tongling are set out in the Connected Transactions section on page 78.

The INED Committee have further reviewed the relevant information up to or as at 31 August 2008 and have decided not to exercise any of the remaining call options granted to the Company under the Call Options agreement.

Non-Competition Agreement

Having made specific enquiries to all Controlling Shareholders, the INED Committee confirmed their compliance with the Non-Competition Agreement.

Connected Transactions

Connected Transactions entered into by the Group are based on normal commercial terms, in the ordinary and usual course of business of the Group and are conducted on a fair and reasonable basis.

The Company's external auditors, Messrs. KPMG ("KPMG"), reviews the continuing Connected Transactions on a quarterly basis and provides confirmation to the INED Committee that the amounts for the relevant transactions have not exceeded the proposed annual caps and other matters as set out under Rule 14A.38 of the Listing Rules.

Details of the Connected Transactions are set out on pages 72 to 78.

COMMUNICATION WITH SHAREHOLDERS

Dialogue between the Company and Investors

The Board recognises the importance of transparent and effective communications with shareholders, stakeholders and the public, and reports on a timely basis all material information relevant to the Group. The Group communicates with the shareholders, stakeholders and the general public through the annual reports, interim reports, annual and interim results announcements and other corporate announcements to the SEHK.

Regular meetings are held with institutional shareholders throughout the financial year to discuss the progress of the Group, future growth prospects and strategy. Meetings between the members of the press and the Board are normally held after the Annual General Meeting and other General Meeting.

The Company's website at http://www.samling.com provides shareholders and other stakeholders with information relating to the Company's corporate structure, corporate announcements and events.

Annual General Meeting

The Annual General Meeting provides the Board with an important forum for communication with shareholders. During the meeting, shareholders are given the opportunity to enquire and comment on matters relating to the Group's business. The Board encourages active participation from the shareholders and all Directors are available to provide their feedback. Detailed explanations of any special business during the meetings are included in the notice of meeting for the shareholders to fully understand the effects of the proposed resolutions.

Special General Meeting

The bye-laws of the Company allow the Board to call for a Special General Meeting of the shareholders to transact certain business or businesses. Under the same bye-laws, members of the Company with aggregate shareholdings of at least one-tenth of the paid-up capital of the Company with voting rights at General Meetings can compel the Board or the Company Secretary to call for a Special General Meeting of the shareholders to transact their proposed business or businesses. The Board will ensure that such meeting will be held within two months from the date of receipt of their written request. A full explanation of the effects of the special business or businesses will be included in the notice to the shareholders.

AUDIT COMMITTEE REPORT

The Audit Committee is accountable to the Board of Directors of Samling Global Limited ("the Board") and assists the Board in meeting its responsibilities in ensuring an effective system of internal control and compliance and for meeting its external financial reporting obligations.

MEMBERS

The Board has established an Audit Committee comprising four (4) Independent Non-Executive Directors namely, Mr. Fung Ka Pun (Chairman of the Audit Committee), Mr. David William Oskin and Mr. Tan Li Pin, Richard, who are 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 Company Secretary acts as secretary to the Committee.

The main roles and responsibilities of the Audit Committee are set out in written terms of reference shown on pages 52 to 55 in this Annual Report.

MEETINGS

During the financial year, the Audit Committee met on four (4) occasions where all members attended, except for Mr. Tan Li Pin, Richard, who attended three out of the four meetings held.

The agenda for each meeting is pre-planned to ensure that each aspect of the Audit Committee's responsibilities is discharged as part of an annual cycle. Also, the Audit Committee receives comprehensive reports from the management and the internal and external auditors for the meetings.

At the invitation of the Audit Committee, representatives of the external auditors, Messrs. KPMG ("KPMG"), the Chief Executive Officer, the Chief Finance Officer, the Head of Internal Audit, the Compliance Officer, the General Manager of Finance and certain senior management of the Group also attended some of the meetings.

The Chairman of the Committee engages on a continuous basis with the senior management, Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Group so that relevant issues can be brought to attention of the audit committee in a timely manner.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee's responsibilities were discharged in the following manner during and subsequent to the financial year:

- In May 2008, the Audit Committee reviewed KPMG's overall work plan, their remuneration and terms of engagement for the financial year ended 30 June 2008. The Committee also considered the briefing by KPMG on regulatory and accounting developments and their impact on the Group.

- Reviewed the Group's Interim Report and interim results announcement at a meeting held in February 2008 and the Group's Annual Report and annual results announcement at a meeting held in September 2008. The Audit Committee was briefed on accounting and judgmental issues that required their attention by the Company's officers and KPMG.

- In September 2008, the Audit Committee considered in detail the results of the audit, KPMG's performance and the independence and effectiveness of the overall audit process.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (Continued)

- The Audit Committee met with KPMG, without the presence of management, in February and September 2008 to facilitate discussion of matters relating to its remit, issues, major audit findings and the management responses arising from their audit. The Audit Committee considered and recommended KPMG's re-appointment as auditors of the Company and a resolution for their re-appointment will be submitted to the shareholders at the Company's Annual General Meeting.

- Reviewed the Audit Committee Report, disclosure statements on compliance with the Code on Corporate Governance contained in Appendix 14 of the Listing Rule and the state of internal controls for inclusion in the Company's Interim Report and Annual Report.

- Reviewed regularly the Internal Audit Department's resources, budget, work programme, results and management's implementation of its recommendations. The Audit Committee was made informed on the movement of staffs in the Internal Audit Department.

- Reviewed the audit activities carried out by the Internal Audit Department and the audit reports to ensure corrective actions were taken in addressing the issues reported.

- Reviewed the connected transactions at each of its scheduled quarterly meeting.

- Discussed issues concerning risks and controls in the operations.

- Reported on its activities at each of the Board meeting.

INTERNAL AUDIT FUNCTION AND ACTIVITIES

Internal Audit Department is independent of business operations and has a Group-wide mandate set out in its Audit Charter.

The activities of the Internal Audit Department are summarised below:

- Prepared the annual audit plan and the audit process for approval by the Audit Committee.

- Attended Committee's meetings to table and discuss the audit reports and followed up on matters raised.

- Reported to the Committee on their reviews on the adequacy, appropriateness and compliance with the procedures established to monitor connected transactions.

- Regularly performed risk based audits on strategic business units of the Company and the Group, which covered reviews of the system of internal control, accounting and management information system and risk management.

- Assessed the effectiveness of key internal controls to mitigate the risks and exposures on the Group, focusing on the Group's significant business risks.

- Assessed the adequacy and efficiency of the Group's business processes.

- Issued audit reports to the Committee and management identifying weaknesses and issues as well as highlighting recommendations for improvements.

- Reviewed on the appropriateness of the disclosure statements in regard to compliance with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rule and the state of internal controls as well as the Audit Committee Report.

INTERNAL AUDIT FUNCTION AND ACTIVITIES (Continued)

The Head of Internal Audit reports directly to the Audit Committee and is responsible for the regular review and appraisal of effectiveness of the risk management, internal control, and governance processes within the Company.

In addition to the above responsibilities and activities carried out during the financial year, Internal Audit Department also carried out certain investigative assignments on behalf of management. Occasionally, it facilitated and assisted management with their system improvement, focusing primarily on the processes, risks and controls.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Membership

The Audit Committee must comprise non-executive directors only. It must comprise a minimum of three (3) non-executive directors, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The majority of the Audit Committee members must be independent non-executive directors.

The Chairman shall be an independent non-executive director appointed by the Board and in his absence, members present may elect another independent non-executive director to chair the meeting.

Any former partner of the Company's existing auditing firm shall be prohibited from acting as a member of Audit Committee for a period of one year commencing on the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the later.

The Company Secretary shall act as Secretary to the Audit Committee.

2. Proceedings

The Audit Committee will meet at least four (4) times during each financial year and shall hold such additional meetings as the Chairman deems necessary in order to fulfil its duties.

The quorum for a meeting shall be two (2) members including at least one (1) independent non-executive director.

The Chief Finance Officer and Head of Internal Audit and a representative of the Company's auditors shall normally attend the meetings. The Audit Committee may invite other directors and senior management to attend its meetings as it considers necessary.

The Audit Committee shall meet with the Company's auditor, at least once a year, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.

Full minutes of the Audit Committee shall be kept by the Secretary. Draft and final versions of the minutes of meetings shall be sent to all members of the Audit Committee for their comment and records, respectively, in both cases within a reasonable time after the meeting.

Resolutions of the Audit Committee shall be passed by a majority of votes of members present. In the event that only two (2) members are present, any resolution shall be passed by them unanimously.

Save as specified above, other provisions of the Company's bye-laws for regulating proceedings of the Board shall apply to the Audit Committee, insofar as they are applicable.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (Continued)

3. Authority

The Audit Committee shall report directly to the Board unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

The Audit Committee is authorised to obtain external professional advice if it considers necessary.

The Audit Committee shall be provided with sufficient resources to discharge its duties.

The Audit Committee is authorised to seek any information which it reasonably requires from the Company's employees.

The Audit Committee shall have direct access to the internal and external auditors of the Company and may convene meetings with the Company's auditors as it considers necessary.

4. Duties

The duties of the Audit Committee include:

4.1. Relationship with the Company's external auditors

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor;

(b) to approve the remuneration and terms of engagement of the external auditor, any questions of resignation or dismissal of that auditor;

(c) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(d) to review the external auditor's proposed scope of the audit and reporting obligations before the audit commences;

(e) to develop and implement policy on the engagement of an external auditor to supply non-audit services, if any, to ensure that provisions of such services would not impair the independence and objectivity of the external auditor;

(f) to seek from the external auditor, on an annual basis, information about its policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding rotation of audit partners and staff;

(g) to agree with the Board the Company's policies relating to the hiring of employees or former employees of the external auditor and to monitor the application of such policies; and

(h) to act as the key representative body for overseeing the Group's relation with the external auditor.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (Continued)

4. Duties (Continued)

4.2. Review of financial information of the Company

(a) to monitor the integrity of the Company's financial statements, annual report and accounts and interim report by ensuring that appropriate accounting principles, practices and reporting standards are followed, and to review significant financial reporting judgments contained therein, with particular focus on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

(b) For the purposes of (a) above:

(i) members of the Audit Committee must liaise with the Board, senior management and the person appointed as the Company's qualified accountant and the Audit Committee must meet with the external auditor at least once a year; and

(ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or external auditor.

4.3. Oversight of the Company's financial reporting system and internal control procedures

(a) to review the Company's financial controls, internal control and risk management systems;

(b) to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective system of internal control;

(c) to consider any finding of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(d) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(e) to review the Group's financial and accounting policies and practices;

(f) to review the external auditors' management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(g) to ensure that the Board provides a timely response to the issues raised in the external auditors' management letter;

(h) to report to the Board on the matters set out in the provisions of the Code on Corporate Governance Practices (Appendix 14 to the Listing Rules); and

(i) to consider other topics, as defined by the Board.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (Continued)

5. Others

(a) to direct and supervise any special projects or investigations which it considers necessary and to review the reports on major incidents of fraud or other misconduct;

(b) to review any appraisal or assessment of senior staff members of the internal audit department, to approve any appointment or termination of senior staff members of that department, to inform itself of resignations of internal audit staff members and to provide the resigning staff member an opportunity to submit his/her reasons for resigning; and

(c) to consider any connected transactions (as defined in the Listing Rules) that may arise.

6. Publication of these Terms of Reference

A copy of these Terms of Reference will be made available to any person without charge upon request and both notice as to such availability and these Terms of Reference shall be posted on the Company's website.

INDEPENDENT NON-EXECUTIVE DIRECTORS COMMITTEE REPORT

As part of the Group's corporate governance measures, an Independent Non-Executive Directors ("INED") Committee was set up to facilitate decision making-processes in relation to:

a) the non-competition agreement signed by the Controlling Shareholders (namely Datuk Yaw Teck Seng, Mr. Yaw Chee Ming, Yaw Holding Sdn. Bhd. and Samling Strategic Corporation Sdn. Bhd. and companies controlled by them) with the Company;

b) the call options granted to the Company in respect of the Remaining Businesses (as defined below);

c) transactions by the Group with any Connected Persons (as defined in Chapter 1 and 14A of the Listing Rules); and

d) transactions by the Group with the Lingui Developments Berhad group of companies (the "Lingui Group") and the Glenealy Plantations (Malaya) Berhad group of companies (the "Glenealy Group").

MEMBERS

The INED Committee comprises three (3) Independent Non-Executive Directors namely, Mr. David William Oskin (Chairman of the INED Committee), Mr. Fung Ka Pun and Mr. Tan Li Pin, Richard.

The main roles and responsibilities of the INED Committee are set out in the written terms of reference shown on pages 57 to 58 in this Annual Report.

MEETINGS

During the financial year, the INED Committee met on four (4) occasions.

The agenda for each INED meeting is pre-planned as part of an annual cycle to ensure that each aspect of the INED Committee's responsibilities is discharged as part of an annual cycle. Also, the INED Committee receives comprehensive reports from the management on a quarterly basis for its meetings.

At the invitation of the INED Committee, the Chief Finance Officer, the Compliance Officer, the General Manager of Finance and certain senior management of the Group also attended some of the meetings.

The Chairman of the Committee engages on a continuous basis with the senior management in order to be kept informed of matters affecting the Group so that relevant issues can be brought to the attention of the INED committee in a timely manner.

SUMMARY OF ACTIVITIES OF THE INED COMMITTEE

The INED's responsibilities were discharged in the following manner during and subsequent to the financial year:

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

- Reviewed the compliance by the Controlling Shareholders with the non-competition agreement relating to certain defined businesses (the "Defined Business"), namely, timber and timber product-related businesses or acquisitions and holdings or dealings in shares of, or interests in, any company, investment, trust, joint venture or other entity which engages in timber and timber product-related businesses, on a quarterly basis.

SUMMARY OF ACTIVITIES OF THE INED COMMITTEE (Continued)

- Reviewed all investments or other commercial opportunities relating to the Defined Business referred to the Company by the Controlling Shareholders under the non-competition agreement and decided whether or not to pursue or decline such investment or opportunity.

- Reviewed the call options granted to the Company in respect of certain businesses (the "Remaining Businesses"), namely, the timber and timber product-related businesses excluded from the Group and carried on by Grand Perfect Sdn. Bhd., Hormat Saga Sdn. Bhd., Adat Mayang Sdn. Bhd., Anhui Hualin Woodbased Panel Co., Ltd., Qianshan Hualin Woodworking Corporation, Premier Woodworking (Anqing) Corporation and Interwil Holdings (Proprietary) Limited in which the Controlling Shareholders are interested on a quarterly basis and decided whether or not to exercise any of the call options.

TERMS AND REFERENCE OF THE INED COMMITTEE

1. Membership

The INED must comprise a minimum of three (3) Independent Non-Executive Directors with appropriate professional and commercial expertise.

The Chairman shall be an Independent Non-Executive Director appointed by the Board and in his absence, INED members present may elect another member of the INED to chair the meeting.

The Company Secretary shall act as Secretary to the INED Committee.

2. Proceedings

The INED Committee will meet at least four (4) times during each financial year and shall hold such additional meetings as the Chairman deems necessary in order to fulfil its duties.

The quorum for a meeting shall be two (2) INED Committee members.

The General Manager of Finance shall normally attend the meetings. The INED may invite other Directors, senior management and the Compliance Officer to attend its meetings as it considers necessary.

Full minutes of the INED Committee shall be prepared by the Secretary and maintained at the principal place of business of the Company in Hong Kong. Draft and final versions of the minutes of meetings shall be sent to all members of the INED Committee for their comment and records, respectively, in both cases within a reasonable time after the meeting.

Resolutions of the INED Committee shall be passed by a majority of votes of the INED Committee members present and voting. In the event that only two (2) members are present, any resolution shall be required to be passed by them unanimously.

Save as specified above, other provisions of the Company's bye-laws for regulating proceedings of the Board shall apply to the INED Committee, insofar as they are applicable.

TERMS AND REFERENCE OF THE INED COMMITTEE (Continued)

3. Authority

The INED Committee shall report directly to the Board unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

The INED Committee is authorised to obtain advice from external professional and independent industry experts and advisers if it considers necessary.

The INED Committee shall be provided with sufficient resources to discharge its duties.

The INED Committee is authorised to directly seek any information which it reasonably requires from the Company's employees.

4. Duties

The duties of the INED Committee include reviewing:

(a) the terms of any transactions with any Connected Person and the Lingui Group and the Glenealy Group on a quarterly basis for the purpose of ensuring that the terms of the transactions are in the best interests of the Company and shareholders as a whole;

(b) the compliance by the Controlling Shareholders with the non-competition agreement relating to the Defined Business on a quarterly basis;

(c) any investment or other commercial opportunity relating to the Defined Business referred to the Company by the Controlling Shareholders under the non-competition agreement and decide whether to pursue or decline such investment or opportunity; and

(d) the call options granted to the Company in respect of the Remaining Businesses on a quarterly basis and decide whether or not to exercise any of the call options.

5. Publication of These Terms of Reference

A copy of these Terms of Reference will be made available to any person without charge upon request and both notice as to such availability and these Terms of Reference shall be posted on the Company's website.

STATEMENT ON INTERNAL CONTROL

The Board recognises the importance of a sound system of internal control and risk management practices, and acknowledges its overall responsibility for maintaining and reviewing the adequacy and integrity of the Group's system of internal control. Procedures have been designed for safeguarding shareholders' investment and assets against unauthorised use or disposition. In considering the system, the Board noted that such a system is designed to manage rather than eliminate the risk to achieve business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss. The Audit Committee has kept under review the effectiveness of the system of internal control and has reported regularly to the Board.

The key elements of the Group's risk management and internal control processes, which were operational in the period under review, are discussed below:

RISK MANAGEMENT

The Board considers risk assessment and control to be fundamental to the Group in achieving its corporate objectives within an acceptable risk-reward profile. It has established an ongoing process to identify and evaluate the significant risks faced by the Group and the effectiveness of the related controls. This process includes the implementation of actions to remedy any significant failings or weaknesses identified from that process.

In ensuring consistency of practices and accountability for managing risks across the Group, the Board has approved a set of policies and frameworks detailed below:

i. Risk Management Policy

The Group's Risk Management Policy governs its approach to Risk Management and its underlying principles are applied and reflected in the day-to-day operations.

The risk management policy and guidelines are intended to provide an ongoing process for identifying, evaluating and managing significant risks that may impede the achievement of the Group's business objectives. The policy and related guidelines include assessment of the existing Risk Management Framework and monitoring the adequacy of the prevailing system of internal control to manage the identified risks.

ii. Risk Management Framework

The Board acknowledges that considerable effort and continued commitment is required to implement all aspects of a Risk Management Framework effectively across the Group. In this context, management continues its responsibility to promote a risk awareness culture by instilling Risk Management knowledge at the operating unit level. They also have the responsibility for managing risks and implementing effective internal controls, whilst ensuring compliance with applicable laws and regulations.

The Risk Management Department has implemented a risk management programme which includes the process of risk assessment, evaluation of and managing critical risks affecting the Group's operating units in accordance with internationally recognised practices.

RISK MANAGEMENT (Continued)

ii. Risk Management Framework (Continued)

As part of a continuous improvement process on risk management, the Risk Management Department has carried out the following activities:

- refined the roles and responsibilities for risk management to improve the reporting structure;
- conducted Group-wide risk education sessions for the purpose of risk management knowledge sharing and training;
- updated the database of risks for certain operating units of the Group (key risks to each operating unit were identified, scored and categorised to highlight the source of risk, their financial impacts and the likelihood of occurrence); and
- exposed the major operating units and its key personnel to good risk management practices, including the development of an automated system, which is currently in progress, to manage the entire risk reporting process.

The on-going enhancement process is essential and imperative to keep abreast with best practices in the industry and adept to changes in the environment in which the Group is operating.

iii. Risk Reporting

The Group's Risk Management Department coordinates the implementation of the Risk Management Policy and Framework, and provides an aggregated view of principal risks inherent in all operating companies under the Group. The key risks identified and the risk profiles of the Group's major operating units are being monitored by the senior management and reported to the Chief Executive Officer, the Chief Finance Officer, the Audit Committee and the Board.

MONITORING AND REVIEWING THE SYSTEM OF INTERNAL CONTROL BY INTERNAL AUDIT AND RISK MANAGEMENT DEPARTMENTS

Internal Audit and Risk Management Departments report to the Board on the effectiveness of the Group's system of internal control and risk management.

The processes adopted to monitor and review the effectiveness of the system of internal control were:

- Periodic reviews of the system of internal control by Internal Audit and the results of such reviews were reported regularly to the Audit Committee.
- The Risk Management Department conducted periodic facilitation, monitor and control activities to ensure that business risks were identified, managed and regularly reviewed at all levels of the Group and that Executive Management and the Board were apprised of the key risks.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Other key elements of the internal control process that were in place during the financial year under review are summarised below:

- Established procedures for delegating authority, which ensures decisions that were significant, either because of the value or the impact on the other parts of the Group, were taken at appropriate level.

- Board reviewed the operational and financial performance of the Group on a quarterly basis and management meetings were conducted at operating division level.

- Established comprehensive system of budgetary control, including monthly performance reviews. Executive management had also reviewed a range of financial and non-financial performance indicators.

- Divisional objectives were set by respective divisions. Their objectives were aligned to the Group's overall strategic goals. Individuals agreed their personal objectives with their immediate superiors. These objectives were aligned to the divisional objectives. Work activities were supervised and Key Result Indicators were defined to facilitate the monitoring and evaluation of progress against goals.

- Defined policies and procedures governing appraisal and approval of capital expenditure and treasury operations were established. Other expenditures were approved according to formalised limits of authority.

- Where appropriate, subsidiaries and affiliated companies have obtained ISO9001:2000 accreditation for their operational processes. The Group, through a subsidiary, has achieved Malaysian Timber Certification Council ("MTCC") certificate for its upstream operations on sustainable forest management practices.

- Remuneration Committee evaluated and reviewed the remuneration packages of the Executive Directors and senior management.

- Major contracts and legally enforceable agreements were vetted by the Group's Legal Department.

- Board representation was mandatory in companies in which material interest exists to facilitate the review of performance of the companies.

- Audit Committee held regular meetings to deliberate upon findings and recommendations for improvement by both the internal and external auditors on the state of the system of internal control and reported back to the Board.

The Board is of the opinion that the aforementioned monitoring, review and reporting arrangements give reasonable assurance that the system of internal control in place is effective to ensure that the level of risk to which the Group is exposed to has been managed appropriately. Nevertheless, such arrangements do not eliminate the possibility of human error or the deliberate circumvention of control procedures by employees or other parties, or the occurrence of unforeseen circumstances. Indeed, a number of such internal control weaknesses were identified during the year, all of which have been, or are currently being, addressed and none are of a magnitude that resulted in material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

FINANCIAL SECTION

PLYWOOD
Our plywood is made to the exacting demands of international standards.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited financial statements for the year ended 30 June 2008.

PRINCIPAL PLACE OF BUSINESS

The company is incorporated in Bermuda and has its principal place of business at Room 2205, 22nd Floor, Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in note 37 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2008 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 81 to 165.

The final dividend of 5.00 HK cents (equivalent to approximately 0.641 US cents) per share in respect of the financial year ended 30 June 2007 was paid on 18 December 2007. No interim dividend for the six months ended 31 December 2007 was paid. The Board has resolved to recommend payment of a final dividend of 0.624 HK cents (equivalent to approximately 0.080 US cents) per share for the year ended 30 June 2008. The dividend will be paid in Hong Kong dollars.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 30 to the financial statements.

RESERVES

Profit attributable to equity holders, before dividends, of US$13,893,000 (2007: US$98,430,000) have been transferred to reserves. Other movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

DIRECTORS OF THE COMPANY

The Directors who held office during the year and up to date of this report were:

Executive Directors

Yaw Chee Ming
Cheam Dow Toon

Non-Executive Director

Chan Hua Eng

Independent Non-Executive Directors

David William Oskin
Tan Li Pin, Richard
Fung Ka Pun

In accordance with bye-laws 87(1) and (2) of the Company's bye-laws, Mr. David Willam Oskin and Mr. Tan Li Pin, Richard shall retire from the Board by rotation and, being eligible, shall offer themselves for re-election at the forthcoming Annual General Meeting.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules on The Stock Exchange of Hong Kong Limited ("SEHK"), and considers all the Independent Non-Executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Both Mr. Yaw Chee Ming and Mr. Cheam Dow Toon entered into service contracts with the Company for an unspecifed term commencing on 1 July 2006. The service contracts are determinable by the Company within 1 year by giving not less than twelve (12) months' written notice or payment in lieu. The Board shall, where necessary, recommend for shareholders' approval, payment of such ex-gratia payment as it deems fit, taking into account the contribution made by the Directors to the Company.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with Directors or persons engaged in the full-time employment of the Company, whereby any individual, firm or body corporate undertakes the management and administration of the whole or any substantial part of the business of the Company, were entered into or existed during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its holding companies, subsidiaries or a party to any arrangement to enable the Directors of the Company or chief executive or any of their spouse or childern under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 30 June 2008, the interests and share positions of Directors and chief executive in the shares, underlying shares or debentures of the Company, subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Name of Director	Interests in Company, Subsidiary or Associated Corporation	Number and Class of Shares/ Equity Interest Held	Capacity/Nature of the Interest	Long/Short Position	Approximate Percentage of Shareholding in Such Class of Shares
Chan Hua Eng	Lingui Developments Berhad ("Lingui")	394,623 ordinary shares (1)	Beneficial owner/Interest in a controlled corporation	Long	0.06%
	Glenealy Plantations (Malaya) Berhad ("Glenealy")	32,000 ordinary shares (2)	Beneficial owner/Interest in a controlled corporation	Long	0.03%
Yaw Chee Ming	Yaw Holding Sdn. Bhd. ("Yaw Holding")	30,937 ordinary shares	Beneficial owner	Long	39.60%
		2,500 preference shares	Beneficial owner	Long	50%
	Samling Strategic Corporation Sdn. Bhd. ("Samling Strategic")	75,000,000 ordinary shares (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%
		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. ("Strategic Corporation")	17,040,000 ordinary shares (7)	Beneficial owner/Interest in a controlled corporation	Long	71%
	TSTC Sdn. Bhd ("TSTC")	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%

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

Notes:

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

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

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

(2) 2,000 ordinary shares of Glenealy are held by CIMSEC Nominees (Tempatan) Sdn. Bhd. in favour of Chan Hua Eng. Additionally, Chan Hua Eng is deemed interested in 30,000 ordinary shares of Glenealy since he and his spouse are each interested in 25% of the issued share capital of Tysim Holdings, 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, which in turn is interested in all the ordinary shares and redeemable preference shares of Samling Strategic. Yaw Chee Ming is therefore deemed to be interested in all the shares held by Samling Strategic. Samling Strategic in turn holds 2,320,290,260 ordinary shares of the Company.

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

(5) Yaw Holding holds 100% of Samling Mewah Sdn. Bhd. ("Samling Mewah"). 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.

(6) (i) The Company holds 100% of Samling Malaysia Inc., in turn holds 59.69% of Lingui, which, in turn, holds 36.42% of Glenealy. By virtue of note (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.

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

(8) (i) Strategic Corporation holds 50.61% of TSTC. By virtue of notes (3) and (7) above, Yaw Chee Ming is deemed to be interested in the 3,100,000 ordinary shares of TSTC held by Strategic Corporation, and

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

(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.

Save as disclosed above, as at 30 June 2008, 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 associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and SEHK pursuant to the Model Code.

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

As at 30 June 2008, the interests and short positions of substantial shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register of interests required to be kept under section 336 of the SFO were as follows:

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

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

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

Long positions of other substantial shareholders with notifiable interests

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

Notes:

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

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

(3) Yaw Holding is interested in the entire issued ordinary share capital of Samling Strategic and is deemed to be interested in all the shares 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 30 June 2008, no other person has any interests or short positions in the shares and underlying shares of the Company which are required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the financial year, the following Directors have interest in the following businesses which are considered to compete or likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as Directors to represent the interest of the Company and/or the Group pursuant to the Listing Rules:

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group — Name of Entity	Businesses which are considered to compete or likely to compete with the businesses of the Group — Description of Business	Nature of Interest of the Director in the Entity
Yaw Chee Ming	Grand Perfect Sdn. Bhd.	Contractor for reforestation projects	Indirect interest in shares
	Hormat Saga Sdn. Bhd.	Timber licence holder with rights to extract and sell timber	Indirect interest in shares
	Adat Mayang Sdn. Bhd.	Trading of timber logs	Indirect interest in shares
	Anhui Hualin Woodbased Panel Co., Ltd.	Manufacture and sale of medium density fibreboard	Indirect interest in shares
	Qianshan Hualin Woodworking Corporation	Manufacture and sale of fingerjoint timber	Indirect interest in shares
	Premier Woodworking (Anqing) Corporation	Manufacture and sale of flooring, treadmill panel and flush doors	Indirect interest in shares
	Interwil Holdings (Proprietary) Limited	Trading of timber products in South Africa	Indirect interest in shares

CONNECTED TRANSACTIONS

During the year, the Group entered into the continuing connected transactions and connected transactions as defined under Chapter 14A of the Listing Rules of SEHK (the "Connected Transactions") set out on pages 72 to 78.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in the Connected Transactions above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Save as disclosed in Connected Transactions above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Controlling Shareholder or any of its subsidiaries had a material interest, subsisted at the end of the year or at any time during the year.

EMOLUMENT POLICY

The Group's remuneration policies and package are reviewed on a regular basis. Incentives to the employees, bonuses and cash rewards are given to employees based on individual evaluation.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

DONATIONS

The Group made charitable and other donations during the financial year amounting to US$0.1 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the turnover attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and Group turnover.

PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

KPMG, the Company's auditors will retire and, being eligible, offer themselves for re-appointment and a resolution for their appointment as auditors of the Company will be proposed, at the forthcoming Annual General Meeting.

By order of the Board

Yaw Chee Ming
Executive Director

Cheam Dow Toon
Executive Director

Hong Kong, 17 September 2008

CONNECTED TRANSACTIONS

The continuing connected transactions as noted in paragraphs 1 to 11 below have been reviewed by the Independent Non-Executive Directors of the Company who have confirmed that the transactions have been entered into:

a) in the ordinary and usual course of business of the Company;

b) on normal commercial terms; and

c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company has received from the auditors a letter reporting that the continuing connected transactions stated in paragraph 1 to 11 below:

a) have been approved by the Board of Directors' of the Company;

b) have been entered into in accordance with the relevant agreements governing such transactions; and

c) have not exceeded the caps disclosed in the Company's listing prospectus.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Sale of logs, plywood and laminated veneer lumber ("LVL") to Sojitz Corporation and its subsidiaries

Sojitz Corporation, a company listed on the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co. Ltd., owns a 17% interest in the Group's subsidiary, Samling Housing Products Sdn. Bhd. ("Samling Housing Products"). Sojitz Corporation and its subsidiaries are therefore the Group's connected persons.

Sojitz Corporation and its subsidiaries are engaged in, amongst others, trading of plywood, logs, LVL and/or other wood products. Sojitz Corporation is a long term customer and business partner of the Group. The Group's subsidiary, Kayuneka Sdn. Bhd. ("Kayuneka"); as agent on behalf of the Group's various subsidiaries, regularly sells logs to Sojitz Corporation and its subsidiaries. Two of the Group's subsidiaries, Samling Plywood (Miri) Sdn. Bhd. ("SP (Miri)") and Samling Plywood (Baramas) Sdn. Bhd. ("SP (Baramas)") regularly sell plywood and other wood products to Sojitz Corporation and its subsidiaries. The Group's other subsidiary, Foothill LVL & Plywood (Cangshan) Co. Ltd. ("Foothill"), regularly sells LVL to Sojitz Corporation and its subsidiaries. The Company and Sojitz Corporation entered into an agreement dated 16 January 2007, whereby the Company and its subsidiaries, including Kayuneka, SP (Miri), SP (Baramas) and Foothill, sell logs, plywood, LVL and other wood products to Sojitz Corporation and its subsidiaries.

For the financial year ended 30 June 2008, total sales of logs by Kayuneka to Sojitz Corporation and its subsidiaries, total sales of plywood and other wood products by SP (Miri) and SP (Baramas) to Sojitz Corporation and its subsidiaries and total sales of LVL by Foothill to Sojitz Corporation and its subsidiaries, together amounted to US$31,099,000 compared to a cap of US$62,000,000.

(2) Sale of housing products to Sojitz Building Materials Corporation

Sojitz Building Materials Corporation ("Sojitz Building Materials") is a subsidiary of Sojitz Corporation. As Sojitz Corporation is a connected person as discussed in paragraph (1) above, Sojitz Building Materials is a connected person by virtue of it being an associate of Sojitz Corporation.

Sojitz Building Materials is a trading company based in Japan engaged in the sale of construction materials, lumber and residential-related equipment and building interior finish works. The Group's subsidiary, Samling Housing Products regularly sells housing products to Sojitz Building Materials. The Company and Sojitz Corporation entered into an agreement dated 16 January 2007, whereby the Company and the Group's subsidiaries, including Samling Housing Products; sell housing products to Sojitz Corporation and its subsidiaries. By selling our products to Sojitz Building Materials, we would obtain access to the Japanese housing products market.

For the financial year ended 30 June 2008, total sales of housing products by Samling Housing Products to Sojitz Building Materials amounted to US$11,506,000 compared to a cap of US$12,000,000.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Purchases of transportation vehicles and parts from Hap Seng Auto Sdn. Bhd. (formerly known as Si Khiong Industries Sdn. Bhd.)

Hap Seng Auto Sdn. Bhd. (formerly known as Si Khiong Industries Sdn. Bhd.) ("Hap Seng Auto") is a subsidiary of Hap Seng Consolidated Berhad, a company listed on the Malaysia Stock Exchange. Datuk Lau Cho Kun, who is the father in law of Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 30% of Hap Seng Auto. Therefore Hap Seng Auto is an associate of Mr. Yaw Chee Ming and thus a connected person.

Hap Seng Auto is a distributor of Mercedes Benz vehicles in Malaysia. As the Group's operations involve extensive use of transportation vehicles, we enter into transactions with Hap Seng Auto to operate and maintain our fleet of vehicles and parts for transportation of logs. Three of the Group's subsidiaries, Tamex Timber Sdn. Bhd. ("Tamex"), Miri Parts Trading Sdn. Bhd. ("Miri Parts Trading") and Syarikat Samling Timber Sdn. Bhd. ("Syarikat Samling Timber"), buy Mercedes Benz logging trucks and other transportation vehicles and parts from Hap Seng Auto on a regular basis. Tamex, Syarikat Samling Timber, Miri Parts Trading and Hap Seng Auto entered into an agreement dated 12 January 2007, whereby Tamex, Syarikat Samling Timber and Miri Parts Trading purchase vehicles and parts from Hap Seng Auto.

For the financial year ended 30 June 2008, total purchases by Tamex, Miri Parts Trading and Syarikat Samling Timber of logging trucks, transportation vehicles and parts from Hap Seng Auto amounted to US$9,383,000 compared to a cap of US$15,000,000.

(4) Provision of services on timber extraction, establishment and maintenance of tree plantations to Grand Perfect Sdn. Bhd.

Grand Perfect Sdn. Bhd. ("Grand Perfect") is a joint venture company in which Samling Strategic Corporation Sdn. Bhd. ("Samling Strategic") owns a 35% interest. Grand Perfect is therefore a connected person as an associate of one of the Group's Controlling Shareholders.

Grand Perfect is a single project company established for acting as a contractor to plant trees in a reforestation project in Sarawak, Malaysia for the Government of the State of Sarawak. Grand Perfect has been engaged by the Sarawak Government for the project for a term up to 2010. The Group's subsidiary, Syarikat Samling Timber, entered into transactions with Grand Perfect as evidenced by the following:

a) two timber extraction agreement both dated 6 October 2003;

b) agreement for establishment of tree plantations dated 5 December 2002 (as amended by an agreement dated 17 May 2006); and

c) agreement for maintenance of tree plantations dated 5 December 2002 (as amended by an agreement dated 17 May 2006).

Under the above agreements, Grand Perfect subcontracted Syarikat Samling Timber, to fell and extract timber in preparation of tree planting, establish tree plantations and carry out maintenance works in tree plantations in Sarawak, Malaysia.

For the financial year ended 30 June 2008, the following amounts were transacted with Grand Perfect compared to the respective caps.

	Actual for the financial year ended 30 June 2008 US$'000	Cap for the financial year ended 30 June 2008 US$'000
Agreement for establishment of tree plantations	3,999	4,000
Agreement for maintenance of tree plantations	712	800

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

(5) Sale of veneer by Pi Zhou Yanglin Woodware Co. Ltd

Pi Zhou Yanglin Woodware Co. Ltd. ("Pi Zhou") is indirectly wholly-owned by Mr. Chia Ti Lin, Colin, a director of the Group's subsidiaries, Riverside and Foothill. Pi Zhou is therefore a connected person by virtue of being an associate of Mr. Chia Ti Lin, Colin.

Pi Zhou is engaged in veneer manufacturing. The Group's subsidiary, Riverside, entered into an agreement dated 15 September 2006 with Pi Zhou, whereby Pi Zhou sells veneer to Riverside. Riverside purchases the veneer for its manufacturing purposes.

For the financial year ended 30 June 2008, total sales of veneer by Pi Zhou to Riverside amounted to US$2,077,000 compared to a cap of US$8,000,000.

(6) Sale of plywood and purchase of veneer by Pacific Plywood Corporation

Pacific Plywood Corporation ("Pacific") is indirectly wholly-owned by Mr. Chia Ti Lin, Colin. Pacific is therefore a connected person by virtue of being an associate of Mr. Chia Ti Lin, Colin.

Pacific is engaged in plywood manufacturing. The Group's subsidiary, Riverside, entered into two agreements both dated 15 September 2006 with Pacific, whereby Pacific sells plywood to Riverside and Riverside sells veneer to Pacific, respectively. Pacific purchases veneer from Riverside for its manufacturing of plywood, whilst Riverside purchases plywood from Pacific to complement our plywood sales when necessary. Riverside sells veneer to Pacific to be processed into plywood by Pacific. Riverside buys from Pacific a significant portion of Pacific's plywood production.

For the financial year ended 30 June 2008, total sales of plywood by Pacific to Riverside amounted to US$1,016,000 compared to a cap of US$3,000,000 and there was no transaction for the sales of veneer by Riverside to Pacific compared to a cap of US$750,000.

(7) Sale of fuel and parts to Samling Plantation Sdn. Bhd.

Samling Plantation Sdn. Bhd. ("Samling Plantation") is held as to 30% by Arif Hemat Sdn. Bhd., which is 99.99% owned by Mr. Wan Morshidi Bin Tuanku Abdul Rahman. Mr. Wan Morshidi Bin Tuanku Abdul Rahman is a director of certain of the Group's subsidiaries. Samling Plantation is therefore a connected person by virtue of being an associate of Mr. Wan Morshidi Bin Tuanku Abdul Rahman.

Samling Plantation is engaged in oil palm plantation business. The Group's subsidiary, Miri Parts Trading, sells fuel and parts to Samling Plantation from time to time. Miri Parts Trading and Samling Plantation entered into an agreement dated 12 January 2007, whereby Miri Parts Trading sells fuel and parts to Samling Plantation.

For the financial year ended 30 June 2008, there was no transaction for the sales of fuel and parts by Miri Parts Trading to Samling Plantations compared to a cap of US$280,000.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

(8) Provision of products marketing and agency services, grant of license to use technical information and supply of consumables by Dainippon Ink & Chemicals, Inc.

Dainippon Ink & Chemicals, Inc. ("Dainippon"), a company listed on the Tokyo Stock Exchange, Inc, the Osaka Securities Exchange Co. Ltd. and the Nagoya Stock Exchange, Inc, holds a 29% interest and is a substantial shareholder of Samling Housing Products, a Group's subsidiary, and therefore is a connected person.

Dainippon is a diversified group in Japan engaged in the sale of graphic arts materials, packaging materials, electronics and information materials, industrial materials and performance chemicals.

Samling Housing Products enters into transactions with Dainippon as evidenced by the following:

a) agreement for housing products marketing services dated 7 November 1996 (as renewed by a memorandum dated 30 October 2003);

b) technical license agreement dated 5 February 1996 (as renewed by two agreements dated 12 October 2005 and 12 September 2006, respectively);

c) agreement for purchase of laminated paper and consumables dated 16 January 2007; and

d) agency agreement dated 6 December 2005.

For the financial year ended 30 June 2008, the following amounts were transacted with Dainippon compared to the respective caps.

	Actual for the financial year ended 30 June 2008 US$'000	Cap for the financial year ended 30 June 2008 US$'000
Agreement for housing products marketing services	102	155
Technical license agreement	149	155
Agreement for purchase of laminated paper and consumables	3,370	3,500(*)
Agency agreement	6	10

* The Company has made an announcement on 29 May 2008 to The Stock Exchange of Hong Kong Limited ("SEHK") for the increased in cap from US$3,000,000 to US$3,500,000 for the financial year ended 30 June 2008 and US$4,000,000 for financial year ending 30 June 2009. The reasons are due to the strengthening of Yen against US$ and increase in sales of laminated paper and consumables to the Japan market.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

(9) Leases of properties in Sarawak by Doyon Development Sdn. Bhd.

Doyon Development Sdn. Bhd. ("Doyon") is an indirect wholly-owned subsidiary of Yaw Holding Sdn. Bhd. ("Yaw Holding"), which is the holding company of Samling Strategic, one of the Group's Controlling Shareholders. Doyon is therefore a connected person by virtue of it being an associate of the Group's Controlling Shareholders.

Doyon is engaged in property development, property holding and provision of construction and related services.

Various of the Group's subsidiaries have entered into various tenancy agreements with Doyon as landlord in relation of two properties containing various lease terms with the latest expiry date being 30 June 2009. These properties are:

1) A building known as Wisma Samling situated at Lot 296, Block 11, Miri Concession Land District, Miri, Sarawak, Malaysia; and

2) The Brighton Condominium situated at Lot 901, Block 11, Miri Concession Land District, Jalan Temenggong Datuk Oyong Lawai Jau, 98000 Miri, Sarawak, Malaysia.

For the financial year ended 30 June 2008, total aggregate rent paid by the Group's subsidiaries to Doyon amounted to US$853,000 compared to a cap of US$865,000. The Company has made an announcement on 29 May 2008 to SEHK for the increased in cap from US$800,000 to US$865,000 for the financial year ended 30 June 2008 and US$1,005,000 for the financial year ending 30 June 2009. The reason is due to the strengthening of Malaysian Ringgit against US Dollars, as rental payable by the Group to Doyon is dominated in Malaysian Ringgit.

(10) Provision of ticket and sales agency services by Hornbill Travel Agency Sdn. Bhd.

Hornbill Travel Agency Sdn. Bhd. ("Hornbill Travel") is a connected person by virtue of it being an indirect wholly-owned subsidiary of Yaw Holding, which is the holding company of Samling Strategic, one of the Group's Controlling Shareholders.

Hornbill Travel provides ticket sales agency services to the Group's subsidiaries in Miri, Sarawak, Malaysia. The Group's subsidiaries, Syarikat Samling Timber and Lingui Developments Berhad entered into an agreement dated 20 September 2006 with Hornbill Travel for the purchase of air tickets on behalf of their respective subsidiaries through Hornbill Travel as agent.

For the financial year ended 30 June 2008, total aggregate amount paid by the Group's subsidiaries to Hornbill Travel amounted to US$559,000 compared to a cap of US$560,000.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (Continued)

(11) Sale of fertilisers and agro-chemicals by Hap Seng Fertilizers Sdn. Bhd. (formerly known as Hap Seng Sasco Fertilizers Sdn. Bhd.)

Hap Seng Fertilizers Sdn. Bhd. (formerly known as Hap Seng Sasco Fertilizers Sdn. Bhd.) ("Hap Seng Fertilizers") is a subsidiary of Hap Seng Consolidated Berhad. Datuk Lau Cho Kun, who is the father in law of Mr. Yaw Chee Ming, a Director, is indirectly interested in more than 30% of Hap Seng Fertilizers. Therefore, Hap Seng Fertilizers is an associate of Mr. Yaw Chee Ming and thus a connected person.

Hap Seng Fertilizers is engaged in the fertilizers and agro-chemicals business. Amalania Koko Berhad ("Amalania"), Timor Enterprises Sdn. Bhd. ("Timor") and Samling Plantation, subsidiaries of Glenealy, purchase fertilisers and agro-chemicals from Hap Seng Fertilizers from time to time for application in the oil palm plantations. Amalania, Timor and Samling Plantation and Hap Seng Fertilizers entered into an agreement dated 29 January 2007, whereby Amalania, Timor and Samling Plantation purchase fertiliser and agro-chemicals from Hap Seng Fertilizers.

For the financial year ended 30 June 2008, total purchases of fertilisers and agro-chemicals by Amalania, Timor and Samling Plantation from Hap Seng Fertilizers amounted to US$3,032,000 compared to a cap of US$3,600,000.

CONNECTED TRANSACTIONS

As announced on 15 August 2008, the Company completed the acquisition of Anhui Tongling Anlin Wood Plantation Co., Ltd. ("Anhui Tongling").

Anhui Tongling was incorporated in the People's Republic of China ("PRC") as a Chinese-foreign cooperative joint venture company. Anhui Tongling carries out tree planting in Anhui province, the PRC, occupying an area of approximately 3,079 hectares. Anhui Tongling is controlled by Samling International Limited ("Samling International"), in turn wholly owned by Mr. Yaw Chee Ming and his father. Samling International is therefore a connected person of the Company within the meaning of the Listing Rules.

In a meeting held on 26 May 2008, the Independent Non-Executive Directors ("INEDs") have reviewed the relevant information up to or as at 16 May 2008 and consider whether or not to exercise any of the call options granted to the Company in respect of the Remaining Businesses under the Call Option Agreements. The INEDs decided that it is in the Company's best interests to exercise the call option granted by Samling International in favour of the Company pursuant to which the Company may acquire Samling International's interest in Anhui Tongling ("Anhui Tongling Option") but decided not to exercise the remaining call options granted to the Company. The Board considered and approved the recommendation of the INEDs in respect of the Anhui Tongling Option. On 26 May 2008, Samling International and the Company entered into a sale and purchase agreement pursuant to which the parties agreed to effect the acquisition by the Company of Samling International's interest in Anhui Tongling pursuant to its exercise of the Anhui Tongling Option upon the terms and subject to the conditions of the sale and purchase agreement.

On 15 August 2008, all of the conditions precedent in respect of the acquisition of Anhui Tongling have been fulfilled. The consideration for the acquisition of Anhui Tongling in the sum of US$8.6 million was paid on the same date.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Samling Global Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Samling Global Limited (the "Company") set out on pages 81 to 165, which comprise the consolidated and company balance sheets as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the shareholders of Samling Global Limited (Continued)
(Incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

17 September 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008
(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Turnover	5	545,288	561,223
Cost of sales		(493,536)	(410,834)
Gross profit		51,752	150,389
Other operating income	6	7,635	5,927
Distribution costs		(10,417)	(6,527)
Administrative expenses		(29,686)	(27,502)
Other operating expenses		(170)	(140)
(Loss)/gain from changes in fair value of plantation assets less estimated point-of-sale costs	19	(3,040)	3,508
Profit from operations		16,074	125,655
Financial income		10,010	30,929
Financial expenses		(19,893)	(18,948)
Net financing (costs)/income	7	(9,883)	11,981
Share of profits less losses of associates		19,539	7,760
Share of profits less losses of jointly controlled entities		1,762	1,905
Profit before taxation	8	27,492	147,301
Income tax	9(a)	(1,521)	(16,420)
Profit for the year		25,971	130,881
Attributable to:			
Equity holders of the Company	12, 31(a)	13,893	98,430
Minority interests		12,078	32,451
Profit for the year		25,971	130,881
Dividend attributable to the year:	11		
Final dividend proposed after the balance sheet date		3,441	27,574
Earnings per share (US cent)	12		
— Basic and diluted		0.32	6.03

The notes on pages 88 to 165 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 30 June 2008
(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Property, plant and equipment, net	15		
— Investment properties		10,322	9,940
— Other property, plant and equipment		428,022	415,246
Construction in progress	16	9,153	5,480
Lease prepayments	17	27,939	27,172
Intangible assets	18	32,725	29,616
Plantation assets	19	238,066	226,050
Interest in associates	21	75,372	54,675
Interest in jointly controlled entities	22	14,887	14,592
Other investment		34	32
Deferred tax assets	23	5,853	3,578
Total non-current assets		842,373	786,381
Current assets			
Inventories	24	139,000	110,512
Trade and other receivables	25	79,794	78,603
Current tax recoverable	9(c)	19,395	12,013
Cash and cash equivalents	26	273,309	326,542
Total current assets		511,498	527,670
Total assets		1,353,871	1,314,051
Current liabilities			
Bank overdrafts, loans and borrowings	27(a)	120,829	103,782
Finance lease liabilities	27(b)	32,510	29,222
Bonds	28	—	43,422
Trade and other payables	29	131,558	114,802
Current tax payable	9(c)	261	2,632
Total current liabilities		285,158	293,860
Net current assets		226,340	233,810

CONSOLIDATED BALANCE SHEET

At 30 June 2008

(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Total assets less current liabilities		1,068,713	1,020,191
Non-current liabilities			
Bank loans and borrowings	27(a)	179,209	132,797
Finance lease liabilities	27(b)	57,120	63,590
Deferred tax liabilities	23	54,534	59,015
Total non-current liabilities		290,863	255,402
Total liabilities		576,021	549,262
Equity			
Share capital	30	430,174	430,174
Reserves	31(a)	165,940	168,601
Equity attributable to equity holders of the Company		596,114	598,775
Minority interests		181,736	166,014
Total equity		777,850	764,789
Total liabilities and equity		1,353,871	1,314,051

Approved and authorised for issue by the Board of Directors on 17 September 2008

Yaw Chee Ming
Director

Cheam Dow Toon
Director

The notes on pages 88 to 165 form part of these financial statements.

BALANCE SHEET

At 30 June 2008
(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Property, plant and equipment, net	15	181	185
Interest in subsidiaries	20	343,556	308,434
		343,737	308,619
Current assets			
Prepayments, deposits and other receivables	25	9,226	1,196
Cash and cash equivalents	26	221,475	300,227
Total current assets		230,701	301,423
Total assets		574,438	610,042
Current liabilities			
Other payables and accrued expenses	29	3,186	22,331
Total current liabilities		3,186	22,331
Net current assets		227,515	279,092
Equity			
Share capital	30	430,174	430,174
Reserves	31(b)	141,078	157,537
Total equity		571,252	587,711
Total liabilities and equity		574,438	610,042

Approved and authorised for issue by the Board of Directors on 17 September 2008

Yaw Chee Ming
Director

Cheam Dow Toon
Director

The notes on pages 88 to 165 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008
(Expressed in United States dollars)

		Attributable to equity holders of the Company									
	Note	Share capital $'000 (Note 30(a))	Share premium $'000 (Note 31(c)(i))	Currency translation reserve $'000 (Note 31(c)(ii))	Revaluation reserve $'000 (Note 31(c)(iii))	Other reserve $'000 (Note 31(c)(iv))	Capital reserve $'000 (Note 31(c)(v))	Retained earnings $'000 (Note 31(c)(vi))	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
Issue of additional shares pursuant to Reorganisation and Further Acquisitions	31(a)	308,445	18,998	—	—	(269,252)	(40,477)	—	17,714	—	17,714
Issue of shares pursuant to global offering, net of issue expenses	31(a)	120,750	170,646	—	—	—	—	—	291,396	—	291,396
Currency translation differences	31(a)	—	—	23,807	—	—	—	—	23,807	17,317	41,124
Profit for the year	31(a)	—	—	—	—	—	—	98,430	98,430	32,451	130,881
Dividends declared and paid	11	—	—	—	—	—	—	—	—	(2,646)	(2,646)
At 30 June 2007		430,174	261,920	40,403	6,673	(302,354)	—	161,959	598,775	166,014	764,789
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	31(a)	—	—	11,020	—	—	—	—	11,020	5,996	17,016
Profit for the year	31(a)	—	—	—	—	—	—	13,893	13,893	12,078	25,971
Dividends declared and paid	11	—	—	—	—	—	—	(27,574)	(27,574)	(2,352)	(29,926)
At 30 June 2008		430,174	261,920	51,423	6,673	(302,354)	—	148,278	596,114	181,736	777,850

The notes on pages 88 to 165 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008
(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Profit before taxation		27,492	147,301
Adjustments for:			
— Depreciation and amortisation	8	69,491	64,867
— Interest income	7	(10,010)	(19,248)
— Interest expense	7	17,014	18,289
— Share of profits less losses of associates		(19,539)	(7,760)
— Share of profits less losses of jointly controlled entities		(1,762)	(1,905)
— Loss/(gain) from changes in fair value of plantation assets less estimated point-of-sale costs	19	3,040	(3,508)
— Net loss on changes in fair value of financial instruments	7	2,784	659
— Gain on disposal of property, plant and equipment	6	(97)	(3,880)
— Gain on disposal of lease prepayment	6	—	(68)
— Construction in progress written off	16	612	—
— Excess of fair value over purchase consideration arising from business combinations	6	(1,889)	—
— Gain on disposal of plantation licence	6	(4,561)	—
— Foreign exchange losses/(gains)	7	95	(11,681)
Operating profit before changes in working capital		82,670	183,066
Increase in inventories, including harvested timber transferred to inventories		(12,669)	(18,302)
Decrease/(increase) in trade and other receivables		9,485	(18,300)
Increase/(decrease) in trade and other payables		8,366	(38,351)
Net cash generated from operations		87,852	108,113
Net income tax paid		(17,782)	(13,936)
Net cash generated from operating activities		70,070	94,177
Investing activities			
Payment for purchase of plantation licence		(6,531)	—
Payment for purchase of property, plant and equipment		(33,289)	(32,738)
Payment for construction in progress		(4,472)	(4,097)
Capital expenditure on plantation assets		(10,935)	(8,050)
Proceeds from disposal of property, plant and equipment		924	15,489
Proceeds from disposal of plantation licence		5,818	—
Proceeds from disposal of lease prepayments		—	335
Additional investment in associate		(1,323)	—
Additional investment in jointly controlled entity		—	(159)
Dividends received from associates		2,237	666
Acquisition of subsidiaries, net of cash and bank overdraft acquired		(10,235)	—
Repayment from jointly controlled entity		2,327	3,850
Advances to related parties		—	(6,327)
Decrease in pledged deposits		1,873	511
Interest received		10,010	19,248
Net cash used in investing activities		(43,596)	(11,272)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008
(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Financing activities			
Capital element of finance lease rentals paid		(32,255)	(30,818)
Proceeds from issue of shares, net of issue expenses		—	309,831
Dividends paid		(29,926)	(1,108)
Proceeds from bank loans and other borrowings		98,533	128,493
Repayment of bank loans and other borrowings		(92,194)	(149,901)
Interest paid on bank loans and financial lease rentals		(25,777)	(25,090)
Net cash (used in)/generated from financing activities		(81,619)	231,407
Net (decrease)/increase in cash and cash equivalents		(55,145)	314,312
Cash and cash equivalents at beginning of the year		295,408	(17,093)
Effect of foreign exchange rate changes		854	(1,811)
Cash and cash equivalents at end of the year	26	241,117	295,408

The notes on pages 88 to 165 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 27 June 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Pursuant to a group reorganisation (the "Reorganisation") of the timber and forestry related businesses of Datuk Yaw Teck Seng, Yaw Chee Ming, Yaw Holding Sdn. Bhd., Samling Strategic Corporation Sdn. Bhd., and companies controlled by them in Malaysia, Guyana and New Zealand which was completed on 30 June 2006, and the acquisitions of equity interests in several companies from third parties (the "Further Acquisitions") in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation and the Further Acquisitions are set out in Appendix VIII to the Company's prospectus dated 23 February 2007. The Company's shares were listed on the Main Board of SEHK on 7 March 2007.

The consolidated financial statements for the year ended 30 June 2008 include the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include International Accounting Standards ("IASs") and related interpretations, promulgated by the International Accounting Standards Board ("IASB").

These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of Preparation

The financial statements are presented in United States dollars ("US$"), rounded to the nearest thousand. It is prepared on the historical cost basis except for plantation assets (see note 2(j)) and derivative financial instruments (see note 2(v)) that are stated at their fair values.

A summary of the significant accounting policies adopted by the Group is set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 36.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The power to govern an entity could also exist when the Group is the single largest shareholder of an entity, the balance of shareholdings in the entity is dispersed and the other shareholders have not organised their interests in such a way that they exercise more votes than the Group. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions. The consolidated financial statements includes the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Jointly Controlled Entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity. An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method.

(iv) Transactions Eliminated on Consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Transactions with Minority Interests

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Transactions with minority shareholders of the Group are classified as equity transactions. Accordingly, differences between the carrying values of minority interests on acquisitions and disposals are credited or charged to reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Consolidation (Continued)

In the Company's balance sheet, its investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment losses (see note 2(n)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Foreign currency

(i) Functional and Reporting Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The financial statements are presented in US$ ("reporting currency") for the easy reference of international investors.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at the average exchange rates for the financial period and their balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investment in foreign subsidiaries are taken directly to reserves.

(e) Investment Properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(n)).

Depreciation is calculated to write off the cost of investment properties less their estimated residual value, if any, on a straight-line basis over the estimated useful lives of 20–50 years.

The useful lives and residual values of the investment properties are reassessed annually.

Rental income from investment properties is accounted for as described in note 2(s)(iv).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other Property, Plant and Equipment

(i) Owned Assets

Items of other property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 2(n)). Cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads.

(ii) Leased Assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see note 2(n)).

(iii) Subsequent Costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is calculated to write off the cost of items of other property, plant and equipment less their estimated residual value, if any, using the straight-line basis over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

Buildings	10–50 years
Roads and bridges	8–20 years or over the remaining terms of the concessions
Plant and machinery, equipment, river crafts and wharfs	5–12 years
Furniture and fittings	4–10 years
Motor vehicles	4–10 years

Depreciation directly relating to the plantation assets (see note 2(j)) is capitalised.

The useful lives and residual values of assets are reassessed annually.

(v) Retirement and Disposal

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Construction in Progress

Construction in progress is stated at cost less impairment losses (see note 2(n)).

Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(h) Intangible Assets

(i) Goodwill

All business combinations, except for business combinations involving entities under common control, are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see note 2(n)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the income statement.

On disposal of a cash-generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(ii) Timber Concession Licences and Plantation Licences

Timber concession licences and plantation licences acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see note 2(n)). Timber concession licences give the Group rights to harvest trees in the allocated concession forests in designated areas in Malaysia and Guyana. Plantation licence gives the Group rights for tree plantation in Malaysia.

(iii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Timber concession licences and plantation licences	Over the remaining terms of the licences

Both the period and method of amortisation and any conclusion that the useful life of an intangible asset is indefinite are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Lease Prepayments

Lease prepayments represent payments made to acquire leasehold land. Leasehold land are carried at cost less accumulated amortisation and impairment losses (see note 2(n)). Amortisation is charged to the income statement on a straight-line basis over the remaining lease term.

(j) Plantation Assets

Plantation assets comprise forest crop in Malaysia and New Zealand.

Plantation assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

The fair value of plantation assets is determined independently by professional valuers.

(k) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts. Trade and other receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is immaterial. This assessment is made collectively where these receivables share similar characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Trade and Other Receivables (Continued)

Impairment losses recognised in respect of trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost of timber harvested from plantation assets is its fair value less estimated point-of-sale costs at the date of harvest, determined in accordance with the accounting policy for plantation assets (see note 2(j)). Any change in value through the date of harvest is recognised in the income statement.

(m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment

The carrying amounts of the Group's assets, other than plantation assets (see note 2(j)), inventories (see note 2(l)) and deferred tax assets (see note 2(u)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of Recoverable Amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Recognition of Impairment Losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversals of Impairment

An impairment loss, other than in respect of goodwill, is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(iv) Interim Financial Reporting and Impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(n)(i), (ii) and (iii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(p) Employee Benefits

(i) Short Term Employee Benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Retirement Plans

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the income statement as incurred.

(q) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Trade and Other Payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.

(i) Sale of Goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Services Rendered

Revenue from services rendered is recognised in the income statement as and when the services are performed or rendered.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue (Continued)

(iii) Dividend Income

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

(iv) Rental Income

Rental income from investment property is recognised in the income statement on a straight-line basis over the terms of the respective leases. Lease incentives granted are recognised as an integral part of the total rental income.

(t) Expenses

(i) Operating Lease Payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the terms of the respective leases. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Royalty Payments

Royalty is payable for every tree harvested based on the size and species of the tree. Royalty expense is accrued when trees are harvested.

(iii) Repairs and Maintenance Expenditure

Repairs and maintenance expenditure, including cost of overhaul, is expensed as incurred.

(iv) Financing Costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested that are recognised in the income statement.

Borrowing costs incurred on borrowings used to finance forest assets, less any investment income on the temporary investment of these borrowings are capitalised until such time the forest plantation commences commercial harvesting.

Cost of issuance of bonds has been deferred and capitalised as part of the fair value of the bonds. The cost of issuance is amortised to the income statement using the effective interest rate method.

The interest component of finance lease payments is recognised in the income statement using the effective interest rate method.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(u) Income Tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Income Tax (Continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(v) Derivative Financial Instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(w) Related Parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decision, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related Parties (Continued)

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. 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 and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years 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 and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 35.

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 30(c).

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 statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 38).

4. SEGMENT REPORTING

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

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing loans, borrowings, tax balances, corporate assets and expenses.

Business Segments

The Group is comprised of the following main business segments:

Logs	:	The sale of timber logs from concession and tree plantation area.
Plywood and veneer	:	The manufacture and sale of plywood and veneer.
Upstream support	:	The provision of supporting services such as tree-felling, barging, repairs and re-conditioning of equipment and machineries.
Other timber operations	:	The manufacture and sale of timber related products such as flooring, chipboard, door facings, doors, housing products and sawn timber.
Other operations	:	Other operations include the manufacture and sale of granite aggregates, rubber compound, glue, logistic services, power generating facilities, oil palm, property investment and investment companies.

4. SEGMENT REPORTING (Continued)

Business Segments (Continued)

	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	172,563	336,631	16,131	26,716	9,182	—	561,223
Inter-segment revenue	86,161	25,108	190,952	2,534	3,751	(308,506)	—
Total revenue	258,724	361,739	207,083	29,250	12,933	(308,506)	561,223
Cost of sales	(199,672)	(287,539)	(193,699)	(28,070)	(10,360)	308,506	(410,834)
Other income and expenses	(4,809)	(11,000)	(4,657)	(3,276)	(4,500)	—	(28,242)
Segment result before changes in fair value of plantation assets	54,243	63,200	8,727	(2,096)	(1,927)	—	122,147
Gain from changes in fair value of plantation assets less estimated point-of-sale costs	3,508	—	—	—	—	—	3,508
Segment result	57,751	63,200	8,727	(2,096)	(1,927)	—	125,655
Net financing income							11,981
Share of profits less losses of associates and jointly controlled entities	—	—	—	2,570	7,095	—	9,665
Income tax							(16,420)
Profit for the year							130,881
Segment assets	358,829	311,770	173,313	51,387	26,373	—	921,672
Interest in associates and jointly controlled entities	—	—	—	18,085	51,182	—	69,267
Unallocated assets							323,112
Total assets							1,314,051
Segment liabilities	6,151	38,859	53,668	10,258	5,866	—	114,802
Unallocated liabilities							434,460
Total liabilities							549,262
Capital expenditure	32,667	23,809	40,193	1,918	324	—	98,911
Depreciation and amortisation	15,901	18,340	26,590	1,925	2,111	—	64,867
Non-cash expenses other than depreciation and amortisation	2,591	—	—	104	12	—	2,707

4. SEGMENT REPORTING (Continued)

Business Segments (Continued)

	2008						
	Logs $'000	Plywood and veneer $'000	Upstream support $'000	Other timber operations $'000	Other operations $'000	Eliminations $'000	Consolidated $'000
Revenue from external customers	174,072	294,702	11,051	54,972	10,491	—	545,288
Inter-segment revenue	88,408	24,866	205,191	3,592	3,337	(325,394)	—
Total revenue	262,480	319,568	216,242	58,564	13,828	(325,394)	545,288
Cost of sales	(235,268)	(308,236)	(213,461)	(51,055)	(10,910)	325,394	(493,536)
Other income and expenses	(2,071)	(8,994)	(7,941)	(4,749)	(8,883)	—	(32,638)
Segment result before changes in fair value of plantation assets	25,141	2,338	(5,160)	2,760	(5,965)	—	19,114
Loss from changes in fair value of plantation assets less estimated point-of-sale costs	(3,040)	—	—	—	—	—	(3,040)
Segment result	22,101	2,338	(5,160)	2,760	(5,965)	—	16,074
Net financing costs							(9,883)
Share of profits less losses of associates and jointly controlled entities	—	—	—	2,123	19,178	—	21,301
Income tax							(1,521)
Profit for the year							25,971
Segment assets	370,958	336,932	172,134	77,328	34,398	—	991,750
Interest in associates and jointly controlled entities	—	—	—	18,914	71,345	—	90,259
Unallocated assets							271,862
Total assets							1,353,871
Segment liabilities	16,002	29,503	65,403	17,088	3,562	—	131,558
Unallocated liabilities							444,463
Total liabilities							576,021
Capital expenditure	30,244	22,226	20,270	5,648	266	—	78,654
Depreciation and amortisation	17,875	18,243	29,150	1,997	2,226		69,491
Non-cash expenses other than depreciation and amortisation	4,864	—	60	—	2	—	4,926

4. SEGMENT REPORTING (Continued)

Geographical Segments

All the segments are primarily managed and operated in Malaysia, Guyana, New Zealand, Australia and China (including Hong Kong and Taiwan). In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets are based on the geographical location of the assets.

	2007								
	Malaysia $'000	Guyana $'000	New Zealand $'000	China $'000	Japan $'000	North America $'000	Australia $'000	Other regions $'000	Consolidated $'000
Revenue from external customers	81,051	5,097	1,803	109,996	172,963	56,370	2,979	130,964	561,223
Segment assets	569,334	69,529	257,354	24,372	—	1,083	—	—	921,672
Capital expenditure	67,537	15,792	14,807	775	—	—	—	—	98,911

	2008								
	Malaysia $'000	Guyana $'000	New Zealand $'000	China $'000	Japan $'000	North America $'000	Australia $'000	Other regions $'000	Consolidated $'000
Revenue from external customers	91,852	7,930	4,695	95,569	128,199	30,851	25,858	160,334	545,288
Segment assets	606,464	69,878	272,316	21,643	95	863	20,491	—	991,750
Capital expenditure	54,103	5,741	17,314	1,468	—	—	28	—	78,654

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

	2008 $'000	2007 $'000
Sales of goods	534,237	545,092
Revenue from provision of services	11,051	16,131
	545,288	561,223

6. OTHER OPERATING INCOME

	2008 $'000	2007 $'000
Gain on disposal of property, plant and equipment	97	3,880
Gain on disposal of lease prepayment	—	68
Gain on disposal of plantation licence (note 18)	4,561	—
Reversal of impairment losses on trade and other receivables	11	77
Rental income	689	565
Excess of fair value over purchase consideration arising from business combinations (note 32)	1,889	—
Sundry income	388	1,337
	7,635	5,927

7. NET FINANCING (COSTS)/INCOME

	2008 $'000	2007 $'000
Interest on loans from banks and other borrowings wholly repayable within 5 years	(19,482)	(18,904)
Interest on loans from banks and other borrowings wholly repayable after 5 years	(6,890)	(7,753)
	(26,372)	(26,657)
Less: Borrowing costs capitalised into plantation assets (note 19)	9,358	8,368
Interest expense	(17,014)	(18,289)
Net loss on changes in fair value of financial instruments	(2,784)	(659)
Foreign exchange losses	(95)	—
Financial expenses	(19,893)	(18,948)
Interest income	10,010	19,248
Foreign exchange gains	—	11,681
Financial income	10,010	30,929
	(9,883)	11,981

Borrowing costs have been capitalised at a rate of 5.29% to 7.12% per annum (2007: 5.29% to 7.78%).

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel expenses

	2008 $'000	2007 $'000
Salaries, wages, bonuses and benefits	81,184	78,766
Contributions to retirement schemes	4,378	4,552
	85,562	83,318

Pursuant to the relevant labour rules and regulations in Malaysia, Guyana, Australia and the People's Republic of China ("PRC"), the companies comprising the Group participate in defined contribution retirement schemes ("the Schemes") organised by the respective local authorities whereby the Group is required to make contributions to the Schemes at rates in the range of 9% to 20% of the eligible employees' salaries. Contributions to the Schemes vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

(b) Other items

	2008 $'000	2007 $'000
Impairment losses on trade and other receivables	1,450	77
Auditors' remuneration	694	581
Depreciation (note 15(a))	63,494	59,395
Amortisation of lease prepayments (note 17)	730	669
Amortisation of timber concessions (note 18)	5,160	4,803
Amortisation of plantation licence (note 18)	107	—
Royalties (note 18)	32,359	32,540
Share of associates' taxation	6,629	2,303
Share of jointly controlled entities' taxation	207	617

9. INCOME TAX

(a) Current taxation in the income statement represents:

	2008 $'000	2007 $'000
Current tax		
Current year	7,640	13,170
Under/(over)-provision in respect of prior years	990	(1,167)
	8,630	12,003
Deferred tax (note 23)		
Origination and reversal of temporary differences	(6,063)	5,621
Reduction in tax rates (note (c) and (e))	(1,046)	(1,204)
	(7,109)	4,417
Total income tax expense in the consolidated income statement	1,521	16,420

Notes:

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

(b) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the years ended 30 June 2008 and 2007.

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

(d) The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45%. One of the subsidiaries of the Group in Guyana was granted a tax holiday period for 5 years by the Ministry of Finance of Guyana from March 2005. No provision for Guyana income tax has been made as the subsidiaries either sustained a loss for tax purposes during the years ended 30 June 2008 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% (2007: 33%). No provision for New Zealand income tax has been made as the subsidiaries sustained a loss for tax purposes during the years ended 30 June 2008 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) The subsidiary in Australia is liable to Australian income tax at a rate of 30%.

(g) Pursuant to the approval obtained from the relevant PRC tax authorities, the subsidiaries in the PRC are entitled to a tax concession period whereby the subsidiaries are fully exempted from PRC enterprise income tax for 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 prior to 1 January 2008 was 33%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress of the PRC passed the Corporate Income Tax Law ("new tax law") which will take effect on 1 January 2008. According to the new tax law, the standard PRC income tax rate is 25%. Dividends declared by the PRC subsidiaries to parent companies incorporated in the BVI are subject to withholding tax of 10%. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, the PRC subsidiaries of the Group 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.

9. INCOME TAX (Continued)

(a) Current taxation in the income statement represents: (Continued)

Notes: (Continued)

(g) (Continued)

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

Being a production oriented enterprise in the Nantong Economic Development Zone of the PRC, Riverside Plywood Corporation ("Riverside") was entitled to a preferential PRC enterprise income tax rate of 15%. The first profit-making year of Riverside was 2004. Riverside was fully exempted from PRC enterprise income tax from 1 January 2004 to 31 December 2005 and subject to a preferential tax rate of 7.5% from 1 January 2006 to 31 December 2007. Riverside is subject to a preferential tax rate of 9% for the year from 1 January 2008 to 31 December 2008. Thereafter, the standard PRC income tax rate of 25% will apply.

The enactment of the new tax law is not expected to have any material financial effect on the amounts accrued in the balance sheet in respect of current tax and deferred tax.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008 $'000	2007 $'000
Profit before taxation	27,492	147,301
Income tax using the corporate tax rates applicable to profits in the countries concerned	4,519	35,811
Effect of non-deductible expenses (note (i))	2,273	3,943
Effect of non-taxable income (note (ii))	(8,431)	(12,324)
Effect of tax credit (note (iii))	(5,855)	(6,448)
Effect of temporary differences not recognised in prior years	(1,902)	(2,979)
Effect of temporary differences and tax losses not recognised in the current year	10,973	788
Effect of change in tax rate	(1,046)	(1,204)
Under/(over)-provision of income tax expense in prior years	990	(1,167)
Income tax expense	1,521	16,420

Notes:

(i) Non-deductible expenses mainly comprise interest expense of non-trade nature and depreciation of non-qualifying assets.

(ii) Non-taxable income mainly comprises offshore interest income and share of profits of associates and jointly controlled entities.

(iii) Tax credit mainly comprises certain expenses incurred by Samling Plywood (Baramas) Sdn. Bhd., Samling Plywood (Bintulu) Sdn. Bhd., Samling Plywood (Miri) Sdn. Bhd., Samling Flooring Products Sdn. Bhd., and Samling Housing Products Sdn. Bhd. which qualified for double deduction for Malaysian income tax purposes. Under the Malaysian tax laws, companies engaged in the manufacturing of wood-based products (excluding sawn timber and veneer) shall be allowed to claim a double deduction of the freight charges incurred by the companies in respect of the export of wood-based products.

9. INCOME TAX (Continued)

(c) Current taxation in the balance sheet represents:

	2008 $'000	2007 $'000
Provision for income tax for the year	7,640	13,170
Provisional income tax	(15,879)	(24,144)
	(8,239)	(10,974)
Balance of income tax provision relating to prior years	(10,895)	1,593
	(19,134)	(9,381)
Represented by:		
Current tax recoverable	(19,395)	(12,013)
Current tax payable	261	2,632
	(19,134)	(9,381)

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a profit of $11,115,000 (2007: $30,735,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

(a) Dividend attributable to the year

	2008 $'000	2007 $'000
Final dividend proposed after the balance sheet date of 0.080 US cent (2007: 0.641 US cent) per share	3,441	27,574

The final dividend proposed after the balance sheet date has not been recognised as a liability in the balance sheet.

11. DIVIDENDS (Continued)

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

	2008 $'000	2007 $'000
Final dividend in respect of the previous financial year of 0.641 US cent (2007: Nil) per share, approved and paid during the year	27,574	—

12. EARNINGS PER SHARE

(a) Basic Earnings per Share

The calculation of basic earnings per share for the year ended 30 June 2008 is based on the profit attributable to equity holders of the Company for the year of $13,893,000 (2007: $98,430,000) and the number of 4,301,737,000 shares (2007: weighted average number of 1,633,531,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2008 '000	2007 '000
Issued ordinary shares at 1 July	4,301,737	979
Effect of shares subdivision	—	3,549
Effect of issue of additional shares pursuant to Reorganisation and Further Acquisitions	—	1,242,229
Effect of issue of shares pursuant to global offering	—	386,774
Weighted average number of ordinary shares at 30 June	4,301,737	1,633,531

(b) Diluted Earnings per Share

There were no dilutive potential ordinary shares during the years ended 30 June 2008 and 2007. Diluted earnings per share is the same as the basic earnings per share.

13. DIRECTORS' REMUNERATION

	2007				
	Fees $'000	Basic salaries, allowances, benefits in kind and others $'000	Bonus $'000	Retirement scheme contributions $'000	Total $'000
Executive directors					
Yaw Chee Ming	37	391	72	23	523
Cheam Dow Toon	37	259	53	16	365
Non-executive director					
Chan Hua Eng	54	—	—	—	54
Independent non-executive directors					
David William Oskin	20	20	—	—	40
Tan Li Pin, Richard	20	20	—	—	40
Fung Ka Pun	25	—	—	—	25
Total	193	690	125	39	1,047

	2008				
	Fees $'000	Basic salaries, allowances, benefits in kind and others $'000	Bonus $'000	Retirement scheme contributions $'000	Total $'000
Executive directors					
Yaw Chee Ming	38	475	118	27	658
Cheam Dow Toon	38	822	88	19	967
Non-executive director					
Chan Hua Eng	56	50	—	—	106
Independent non-executive directors					
David William Oskin	20	70	—	—	90
Tan Li Pin, Richard	20	70	—	—	90
Fung Ka Pun	25	50	—	—	75
Total	197	1,537	206	46	1,986

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group include two (2007: two) directors whose emoluments are disclosed in note 13. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	2008 $'000	2007 $'000
Basic salaries, allowances, benefits in kind and others	972	608
Discretionary bonuses	50	46
Retirement scheme contributions	35	—
	1,057	654

The emoluments of these individuals are within the following band:

	Number of individuals	
	2008	2007
HK$1,000,000 to HK$2,000,000	—	2
HK$2,000,000 to HK$3,000,000	3	1

15. PROPERTY, PLANT AND EQUIPMENT, NET

	The Group							
	Land and buildings $'000	Roads and bridges $'000	Plant and machinery, equipment, river crafts and wharfs $'000	Motor vehicles $'000	Furniture and fittings $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost:								
At 1 July 2006	127,560	88,796	520,512	22,561	5,938	765,367	12,503	777,870
Other additions	5,043	5,500	66,129	1,090	345	78,107	15	78,122
Transfer from construction in progress (note 16)	204	—	516	4	7	731	—	731
Disposals	—	(357)	(21,762)	(245)	(1)	(22,365)	(43)	(22,408)
Exchange differences	11,105	7,131	30,183	589	134	49,142	799	49,941
At 30 June 2007	143,912	101,070	595,578	23,999	6,423	870,982	13,274	884,256
At 1 July 2007	143,912	101,070	595,578	23,999	6,423	870,982	13,274	884,256
Additions through business combination (note 32)	3,639	—	163	57	46	3,905	—	3,905
Additions	3,612	5,641	42,641	1,504	173	53,571	—	53,571
Transfer from construction in progress (note 16)	—	—	226	—	—	226	—	226
Disposals	—	—	(1,567)	(327)	(13)	(1,907)	—	(1,907)
Exchange differences	5,731	4,960	30,104	1,116	142	42,053	763	42,816
At 30 June 2008	156,894	111,671	667,145	26,349	6,771	968,830	14,037	982,867
Accumulated depreciation:								
At 1 July 2006	20,816	37,541	302,056	17,840	5,601	383,854	2,922	386,776
Charge for the year	3,218	8,759	45,888	1,453	125	59,443	226	59,669
Written back on disposals	—	(229)	(10,464)	(99)	(1)	(10,793)	(6)	(10,799)
Exchange differences	1,814	2,853	17,658	787	120	23,232	192	23,424
At 30 June 2007	25,848	48,924	355,138	19,981	5,845	455,736	3,334	459,070
At 1 July 2007	25,848	48,924	355,138	19,981	5,845	455,736	3,334	459,070
Charge for the year	3,650	8,877	49,228	1,710	153	63,618	194	63,812
Written back on disposals	—	—	(763)	(306)	(11)	(1,080)	—	(1,080)
Exchange differences	784	2,765	17,960	903	122	22,534	187	22,721
At 30 June 2008	30,282	60,566	421,563	22,288	6,109	540,808	3,715	544,523
Carrying amount:								
At 30 June 2008	126,612	51,105	245,582	4,061	662	428,022	10,322	438,344
At 30 June 2007	118,064	52,146	240,440	4,018	578	415,246	9,940	425,186

The majority of the Group's land and buildings are located in Malaysia, New Zealand, Guyana, Australia and the PRC.

15. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

	The Company Furniture and fittings $'000
Cost:	
At 1 July 2006	—
Additions	209
At 30 June 2007	209
At 1 July 2007	209
Additions	2
At 30 June 2008	211
Accumulated depreciation:	
At 1 July 2006	—
Charge for the year	24
At 30 June 2007	24
At 1 July 2007	24
Charge for the year	6
At 30 June 2008	30
Carrying amount:	
At 30 June 2008	181
At 30 June 2007	185

15. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

(a) Depreciation charge for the year is analysed as follows:

	The Group	
	2008 $'000	2007 $'000
Expensed in income statement	63,494	59,395
Capitalised as plantation assets (note 19)	318	274
	63,812	59,669

(b) Certain leasehold land and buildings, plant, machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 27(a).

(c) Net book value of plant and machinery held under finance leases:

	The Group	
	2008 $'000	2007 $'000
Net book value of plant and machinery held under finance leases	118,056	127,519

(d) The Group leases out investment properties under operating leases. The leases typically run for an initial period of 3 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The fair values of the investment properties amounted to $18,424,000 and $15,057,000 at 30 June 2008 and 2007 respectively, which were determined based on valuations carried out by an independent firm of surveyors, HASB Consultants Sdn. Bhd., who have among their staff members of The Institution of Surveyors, Malaysia with recent experience in the location and category of properties being valued.

15. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

(e) An analysis of net book value of properties is as follows:

	The Group	
	2008 $'000	2007 $'000
Outside Hong Kong		
— freehold	47,182	43,108
— long-term leases	35,407	33,666
— medium-term leases	77,060	73,334
— short-term leases	5,224	5,068
	164,873	155,176

The net book value of properties represents:

	The Group	
	2008 $'000	2007 $'000
Land and buildings	126,612	118,064
Investment properties	10,322	9,940
Lease prepayments	27,939	27,172
	164,873	155,176

(f) The Group acquired property, plant and equipment with an aggregate cost of $53,571,000 (2007: $78,122,000) during the year ended 30 June 2008, of which $18,687,000 (2007: $40,335,000) were acquired by means of finance leases. In addition, included in the purchase of property, plant and equipment is an amount of $1,595,000 (2007: $5,049,000) which has been accrued for in other payables at 30 June 2008.

16. CONSTRUCTION IN PROGRESS

	The Group	
	2008 $'000	2007 $'000
At 1 July	5,480	1,963
Additions	4,472	4,097
Written off	(612)	—
Transfer to property, plant and equipment (note 15)	(226)	(731)
Exchange differences	39	151
At 30 June	9,153	5,480

17. LEASE PREPAYMENTS

	The Group	
	2008 $'000	2007 $'000
Cost:		
At 1 July	32,944	31,815
Additions through business combinations (note 32)	24	—
Disposals	—	(832)
Exchange differences	2,370	1,961
At 30 June	35,338	32,944
Accumulated amortisation:		
At 1 July	5,772	5,311
Charge for the year	730	669
Written back on disposals	—	(565)
Exchange differences	897	357
At 30 June	7,399	5,772
Carrying amount:		
At 30 June	27,939	27,172

Lease prepayments represent leasehold land in Malaysia, Australia and the PRC, which expire between 2013 to 2923.

18. INTANGIBLE ASSETS

	The Group			
	Timber concessions $'000	Plantation licence $'000	Goodwill $'000	Total $'000
Cost:				
At 1 July 2006	40,913	—	631	41,544
Exchange differences	2,612	—	40	2,652
At 30 June 2007	43,525	—	671	44,196
At 1 July 2007	43,525	—	671	44,196
Additions through business combinations (note 32)	—	—	104	104
Other additions	—	6,531	—	6,531
Exchange differences	2,506	80	49	2,635
At 30 June 2008	46,031	6,611	824	53,466
Accumulated amortisation:				
At 1 July 2006	9,070	—	—	9,070
Charge for the year	4,803	—	—	4,803
Exchange differences	707	—	—	707
At 30 June 2007	14,580	—	—	14,580
At 1 July 2007	14,580	—	—	14,580
Charge for the year	5,160	107	—	5,267
Exchange differences	893	1	—	894
At 30 June 2008	20,633	108	—	20,741
Carrying amount:				
At 30 June 2008	25,398	6,503	824	32,725
At 30 June 2007	28,945	—	671	29,616

18. INTANGIBLE ASSETS (Continued)

Timber Concessions

The Group acquired five timber concession licences through acquisitions of subsidiaries. The Group has also been granted certain timber concession licences by the government of Malaysia and Guyana at no initial cost. Each licence covers a specific area called a forest management unit or concession. Each concession is divided into annual allowable harvest areas called "coupes" which are sequentially harvested over a number of years. Concessions are harvested according to a schedule of between 5 to 25 years. The annual allowable volume of timber that can be extracted is determined by and agreed with the Sarawak Forest Department or Guyana Forestry Commission. The licences expire between 2009 to 2041. Under the terms of the timber concession licences, the Group is required to pay royalties to the respective governments based on the volume by species harvested each year, subject to an annual minimum royalty payment (see note 34(b)).

The amortisation charge and royalties for the years ended 30 June 2008 and 2007 are included in "cost of sales" in the consolidated income statement.

Plantation Licence

On 30 August 2007, a subsidiary of the associate, Timor Enterprises Sdn. Bhd. ("Timor") which is engaged in oil palm plantation business, entered into an agreement with Samling Reforestation Bintulu Sdn. Bhd. ("SRB") pursuant to which Timor agreed to sub-licence, and SRB agreed to accept the sub-licence of, the tree plantation compartment measuring approximately 40,684 hectares within the forest plantation land held under Planted Forest Licence No. LPF/0006 at Belaga District, Kapit Division, Sarawak, Malaysia for a cash consideration of RM21,596,000 (equivalent to approximately $6,531,000). The plantation licence expires in 2058.

On 30 August 2007, SRB entered into an agreement with Timor pursuant to which SRB agreed to sub-licence, and Timor agreed to accept the sub-licence of the oil palm compartment measuring approximately 21,123 hectares within the forest plantation land held under Planted Forest Licence No. LPF/0007 at Tubau District, Bintulu Division, Sarawak, Malaysia for a cash consideration of RM19,237,000 (equivalent to approximately $5,818,000). The disposal of the plantation licence resulted in a gain on disposal amounting to $4,561,000.

The above transactions were completed on 4 December 2007.

19. PLANTATION ASSETS

	The Group	
	2008 $'000	2007 $'000
At 1 July	226,050	165,299
Exchange differences	(1,258)	43,211
Additions	20,611	16,692
Harvested timber transferred to inventories	(4,297)	(2,660)
Change in fair value less estimated point-of-sale costs	(3,040)	3,508
At 30 June	238,066	226,050

The analysis of fair value of plantation assets by location is as follows:

	The Group	
	2008 $'000	2007 $'000
New Zealand	220,363	214,327
Malaysia	17,703	11,723
	238,066	226,050

Included in additions to the Group's plantation assets are interest capitalised of $9,358,000 (2007: $8,368,000), and depreciation of property, plant and equipment of $318,000 (2007: $274,000) for the year ended 30 June 2008.

A significant portion of trees in New Zealand are planted on freehold forest and a small portion on leasehold forest with 79 years term, expiring in 2060. The Group has been granted 7 (2007: 6) plantation licences for a gross area of approximately 458,000 (2007: 438,000) hectares in Malaysia. The licences are for 60 years, the earliest of which expires in December 2058.

At 30 June 2008, plantation assets represent standing timber planted by the Group and comprise approximately 40,654 (2007: 38,927) hectares of tree plantations, which range from newly established plantations to plantations that are 27 years old. During the year ended 30 June 2008, the Group harvested approximately 244,886 m^3 (2007: 91,677 m^3) of wood, which had a fair value less estimated point-of-sale costs of $4,297,000 (2007: $2,660,000) at the date of harvest.

19. PLANTATION ASSETS (Continued)

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 7.25% (2007: 8.5%) for plantation assets in New Zealand and 10.2% (2007: 10.2%) for plantation assets in Malaysia for the year applied to pre-tax cash flows to provide a current market value of the plantation assets.

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

The principal valuation methodology and assumptions adopted are as follows:

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

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

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

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

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

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

Certain plantation assets are pledged to banks for certain banking facilities granted to the Group as disclosed in note 27(a).

20. INTEREST IN SUBSIDIARIES

	The Company	
	2008 $'000	2007 $'000
Unlisted shares, at cost	34,129	26,427
Amounts due from subsidiaries	309,427	282,007
	343,556	308,434

Included in amounts due from subsidiaries is an amount of $251,151,000 (2007: $251,151,000) which is unsecured, interest bearing at 1-year London Inter Bank Offer Rate ("LIBOR") and not expected to be recovered within one year. The remaining balance is unsecured, interest-free and not expected to be recovered within one year.

Details of the subsidiaries as at 30 June 2008 are set out in note 37.

21. INTEREST IN ASSOCIATES

	The Group	
	2008 $'000	2007 $'000
Share of net assets:		
— Associates listed outside Hong Kong	62,921	44,668
— Unlisted associates	12,451	10,007
	75,372	54,675
Market value of listed associates	69,958	40,657

(Expressed in United States dollars unless otherwise indicated)

21. INTEREST IN ASSOCIATES (Continued)

Details of the Group's associates, all of which are held indirectly by the Company through intermediate investment holding companies, are as follows:

Name of company	Place of incorporation	Percentage of ownership interest Group's effective interest %	 Held by a subsidiary %	Issued and fully paid share capital	Principal activities
Glenealy Plantations (Malaya) Berhad	Malaysia	21.74	36.42	RM115,361,892 divided into 115,361,892 ordinary shares of RM1 each	Investment holding, operation of oil palm plantations, oil mills and forest plantations
Daiken Miri Sdn. Bhd.	Malaysia	17.91	30	RM149,960,000 divided into 149,960,000 ordinary shares of RM1 each	Manufacture and sale of high and medium-density fibre board
Sepangar Chemical Industry Sdn. Bhd.	Malaysia	28.35	47.50	RM20,000,000 divided into 20,000,000 ordinary shares of RM1 each	Manufacture and sale of formalin and various formaldehyde adhesive resins
Rimalco Sdn. Bhd.	Malaysia	40	40	RM200,000 divided into 200,000 ordinary shares of RM1 each	Manufacture and sale of sawn timber
Samling-PDT Resources Sdn. Bhd.	Malaysia	49	49	RM1,000,000 divided into 1,000,000 ordinary shares of RM1 each	Dormant

21. INTEREST IN ASSOCIATES (Continued)

Summary financial information of associates:

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Profit $'000 (note)
2007					
100 per cent	294,073	(143,710)	150,363	166,559	21,151
Group's effective interest	106,169	(51,494)	54,675	62,328	7,760
2008					
100 per cent	396,427	(192,717)	203,710	225,625	53,894
Group's effective interest	148,829	(73,457)	75,372	85,612	19,539

Note: The profit for the year (Group's effective interest) includes gain from changes in fair value of plantation assets less estimated point-of-sale costs of $10,477,000 (2007: $2,335,000) for the year ended 30 June 2008.

22. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2008 $'000	2007 $'000
Group's share of net assets, unlisted	10,815	8,542
Loan to a jointly controlled entity	4,072	6,050
	14,887	14,592

22. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

Details of the Group's jointly controlled entities, all of which are held indirectly by the Company through intermediate investment holding companies, are as follows:

Name of company	Place of incorporation	Percentage of ownership interest: Group's effective interest %	Percentage of ownership interest: Held by a subsidiary %	Issued and fully paid share capital	Principal activities
Foremost Crest Sdn. Bhd.	Malaysia	23.88	50	RM22,613,230 divided into 22,613,230 ordinary shares of RM1 each	Manufacture and sale of doors
Magna-Foremost Sdn. Bhd.	Malaysia	42.95	50	RM76,459,480 divided into 76,459,480 ordinary shares of RM1 each	Manufacture and sale of fibreboard door facings

Loan to a jointly controlled entity is unsecured, interest bearing at 1% above LIBOR per annum and is not expected to be recovered within 1 year.

Summarised financial information of the jointly controlled entities is as follows:

	2008 $'000	2007 $'000
Non-current assets	24,289	24,325
Current assets	15,151	12,985
Total assets	39,440	37,310
Current liabilities	4,915	3,983
Non-current liabilities	12,895	16,243
Total liabilities	17,810	20,226
Revenue	23,990	23,708
Expenses	20,466	19,899
Group's share of profit after tax	1,762	1,905

23. DEFERRED TAX

The amounts recognised on the balance sheet are as follows:

	The Group	
	2008 $'000	2007 $'000
Net deferred tax liabilities	54,534	59,015
Net deferred tax assets	(5,853)	(3,578)
	48,681	55,437

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the years ended 30 June 2007 and 2008 are as follows:

	The Group			
	At 1 July 2006 $'000	(Credited)/ charged to income statement $'000 (note 9)	Exchange differences $'000	At 30 June 2007 $'000
Deferred tax liabilities				
Property, plant and equipment	19,186	(4,519)	901	15,568
Plantation assets	21,829	2,283	5,644	29,756
Timber concessions	8,913	(1,466)	350	7,797
Others	5,789	—	142	5,931
Total	55,717	(3,702)	7,037	59,052
Deferred tax assets				
Property, plant and equipment	(9,652)	6,169	(325)	(3,808)
Unutilised tax losses	(2,070)	2,011	40	(19)
Others	262	(61)	11	212
Total	(11,460)	8,119	(274)	(3,615)
Net deferred tax liabilities	44,257	4,417	6,763	55,437

23. DEFERRED TAX (Continued)

	The Group				
	At 1 July 2007 $'000	(Credited)/ charged to income statement $'000 (note 9)	Acquisition of subsidiaries $'000 (note 32)	Exchange differences $'000	At 30 June 2008 $'000
Deferred tax liabilities					
Property, plant and equipment	15,568	(4,058)	283	1,066	12,859
Plantation assets	29,756	2,121	—	(603)	31,274
Timber concessions	7,797	(2,067)	—	327	6,057
Others	5,931	—	—	(149)	5,782
Total	59,052	(4,004)	283	641	55,972
Deferred tax assets					
Property, plant and equipment	(3,808)	(2,416)	—	(286)	(6,510)
Unutilised tax losses	(19)	(649)	—	163	(505)
Others	212	(40)	(268)	(180)	(276)
Total	(3,615)	(3,105)	(268)	(303)	(7,291)
Net deferred tax liabilities	55,437	(7,109)	15	338	48,681

23. DEFERRED TAX (Continued)

No deferred tax assets have been recognised for the following items:

	The Group	
	2008 $'000	2007 $'000
Net deductible temporary differences	80,475	63,546
Unutilised tax losses	137,102	120,097
	217,577	183,643

The unutilised tax losses and net deductible temporary differences do not expire under the current tax legislation in Malaysia, Guyana, New Zealand and Australia. Tax losses in Guyana could be used to offset only up to 50% of the assessable profits for the year. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

24. INVENTORIES

	The Group	
	2008 $'000	2007 $'000
Timber logs	31,614	31,546
Raw materials	9,859	9,394
Work-in-progress	17,870	13,506
Manufactured inventories	40,556	27,881
Stores and consumables	39,101	28,185
	139,000	110,512

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

	The Group	
	2008 $'000	2007 $'000
Carrying amount of inventories sold	493,536	410,834

25. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade receivables	61,563	58,817	—	—
Less: allowance for doubtful debts (note 25(b))	(12,070)	(11,445)	—	—
	49,493	47,372	—	—
Prepayments, deposits and other receivables	30,301	31,231	9,226	1,196
	79,794	78,603	9,226	1,196

Included in the Group's trade receivables are amounts due from related parties of $9,758,000 (2007: $18,356,000) as at 30 June 2008.

(a) Ageing Analysis

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:

	The Group	
	2008 $'000	2007 $'000
Within 30 days	34,124	22,454
31–60 days	5,277	3,486
61–90 days	2,205	4,800
91–180 days	3,484	5,817
181–365 days	2,679	5,796
1–2 years	993	2,735
Over 2 years	731	2,284
	49,493	47,372

25. TRADE AND OTHER RECEIVABLES (Continued)

(b) 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.

	The Group	
	2008 $'000	2007 $'000
At 1 July	11,445	12,244
Impairment loss recognised	2	77
Uncollectible amounts written off	—	(1,427)
Reversal of impairment loss	—	(73)
Exchange differences	623	624
	12,070	11,445

At 30 June 2008, the Group's trade receivables of $12,187,000 (2007: $13,448,000) 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 $12,070,000 (2007: $11,445,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade Receivables that are Not Impaired

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

	The Group	
	2008 $'000	2007 $'000
Within 30 days	34,124	22,454
31–60 days	5,277	3,486
61–90 days	2,205	4,800
91–180 days	3,484	5,817
181–365 days	2,679	5,796
1–2 years	898	1,701
Over 2 years	709	1,315
	49,376	45,369

25. TRADE AND OTHER RECEIVABLES (Continued)

(c) Trade Receivables that are Not Impaired (Continued)

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

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

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Deposits with banks and other financial institutions	233,765	310,789	220,627	300,092
Cash at bank and in hand	39,544	15,753	848	135
Cash and cash equivalents in the balance sheet	273,309	326,542	221,475	300,227
Bank overdrafts (note 27(a))	(24,912)	(21,981)		
Fixed deposits and bank balances held as security	(7,280)	(9,153)		
Cash and cash equivalents in the cash flow statement	241,117	295,408		

Certain deposits are pledged to banks against certain banking facilities granted to the Group as disclosed in note 27(a). As at 30 June 2007, certain deposits were pledged for coupon payments and principal repayment of the bond as discussed in note 28.

27. BANK AND OTHER BORROWINGS

(a) Bank Overdrafts, Loans and Borrowings

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

	The Group	
	2008 $'000	2007 $'000
Within 1 year or on demand	120,829	103,782
After 1 year but within 2 years	14,917	14,136
After 2 years but within 5 years	64,385	42,542
After 5 years	99,907	76,119
	179,209	132,797
	300,038	236,579

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

	The Group	
	2008 $'000	2007 $'000
Overdrafts (note 26)		
— unsecured	18,458	20,195
— secured	6,454	1,786
	24,912	21,981
Bank loans and borrowings		
— unsecured	183,859	123,221
— secured	91,267	91,377
	275,126	214,598
	300,038	236,579

27. BANK AND OTHER BORROWINGS (Continued)

(a) Bank Overdrafts, Loans and Borrowings (Continued)

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

	The Group	
	2008 $'000	2007 $'000
Property, plant and equipment	49,316	55,309
Lease prepayments	3,178	2,967
Plantation assets	220,363	214,327
Cash and cash equivalents	7,280	9,153
	280,137	281,756

The banking facilities of the Group amounting to $327,321,000 (2007: $271,243,000) were utilised to the extent of $300,038,000 (2007: $236,579,000) at 30 June 2008.

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.

The Company's newly acquired subsidiary, Brewster Pty. Ltd., breached its banking covenants regarding the interest coverage ratio. A waiver was granted by the bank in this regard on 18 July 2008 and accordingly the related long term bank loans of $962,000 were reclassified as current liabilities as at 30 June 2008.

Further details of the Group's management of liquidity risk are set out in note 35(e).

27. BANK AND OTHER BORROWINGS (Continued)

(b) Finance Lease Liabilities

Finance lease liabilities are payable as follows:

	The Group					
	2008			2007		
	Gross $'000	Interest $'000	Principal $'000	Gross $'000	Interest $'000	Principal $'000
Less than one year	37,221	4,711	32,510	34,257	5,035	29,222
Between one and two years	30,739	2,630	28,109	29,588	3,611	25,977
Between two and five years	30,432	1,421	29,011	39,999	2,386	37,613
	61,171	4,051	57,120	69,587	5,997	63,590
	98,392	8,762	89,630	103,844	11,032	92,812

28. BONDS

The bonds were offered by Lingui Developments Berhad ("Lingui") to sophisticated third party investors in 2001. The bonds were held by the bondholders in a scripless trading system operated by the Central Bank of Malaysia.

The terms of the bonds were as follows:

Outstanding balance at 30 June 2007	Redemption terms	Interest
RM150 million (equivalent to $43 million)	Redeemable at par in April 2008	8.5% per annum

The bonds were secured by Debt Service Reserve Accounts which are maintained for coupon payments and principal repayment. Debt Service Reserve Accounts were part of the "Fixed deposits and bank balances held as security" disclosed in note 26.

On 25 April 2008, the bonds were fully redeemed by way of a loan of RM150 million (equivalent to $46 million), which is repayable in 2014.

29. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade payables	63,689	47,652	—	—
Other payables	28,023	35,886	—	—
Accrued expenses	39,846	31,264	431	841
Amounts due to group companies	—	—	2,755	21,490
	131,558	114,802	3,186	22,331

The amounts due to group companies are unsecured, interest free and repayable on demand.

Included in the Group's trade payables are amounts due to related parties of $7,803,000 (2007: $6,935,000) at 30 June 2008.

An ageing analysis of trade payables is as follows:

	The Group	
	2008 $'000	2007 $'000
Within 30 days	21,939	20,613
31–60 days	9,153	7,737
61–90 days	5,450	4,929
91–180 days	11,833	3,790
181–365 days	12,027	6,044
1–2 years	449	1,059
Over 2 years	2,838	3,480
	63,689	47,652

30. SHARE CAPITAL

(a) Authorised and Issued Share Capital

	Note	2008 Number of shares ('000)	2008 $'000	2007 Number of shares ('000)	2007 $'000
Authorised:					
Ordinary shares of $0.1 each	(b)	5,000,000	500,000	5,000,000	500,000
Ordinary shares, issued and fully paid:					
At 1 July		4,301,737	430,174	979	979
Shares subdivision	(b)(i)	—	—	8,812	—
Issue of additional shares pursuant to Reorganisation and Further Acquisitions	(b)(i)	—	—	3,084,446	308,445
Issue of shares pursuant to global offering	(b)(ii)	—	—	1,207,500	120,750
At 30 June		4,301,737	430,174	4,301,737	430,174

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Issue of Shares

(i) On 2 February 2007, each of the ordinary shares of $1 each was subdivided into 10 ordinary shares of $0.1 each which resulted in the issuance of additional 8,811,927 ordinary shares of $0.1 each. On 4 February 2007, the Company allotted and issued 3,084,445,799 ordinary shares of $0.1 each as the remaining consideration for the acquisition of subsidiaries pursuant to the Reorganisation and Further Acquisitions.

(ii) On 7 March 2007, an additional 1,050,000,000 ordinary shares of $0.1 each were issued and offered for subscription at a price of HK$2.08 each upon the listing of the shares of the Company on the SEHK. On 20 March 2007, an additional 157,500,000 ordinary shares of $0.1 each were issued and offered for subscription under the over-allotment option. The proceeds of $120,750,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately $170,646,000, after deducting share issue expenses of approximately $30,003,000, were credited to share premium.

30. SHARE CAPITAL (Continued)

(c) Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a total debt-to-total assets ratio. For this purpose, the Group defines total debt as interest-bearing loans and borrowings, bonds and obligations under finance leases.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the total debt-to-total assets ratio at not more than 50%.

The total debt-to-total assets ratio at 30 June 2008 and 2007 was as follows:

	Note	2008 $'000	2007 $'000
Current liabilities			
Bank overdrafts, loans and borrowings	27(a)	120,829	103,782
Finance lease liabilities	27(b)	32,510	29,222
Bonds	28	—	43,422
		153,339	176,426
Non-current liabilities			
Bank loans and borrowings	27(a)	179,209	132,797
Finance lease liabilities	27(b)	57,120	63,590
		236,329	196,387
Total debt		389,668	372,813
Total assets		1,353,871	1,314,051
Total debt-to-total assets ratio		29%	28%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31. RESERVES

(a) The Group

	Share premium $'000	Currency translation reserve $'000	Revaluation reserve $'000	Other reserve $'000	Capital reserve $'000	Retained earnings $'000	Total $'000
At 1 July 2006	72,276	16,596	6,673	(33,102)	40,477	63,529	166,449
Issue of additional shares pursuant to Reorganisation and Further Acquisitions	18,998	—	—	(269,252)	(40,477)	—	(290,731)
Issue of shares pursuant to global offering, net of issue expenses	170,646	—	—	—	—	—	170,646
Currency translation differences	—	23,807	—	—	—	—	23,807
Profit for the year	—	—	—	—	—	98,430	98,430
At 30 June 2007	261,920	40,403	6,673	(302,354)	—	161,959	168,601
At 1 July 2007	261,920	40,403	6,673	(302,354)	—	161,959	168,601
Currency translation differences	—	11,020	—	—	—	—	11,020
Profit for the year	—	—	—	—	—	13,893	13,893
Dividends declared and paid (note 11)	—	—	—	—	—	(27,574)	(27,574)
At 30 June 2008	261,920	51,423	6,673	(302,354)	—	148,278	165,940

31. RESERVES (Continued)

(b) The Company

	Share premium $'000	Currency translation reserve $'000	Other reserve $'000	Capital reserve $'000	(Accumulated losses)/ retained earnings $'000	Total $'000
At 1 July 2006	72,276	34	—	175,058	(447)	246,921
Issue of additional shares pursuant to Reorganisation and Further Acquisitions	18,998	—	(134,671)	(175,058)	—	(290,731)
Issue of shares pursuant to global offering, net of issue expenses	170,646	—	—	—	—	170,646
Currency translation differences	—	(34)	—	—	—	(34)
Profit for the year	—	—	—	—	30,735	30,735
At 30 June 2007	261,920	—	(134,671)	—	30,288	157,537
At 1 July 2007	261,920	—	(134,671)	—	30,288	157,537
Profit for the year	—	—	—	—	11,115	11,115
Dividend declared and paid (note 11)	—	—	—	—	(27,574)	(27,574)
At 30 June 2008	261,920	—	(134,671)	—	13,829	141,078

(c) Nature and Purpose of Reserves

(i) Share Premium

Under the Companies Act 1981 of Bermuda, the share premium account may be applied by the Company in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(ii) Currency Translation Reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(d)(ii).

(iii) Revaluation Reserve

The revaluation reserve arose in 2001 from (a) the acquisition of subsidiaries by Lingui from its associate where the identifiable assets and liabilities of the subsidiaries were remeasured to fair values; and (b) the disposal of subsidiaries by Lingui to its associate where the carrying value of Lingui's investment in the associate was remeasured to reflect the fair values of the assets and liabilities of these subsidiaries.

31. RESERVES (Continued)

(c) Nature and Purpose of Reserves (Continued)

(iv) Other Reserve

The other reserve arose from the acquisition of subsidiaries from the controlling shareholders as part of the Reorganisation and Further Acquisitions.

On 4 February 2007, 3,084,445,799 ordinary shares of $0.1 each were issued as the remaining consideration for the acquisition of these subsidiaries. The issuance of these additional shares to the controlling shareholders and third parties resulted in a debit to other reserve of approximately $269,252,000 and a credit to share premium of approximately $1,284,000, respectively.

On 4 February 2007, the Company capitalised the net amount due to related parties by issuing 1 share of $0.1 to Samling Strategic Corporation Sdn. Bhd. ("SSC"). The amount capitalised included a portion of share issue expenses of approximately $18,435,000 which SSC had paid on behalf of the Company. The issuance of the additional share resulted in a credit to share premium of approximately $17,714,000.

(v) Capital reserve

The capital reserve represents the nominal value of ordinary shares not yet issued by the Company at 30 June 2006 as consideration for acquisition of subsidiaries pursuant to the Reorganisation and Further Acquisitions which has been converted into share capital, share premium and other reserve upon issuance of additional shares.

(vi) Distributable Reserves

The aggregate amount of distributable reserves at 30 June 2008 was $13,829,000 (2007: $30,288,000).

32. ACQUISITIONS OF SUBSIDIARIES

(a) On 3 December 2007, the Company issued a circular in respect of the offer to acquire the entire equity interest in Brewster Ltd ("Brewster"), a public unlisted company incorporated in 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 and the compulsory acquisition for the remaining interest was completed on 11 February 2008. Following the acquisition, Brewster changed its legal status from a public unlisted company to a proprietary company. The principal activities of Brewster are the sale and distribution of building materials including panel and wood engineered products, timber and hardware.

(b) On 6 November 2007, the Company acquired Samling Japan Corporation, a private company incorporated in Japan, for a consideration of Yen 4.5 million (equivalent to $42,000). The principal activity of Samling Japan Corporation is the provision of market research data.

(c) The revenue and net profit attributable to the equity holders of the Company for the year ended 30 June 2008 as if the date of the acquisitions had been the beginning of the year were $42,915,000 and $201,000 respectively.

32. ACQUISITIONS OF SUBSIDIARIES (Continued)

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

	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised value of acquisition $'000
Property, plant and equipment, net	3,318	587	3,905
Lease prepayments	24	—	24
Goodwill	104	—	104
Deferred tax assets	268	—	268
Inventories	6,622	—	6,622
Trade and other receivables	5,954	—	5,954
Tax recoverable	9	—	9
Cash and cash equivalents	56	—	56
Bank overdraft	(2,589)	—	(2,589)
Bank and other borrowings	(877)	—	(877)
Trade and other payables	(3,602)	—	(3,602)
Deferred tax liabilities	(283)	—	(283)
Net identifiable assets and liabilities	9,004	587	9,591
Excess of fair value over purchase consideration credited to the income statement (note 6)			(1,889)
Total purchase consideration			7,702
Add: Cash and bank overdraft acquired			2,533
Net cash outflow in respect of the acquisitions			10,235

33. RELATED PARTY TRANSACTIONS

During the years ended 30 June 2008 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
Perkapalan Damai Timur Sdn. Bhd. ("PDT")	PDT is a major shareholder of the Company, and is controlled by Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman
Arif Hemat Sdn. Bhd. ("Arif Hemat")	Arif Hemat is controlled by Tuan Haji Wan Morshidi bin Tuanku Abdul Rahman
3D Networks Sdn. Bhd. ("3D Networks")	3D Networks is controlled by Mr. Yaw Chee Ming
Hap Seng Auto Sdn. Bhd. (formerly known as Si Khiong Industries Sdn. Bhd.) ("Hap Seng Auto ")	Hap Seng Auto is controlled by the father-in-law of Mr. Yaw Chee Ming
PT Batamec ("PT Batamec")	PT Batamec is controlled by the father of Mr. Yaw Chee Ming
Sojitz Building Material Corporation ("Sojitz Building")	Sojitz Building is a subsidiary of Sojitz Corporation, a major shareholder of Samling Housing Products Sdn. Bhd., a subsidiary of the Group
SUS Company, LLC ("SUS"), Pi Zhou Yanglin Woodware Co., Ltd. ("Pi Zhou Yanglin") and Pacific Plywood Co., Ltd. ("Pacific Plywood")	SUS, Pi Zhou Yanglin and Pacific Plywood are controlled by Mr. Chia Ti Lin, Colin, a senior management of the Group

33. RELATED PARTY TRANSACTIONS (Continued)

Particulars of significant transactions between the Group and the above related parties during the years ended 30 June 2008 and 2007 are as follows:

(a) Transactions

(i) Recurring transactions:

	2008 $'000	2007 $'000
Sale of goods to:		
Sojitz Building	11,506	9,734
Rimalco	5,530	5,896
Glenealy Group	—	161
Daiken	47	39
Magna-Foremost	2,778	2,488
SUS	—	20,941
Arif Hemat	5	3
Pacific Plywood	—	275
	19,866	39,537
Provision of services to:		
Yaw Holding Group	140	3,639
Daiken	76	82
Magna-Foremost	264	253
Foremost Crest	29	57
	509	4,031
Rental of properties and equipment to:		
Rimalco	270	270
Daiken	114	120
Yaw Holding Group	25	29
3D Networks	50	44
Magna-Foremost	13	23
Arif Hemat	16	26
	488	512

33. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

(i) Recurring transactions: (Continued)

	2008 $'000	2007 $'000
Interest income from:		
Magna-Foremost	878	1,690
Rental of properties and equipment from:		
Yaw Holding Group	852	797
Purchase of goods from:		
Sepangar	16,055	13,813
Yaw Holding Group	—	3,195
Hap Seng Auto	4,071	3,479
Daiken	3,475	2,320
Pacific Plywood	1,016	2,992
Pi Zhou Yanglin	2,077	2,805
Foremost Crest	18	—
	26,712	28,604
Purchase of services from:		
Yaw Holding Group	721	513
Purchase of property, plant and equipment from:		
Hap Seng Auto	5,312	11,046
Sub-licence of oil palm compartment to:		
Glenealy Group (note 18)	5,818	—
Sub-licence of tree plantation compartment from:		
Glenealy Group (note 18)	6,531	—

(ii) Non-recurring transactions:

	2008 $'000	2007 $'000
Sale of goods to:		
Yaw Holding Group	—	234
Rimalco	—	194
Glenealy Group	—	885
	—	1,313

33. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

(ii) Non-recurring transactions: (Continued)

	2008 $'000	2007 $'000
Provision of services to:		
Rimalco	—	35
Glenealy Group	—	921
	—	956
Purchase of goods from:		
Glenealy Group	—	937
Purchase of services from:		
Glenealy Group	—	30
Yaw Holding Group	—	25
	—	55
Sale of property, plant and equipment to:		
Glenealy Group	—	259

The non-recurring transactions have been discontinued after the listing of the Company's shares on the SEHK.

(b) Key Management Personnel Remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 13 and certain of the highest paid employees as disclosed in note 14, is as follows:

	2008 $'000	2007 $'000
Short-term employee benefits	2,760	1,668
Post-employment benefits	125	103
	2,885	1,771

Total remuneration is included in "personnel expenses" (note 8(a)).

34. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital Commitments

At 30 June 2008 and 2007, the Group had capital commitments for acquisition and construction of land and buildings and equipment as follows:

	The Group	
	2008 $'000	2007 $'000
Authorised but not contracted for	70,133	112,829

(b) Future Minimum Royalty Payments

At 30 June 2008 and 2007, the total future minimum royalty payments payable under the terms of the timber concession licences of the Group are as follows (see note 18):

	The Group	
	2008 $'000	2007 $'000
Within 1 year	1,524	1,396
After 1 year but within 5 years	5,404	3,591
After 5 years	4,458	2,649
	11,386	7,636

(c) Contingent Liabilities

(i) Legal claims from the Penans

Two of the Company's subsidiaries, Syarikat Samling Timber Sdn. Bhd. ("SST") and Samling Plywood (Baramas) Sdn. Bhd. ("SPB"), together with the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses, Penans, and settlements situated on timber concessions held by SPB and where SST has been appointed as the contractor to harvest timber logs in the area. The action commenced in 1998 and the plaintiffs are seeking a declaration that they have native customary rights over claimed land located within the relevant timber concession areas. Certain other inhabitants later joined the proceedings as defendants and made an application to stay the proceedings.

The Malaysian High Court further adjourned the pre trial case management of this action to a date to be fixed or to a date to be requested by counsels. Although the plaintiff's advocates have filed an appeal in the Court of Appeal against the Court Order of 28 July 2005, they have withdrawn the same on the 28 July 2008. The Plaintiffs will be writing to the Native Court for an early date to dispose off their appeal which the mention had been fixed on 24 October 2008.

34. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(c) Contingent Liabilities (Continued)

(i) Legal Claims from the Penans (Continued)

Separately, another subsidiary, Tamex Timber Sdn. Bhd. ("Tamex"), together with the Superintendent of Lands and Surveys Department (Bintulu Division) and the State Government of Sarawak, are being jointly sued in the Malaysian courts by the Penans and settlements situated on planted forest licensed areas held by another subsidiary, Samling Reforestation (Bintulu) Sdn. Bhd. ("SRB") and where Tamex has been appointed as the contractor to harvest timber logs in the area. The action commenced in 2003 and the plaintiffs are claiming various relief including a declaration that issuance of the land title and/or provisional lease of that parcel of land at and/or around the longhouse communities of that area was unconstitutional and wrongful. Tamex denied the claim and also counterclaimed for damages, costs, interest and/or other relief. The above proceeding was closed during the year ended 30 June 2008 with the discontinuance of action by certain plaintiffs and striking out of the claim by the defendants.

In 2007, another subsidiary, Merawa Sdn. Bhd. ("Merawa"), together with the Director of Forests and the State Government of Sarawak, are being jointly sued in the Malaysian courts by certain inhabitants of longhouses and settlements situated on timber concessions held by Merawa. The action commenced in 2007 and the plaintiffs are claiming various relief including a declaration that they have native customary rights over claimed land located within the relevant timber concession areas. Merawa denied the claim and also counterclaimed for damages, costs, interest and/or other relief. As at 30 June 2008, the above proceeding also remained pending before the Malaysian courts.

The directors believe that the Group has merit in their defence to the claims and have not experienced any material interference to the logging operations as a result of these claims. In the event that the Malaysian courts order a judgement against the Group, the Group may be ordered to terminate their operations on the relevant parcels of land claimed by the plaintiffs, remove the structures, machineries and equipment from these areas and/or pay damages and costs incurred, and/or the courts may order other reliefs as it considers just.

Although the outcome of these litigations cannot be ascertained at this stage and the monetary value involved cannot be reliably quantified, the directors believe that these proceedings will not have a material adverse impact on the Group's business, results of operations or financial condition.

(ii) Sanctions Imposed by the Guyana Forestry Commission

On 26 October 2007, the Group made an announcement on matters in respect of sanctions imposed on Barama Company Limited ("Barama") by the Guyana Forestry Commission over the alleged breaches of regulations made by Barama as a contractor of third party concession areas. 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, however, the Group is unable to ascertain if there will be any contingent liabilities in respect of this matter.

(iii) Environmental Contingencies

The Group's operations are regulated by various laws and regulations. Laws and regulations protecting the environment and wild life have generally become more stringent in recent years and could become more stringent in the future. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group for violations for existing conditions attached to the licences whether or not caused or known by the Group. The financial position of the Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The directors are not aware of any environmental liabilities as at 30 June 2008. The directors are also not aware of any violation to existing conditions attached to the Group's timber concession and tree plantation licences, or subject to any significant costs, expenses, penalties and liabilities.

35. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(i) 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;

(ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

(iii) ensuring that credit risks on sales to customers on deferred terms are properly managed.

The Group is also exposed to financial risks arising from changes in timber prices, the movements of which would have significant impact on the Group's earnings, cash flows as well as the value of the plantation assets. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

(b) Credit Risk

The Group's credit risk arises from sales made on deferred terms. Credit risks and exposures are controlled and monitored on an on-going basis by setting appropriate credit limits and terms after credit evaluations have been performed on customers on a case-by-case basis. Appropriate approval limits are set at different level of credit limit and terms. The Group's diversified business base ensures that there are no significant concentrations of credit risk for a particular customer.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

(c) Foreign Currency Exchange Risk

(i) The Group's main income from timber related business is mostly derived in US$. The movements of US$ against Malaysian Ringgit ("RM"), Guyana Dollar ("G$") and New Zealand Dollar ("NZ$") will affect the revenue and costs of some production materials, spare parts and equipment purchases.

The Group's investment in a New Zealand subsidiary, which holds plantation assets also exposes the Group to foreign currency exchange risk. The Group is exposed to a certain degree of risk resulting from the fluctuation in NZ$ against US$.

The revenue generating operations of the Group's PRC subsidiaries are transacted in Renminbi, which is not freely convertible into foreign currencies. On 1 January 1984, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted by the People's Bank of China ("PBOC"). However, the unification of the exchange rate does not imply convertibility of Renminbi into other foreign currencies. All foreign exchange transactions of these PRC subsidiaries continue to take place either through the PBOC or other institutions authorised to buy or sell foreign currencies. Approval of foreign currency payments, including remittances of dividends, by the PBOC or other institutions requires submitting a payment application form together with relevant supporting documents.

35. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign Currency Exchange Risk (Continued)

(ii) The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2007					
	United States dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Hong Kong dollars $'000	New Zealand dollars $'000	Australian dollars $'000
Trade and other receivables	26,246	5,292	434	—	—	—
Cash and cash equivalents	7,228	76,525	476	2,344,117	—	—
Trade and other payables	(1,444)	(108,560)	—	—	—	—
Bank overdrafts, loans and borrowings	(54,786)	—	—	—	—	—
Net exposure arising from recognised assets and liabilities	(22,756)	(26,743)	910	2,344,117	—	—

	2008					
	United States dollars $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Hong Kong dollars $'000	New Zealand dollars $'000	Australian dollars $'000
Trade and other receivables	14,983	369,145	456	277	—	—
Cash and cash equivalents	9,959	322,064	8,235	1,504,194	26,809	7,823
Trade and other payables	(3,249)	(152,032)	—	(2,000)	—	—
Bank overdrafts, loans and borrowings	(58,452)	—	—	—	—	—
Net exposure arising from recognised assets and liabilities	(36,759)	539,177	8,691	1,502,471	26,809	7,823

35. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign Currency Exchange Risk (Continued)

(iii) Sensitivity Analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The Group

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits $'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits $'000
United States dollars	1%	(368)	1%	(227)
	(1)%	368	(1)%	227
Japanese Yen	1%	51	1%	(2)
	(1)%	(51)	(1)%	2
Malaysian Ringgit	1%	27	1%	3
	(1)%	(27)	(1)%	(3)
Hong Kong dollars	1%	1,925	1%	3,001
	(1)%	(1,925)	(1)%	(3,001)
New Zealand dollars	1%	191	1%	—
	(1)%	(191)	(1)%	—
Australian dollars	1%	75	1%	—
	(1)%	(75)	(1)%	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date.

35. FINANCIAL INSTRUMENTS (Continued)

(d) Interest Rate Risk

The Group borrows both fixed and floating interest rate loans. Exposure to floating interest rate presents the Group with a certain element of risk when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are appropriately fixed when necessary.

Management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the market situation and the outlook prevailing then. The Group's short term deposits are placed at fixed rate investments which management endeavours to obtain the best rate available in the market.

(i) Hedging

Interest rate swap agreements have been entered into for loans with a notional contract amount of US$46.8 million and NZ$24.4 million as at 30 June 2008 (2007: US$46.8 million and NZ$24.4 million), to ensure that the exposure to changes in interest rates are fixed for the respective tranches throughout the tenure of the loans with swap rates between 5.83% to 7.31% (2007: 5.12% and 8.11%) per annum throughout the loan period.

The swaps mature over the next 6 years matching the maturity of the related loans (see note 35(e)). The net fair value of swaps entered into by the Group at 30 June 2008 was a payable of $2,575,000 (2007: a receivable of $249,000). These amounts are recognised as derivative financial instruments and are included within "trade and other payables" (note 29) and "trade and other receivables" (note 25) at 30 June 2008 and 2007 respectively.

35. FINANCIAL INSTRUMENTS (Continued)

(d) Interest Rate Risk (Continued)

(ii) Interest Rate Profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the balance sheet date, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments:

	The Group			
	2008		2007	
	Effective interest rate %	$'000	Effective interest rate %	$'000
Net fixed rate borrowings:				
Finance lease liabilities	5.37% – 8.06%	89,630	5.67% – 8.06%	92,812
Bank loans and borrowings	5.29% – 6.75%	79,540	6.75%	20,408
Bonds	—	—	8.50%	43,422
		169,170		156,642
Variable rate borrowings:				
Bank overdrafts	7.50% – 8.75%	24,912	7.50% – 8.75%	21,981
Bank loans and borrowings	3.63% – 15.00%	195,586	3.79% – 15.00%	194,190
		220,498		216,171
Total net borrowings		389,668		372,813
Net fixed rate borrowings as a percentage of total net borrowings		43%		42%

(iii) Sensitivity Analysis

At 30 June 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately $3,897,000 (2007: $3,728,000). Other components of consolidated equity would not be affected (2007: $Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

35. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity and Cash Flow Risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as they fall due, and on its ability to obtain external financing, to meet its committed future capital expenditures.

Timber prices are constantly affected by both demand and supply cycles of the timber industry. As a result, the movements of the prices would have significant impact on the Group's earnings and valuation of plantation assets as well as cash flows and liquidity. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2007					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
The Group						
Bank loans and borrowings	236,579	291,258	114,471	24,718	66,915	85,154
Finance lease liabilities	92,812	103,844	34,257	29,588	39,999	—
Bonds	43,422	46,446	46,446	—	—	—
Trade and other payables	114,082	114,082	114,082	—	—	—
Interest rate swaps (net settled)	(249)	(249)	—	—	(550)	301

35. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity and Cash Flow Risk (Continued)

	2008					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
The Group						
Bank loans and borrowings	300,038	354,962	131,794	25,369	89,691	108,108
Finance lease liabilities	89,630	98,392	37,221	30,739	30,432	—
Trade and other payables	131,558	131,558	131,558	—	—	—
Interest rate swaps (net settled)	2,575	2,575	—	373	1,927	275

(f) Natural Risk

The Group's revenue depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood in the concessions and the growth of the trees in the plantations may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting in the concessions, or otherwise impede the Group's logging operations or the growth of the trees in the plantations, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and in a timely manner.

Moreover, bad weather may adversely affect the condition of the Group's transportation infrastructure, which is critical for the Group to supply timber from the timber concessions to the Group's manufacturing plants and customers. The Group has developed a strategy for utilising different transportation modes and stockpiling, but its daily operations may be unfavourably affected by interruption of transportation due to bad weather or other reasons.

35. FINANCIAL INSTRUMENTS (Continued)

(g) Fair Values

Recognised Financial Instruments

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate their fair values due to the relatively short term nature of these financial instruments.

The aggregate fair values of other financial assets and liabilities carried on the balance sheet as at 30 June 2008 and 2007 are shown below:

	2008		2007	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
The Group				
Financial asset				
— Loan to a jointly controlled entity	4,072	4,072	6,050	6,050
Financial liabilities				
— Unsecured bank loans and borrowings	81,320	81,320	83,091	83,091
— Secured bank loans and borrowings	97,889	97,889	49,706	49,706
— Finance lease liabilities	57,120	57,120	63,590	63,590
— Bonds	—	—	43,422	45,658

The fair values of secured term loans have been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

The fair values of bonds have been determined by using the market transaction value nearest to the financial year end or in the event of the absence of such information, the published quoted price of the instrument as at the balance sheet date.

The fair value of loan to a jointly controlled entity has been determined by discounting the expected cash flows repayments using the Group's average borrowing rate.

36. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(a) Useful Lives of Property, Plant and Equipment

The management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Fair Value of Plantation Assets

The Group's plantation assets are valued at fair value less estimated point-of-sale costs. In determining the fair value of the plantation assets, the professional valuers have applied the net present value approach which requires a number of key assumptions and estimates to be made such as discount rate, log price, harvest profile, plantation costs, growth, harvesting and establishment. Any change in the estimates may affect the fair value of the plantation assets significantly. The professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of plantation assets.

(c) Income Taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Impairment for Bad and Doubtful Debts

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(e) Net Realisable Value of Inventories

Net realisable value of inventories, in particular housing and flooring products, is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycle. Management reassess these estimates at each balance sheet date.

(Expressed in United States dollars unless otherwise indicated)

37. PARTICULARS OF SUBSIDIARIES

As at 30 June 2008, the Company has direct and indirect interests in the following subsidiaries.

Except for Caribbean Esskay Limited, Samling Malaysia Inc., SGL Trading Inc., Samling China Inc., Samling Trademark Inc., Samling Global USA Inc., Samling Japan Corporation and Brewster Pty. Ltd., all subsidiaries are held indirectly by the Company through intermediate investment holding companies.

Details of the subsidiaries at 30 June 2008 are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Syarikat Samling Timber Sdn. Bhd.	Malaysia, 26 October 1976	11,979,950 ordinary shares of RM1 each	100	Contractor for timber extraction, tree plantation and investment holding
Kayuneka Sdn. Bhd.	Malaysia, 2 September 1993	80,000 ordinary shares of RM1 each and 20,000 preference shares of RM1 each	100	Agent for sale of logs
KTN Timor Sdn. Bhd.	Malaysia, 24 January 1983	6,000,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Ravenscourt Sdn. Bhd.	Malaysia, 30 May 1984	500,000 ordinary shares of RM1 each	100	Extraction and sale of logs
S.I.F. Management Sdn. Bhd.	Malaysia, 28 December 1993	300,000 ordinary shares of RM1 each	100	Extraction and sale of logs and manufacture and sale of veneer
Samling Flooring Products Sdn. Bhd.	Malaysia, 17 January 1984	10,000,000 ordinary shares of RM1 each	100	Manufacture and sale of flooring products, veneer and plywood
Samling Housing Products Sdn. Bhd.	Malaysia, 21 August 1993	10,000,000 ordinary shares of RM1 each	54	Manufacture and sale of housing products
Samling Chipboard Sdn. Bhd.	Malaysia, 5 April 1994	100,000 ordinary shares of RM1 each	54	Manufacture and sale of particle board

(Expressed in United States dollars unless otherwise indicated)

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Samling Resources Sdn. Bhd.	Malaysia, 8 May 1985	1,000,000 ordinary shares of RM1 each and 50,000 preference shares of RM1 each	100	Rental of equipments
Samling Reforestation (Bintulu) Sdn. Bhd.	Malaysia, 5 April 1994	500,000 ordinary shares of RM1 each	100	Tree plantation
Samling Wood Industries Sdn. Bhd.	Malaysia, 15 June 1970	10,907,002 ordinary shares of RM1 each	100	Extraction and sale of logs
Sorvino Holdings Sdn. Bhd.	Malaysia, 22 January 1992	2,000,000 ordinary shares of RM1 each	100	Provision of machinery repairs and re-conditioning services
Syarikat Reloh Sdn. Bhd.	Malaysia, 7 May 1983	100,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Majulaba Sdn. Bhd.	Malaysia, 29 April 1985	25,000 ordinary shares of RM1 each	70	Extraction and sale of logs
Sertama Sdn. Bhd.	Malaysia, 10 November 1986	1,000,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Samling DorFoHom Sdn. Bhd.	Malaysia, 5 April 1994	40,000,000 ordinary shares of RM1 each, 347,143 CRPS (Class A) of RM1 each, 379,885 CRPS (Class B1) of RM1 each and 5,700,000 CRPS (Class B2) of RM1 each	86	Investment holding and wood residual trading

(Expressed in United States dollars unless otherwise indicated)

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Samling Manufacturing Plantation Sdn. Bhd.	Malaysia, 2 April 1998	200,000 ordinary shares of RM1 each	60.12	Dormant
Lingui Developments Berhad	Malaysia, 27 December 1967	659,630,441 ordinary shares of RM0.5 each	59.69	Investment holding
Samling Plywood (Baramas) Sdn. Bhd.	Malaysia, 22 August 1987	20,250,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood, veneer and extraction and sale of timber logs
Samling Plywood (Lawas) Sdn. Bhd.	Malaysia, 9 May 1986	3 ordinary shares of RM1 each	59.69	Extraction and sale of logs
TreeOne (Malaysia) Sdn. Bhd.	Malaysia, 20 January 1997	1,000,000 ordinary shares of RM1 each, 6,182,947 redeemable preference shares "A" of RM1 each, 1,400 redeemable preference shares "C" of RM1 each and 50,000 deferred shares of RM1 each	59.69	Investment holding
Samling Plywood (Bintulu) Sdn. Bhd.	Malaysia, 19 March 1986	25,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood and veneer, extraction and sale of timber logs

(Expressed in United States dollars unless otherwise indicated)

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Tamex Timber Sdn. Bhd.	Malaysia, 23 December 1980	1,001,000 ordinary shares of RM1 each, 50,000 redeemable preference shares (type 1) of RM1 each and 50,000 redeemable preference shares (type 2) of RM1 each	59.69	Contractor for timber extraction
Samling Power Sdn. Bhd.	Malaysia, 28 May 1996	2,000,000 ordinary shares of RM1 each	59.69	Operation of power generating facilities
Ang Cheng Ho Quarry Sdn. Bhd.	Malaysia, 28 February 1970	66,000 ordinary shares of RM100 each	59.69	Quarry licensee and operator
Stigang Resources Sdn. Bhd.	Malaysia, 15 July 1976	6,121,530 ordinary shares of RM1 each	59.69	Quarry licensee and operator
Alpenview Sdn. Bhd.	Malaysia, 11 October 1991	1,000,000 ordinary shares of RM1 each and 3,070,038 redeemable preference shares of RM1 each	59.69	Investment holding
Lingui Corporation Sdn. Bhd.	Malaysia, 29 March 1985	2 ordinary shares of RM1 each	59.69	Provision of management services

(Expressed in United States dollars unless otherwise indicated)

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Hock Lee Plantations Sdn. Bhd.	Malaysia, 8 April 1970	72,624 ordinary shares of RM100 each and 100 redeemable preference shares of RM100 each	59.69	Investment holding
TreeOne Logistic Services Sdn. Bhd.	Malaysia, 1 April 1997	300,000 ordinary shares of RM1 each	57.90	Provision of logistic services
Grand Paragon Sdn. Bhd.	Malaysia, 11 October 1996	2,000,000 ordinary shares of RM1 each	47.75	Investment holding
Samling Plywood (Miri) Sdn. Bhd.	Malaysia, 18 January 1984	40,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of plywood, extraction and sale of timber logs
Tinjar Transport Sdn. Bhd.	Malaysia, 15 September 1976	2,476,000 ordinary shares of RM1 each	59.69	Riverine transportation services
Miri Parts Trading Sdn. Bhd.	Malaysia, 29 November 1980	200,000 ordinary shares of RM1 each	59.69	Spare parts, petrol, oil and lubricant traders, insurance agents and provision of repair services
Ainokitchen (Malaysia) Sdn. Bhd.	Malaysia, 7 April 2005	1,000,000 ordinary shares of RM1 each	59.69	Kitchen retail, tendering of kitchen products in housing development projects
Bukit Pareh Quarry Sdn. Bhd.	Malaysia, 29 September 1977	3 ordinary shares of RM1 each	59.69	Dormant
TreeOne (NZ) Limited	New Zealand, 13 January 1997	1 ordinary share of NZ$10,000 each	59.69	Investment holding

(Expressed in United States dollars unless otherwise indicated)

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Hikurangi Forest Farms Limited	New Zealand, 19 June 1980	1,200,000 ordinary shares of NZ$1 each	59.69	Forest plantation
East Coast Forests Limited	New Zealand, 23 April 1951	1,000 ordinary shares of NZ$2 each	59.69	Dormant
Tasman Forestry (Gisborne) Limited	New Zealand, 16 April 1980	42,500,000 ordinary shares of NZ$1 each	59.69	Dormant
Hock Lee Rubber Products Sdn. Bhd.	Malaysia, 15 January 1980	13,000,000 ordinary shares of RM1 each	59.69	Manufacture and sale of rubber retread compounds
Hock Lee Enterprises (M) Sdn. Bhd.	Malaysia, 28 November 1967	137,000 ordinary shares of RM100 each	59.69	Property investment and letting of industrial properties
Samling Malaysia Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1	100	Investment holding
Barama Company Limited	Guyana, 20 August 2001	18,000,000 shares of US$1 each	100	Manufacture of plywood and sawn timber, extraction and sale of timber
Barama Buckhall Inc.	Guyana, 15 April 2005	500,000 ordinary shares of G$1 each	100	Manufacture and sale of sawn timber
Barama Housing Inc.	Guyana, 27 October 2003	2 ordinary shares of G$1 each	100	Dormant
Caribbean Esskay Limited	British Virgin Islands, 8 May 1992	4 shares of US$1 each	100	Investment holding
SGL Trading Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1	100	Trading

(Expressed in United States dollars unless otherwise indicated)

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Brewster Pty. Ltd.	Australia, 13 June 1954	1,147,000 ordinary shares of A$1	100	Sale and distribution of building materials
Samling Japan Corporation	Japan, 1 July 2005	60 ordinary shares of Yen 50,000 each	100	Market research
Samling China Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1	100	Investment holding
Samling Trademark Inc.	British Virgin Islands, 24 June 2005	1 ordinary share of US$1	100	Ownership of trademark
Samling Tongling Co., Ltd.	Hong Kong, 30 December 2004	1 ordinary share of HK$1	100	Dormant
Samling Riverside Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1	100	Sale of plywood and flooring products
Samling Foothill Co., Ltd.	Hong Kong, 16 June 2005	1 ordinary share of HK$1	100	Dormant
Samling Elegant Living, Inc.	British Virgin Islands, 26 February 2008	1 ordinary share of US$1	100	Investment holding
Samling Baroque Holding (Hong Kong) Limited	Hong Kong, 29 February 2008	1 ordinary share of HK$1	100	Dormant
Samling Baroque Trading (Hong Kong) Limited	Hong Kong, 29 February 2008	1 ordinary share of HK$1	100	Dormant
Samling Elegant Living Holding (Hong Kong) Limited	Hong Kong, 29 February 2008	1 ordinary share of HK$1	100	Dormant
Samling Labuan Limited	Malaysia, 31 January 2008	1 ordinary share of US$1	100	Investment holding

(Expressed in United States dollars unless otherwise indicated)

37. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Dayalaba Sdn. Bhd.	Malaysia, 29 April 1985	25,000 ordinary shares of RM1 each	70	Extraction and sale of logs
Bedianeka Sdn. Bhd.	Malaysia, 10 September 1993	2 ordinary shares of RM1 each	100	Sales agent
Merawa Sdn. Bhd.	Malaysia, 24 August 1987	25,000 ordinary shares of RM1 each	100	Extraction and sale of logs
Riverside Plywood Corporation	PRC, 13 August 2002	US$6,000,000	100	Manufacture and sale of plywood and veneer
Foothill LVL & Plywood (Cangshan) Co., Ltd.	PRC, 26 November 2002	US$840,000	100	Manufacture and sale of laminated veneer lumber
Samling Global USA, Inc.	United States of America, 20 September 2006	US$1,500	100	Sale of veneer and plywood

(Expressed in United States dollars unless otherwise indicated)

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2008

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2008 and which have not been adopted in these financial statements.

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

In addition, the following developments may result in new or amended disclosures in the financial statements:

	Effective for accounting periods beginning on or after
IFRIC 16, *Hedges of a net investment in a foreign operation*	1 October 2008
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
Amendments to IFRS 2, *Share-based payment — Vesting conditions and cancellations*	1 January 2009
Amendments to IAS 32, *Financial instruments: Presentation* and IAS 1, *Presentation of financial statements — Puttable financial instruments and obligations arising on liquidation*	1 January 2009
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards*, and IAS 27, *Consolidated and separate financial statements — Cost of an investment in a subsidiary, jointly-controlled entity or associate*	1 January 2009
Revised IFRS 3, *Business combinations*	1 July 2009
Amendments to IAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendments to IAS 39, *Financial instruments: Recognition and measurement — Eligible hedged items*	1 July 2009

39. COMPARATIVE FIGURES

As a result of adopting IFRS 7, *Financial instruments: Disclosures*, and the amendments to IAS 1, *Presentation of financial statements*: *Capital disclosures*, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008. Further details of these developments are disclosed in note 3.

40. PARENT AND ULTIMATE CONTROLLING PARTY

At 30 June 2008, the directors consider the immediate parent and ultimate controlling party of the Company to be Samling Strategic Corporation Sdn. Bhd. and Yaw Holding Sdn. Bhd. respectively, both of which are incorporated in Malaysia. Neither of them produces financial statements available for public use.

41. NON-ADJUSTING POST BALANCE SHEET EVENTS

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

On 26 August 2008, the Group completed the acquisition of the assets of Elegant Living (Hong Kong) Limited, Elegant Living International Holdings Limited and New Elegant Living Timber Manufacturing (Zhongshan) Co., Ltd. ("collectively the Elegant companies") for an initial consideration of $38.3 million and a further payment of up to approximately $25.4 million if certain profit targets are achieved within three years after acquisition.

As the acquisitions took place shortly before the financial statements are authorised for issue, management is in the midst of assessing the fair values of the identifiable assets, liabilities and contingent liabilities of the above subsidiaries at the acquisition dates.

FIVE YEARS SUMMARY

(Expressed in United States dollars)

	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Turnover	545,288	561,223	388,686	409,132	364,291
Cost of sales	(493,536)	(410,834)	(341,781)	(339,783)	(303,969)
Gross profit	51,752	150,389	46,905	69,349	60,322
Other operating income	7,635	5,927	2,780	14,727	6,627
Distribution costs	(10,417)	(6,527)	(4,536)	(4,457)	(3,893)
Administrative expenses	(29,686)	(27,502)	(17,157)	(16,918)	(15,384)
Other operating expenses	(170)	(140)	(1,538)	(524)	(198)
(Loss)/gain from changes in fair value of plantation assets less estimated point-of-sale costs	(3,040)	3,508	(15,285)	(14,768)	10,416
Profit from operations	16,074	125,655	11,169	47,409	57,890
Financial income	10,010	30,929	6,876	9,067	7,321
Financial expenses	(19,893)	(18,948)	(22,377)	(16,631)	(16,657)
Net financing (costs)/income	(9,883)	11,981	(15,501)	(7,564)	(9,336)
Share of profits less losses of associates	19,539	7,760	1,317	2,282	5,510
Share of profits less losses of jointly controlled entities	1,762	1,905	2,816	2,440	—
Profit/(loss) before taxation	27,492	147,301	(199)	44,567	54,064
Income tax	(1,521)	(16,420)	1,745	(1,302)	(8,831)
Profit for the year	25,971	130,881	1,546	43,265	45,233
Attributable to:					
Equity holders of the Company	13,893	98,430	5,128	23,118	23,521
Minority interests	12,078	32,451	(3,582)	20,147	21,712
Profit for the year	25,971	130,881	1,546	43,265	45,233
Dividend attributable to the year:					
Interim dividend declared during the year	—	—	2,449	—	1,285
Final dividend proposed after the balance sheet date	3,441	27,574	—	2,500	1,250
	3,441	27,574	2,449	2,500	2,535
Earnings per share (US cents)					
— Basic and diluted	0.32	6.03	0.17	0.75	0.76

FIVE YEARS SUMMARY

(Expressed in United States dollars)

	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Non-current assets					
Property, plant and equipment, net					
— Investment properties	10,322	9,940	9,581	9,493	9,719
— Other property, plant and equipment	428,022	415,246	381,513	321,753	316,997
Construction in progress	9,153	5,480	1,963	4,825	2,510
Lease prepayments	27,939	27,172	26,504	22,934	23,368
Timber concessions	25,398	28,945	31,843	16,632	18,352
Goodwill	824	671	631	610	610
Plantation licence	6,503	—	—	—	—
Plantation assets	238,066	226,050	165,299	193,785	178,119
Interest in associates	75,372	54,675	44,883	42,788	45,376
Interest in jointly controlled entities	14,887	14,592	15,345	18,118	—
Other investment	34	32	30	29	29
Deferred tax assets	5,853	3,578	3,642	3,399	4,474
Total non-current assets	842,373	786,381	681,234	634,366	599,554
Current assets					
Inventories	139,000	110,512	83,471	68,989	73,366
Trade and other receivables	79,794	78,603	97,261	218,750	206,675
Tax recoverable	19,395	12,013	9,390	8,502	8,632
Cash and cash equivalents	273,309	326,542	21,111	26,536	19,718
Total current assets	511,498	527,670	211,233	322,777	308,391
Total assets	1,353,871	1,314,051	892,467	957,143	907,945
Current liabilities					
Bank overdrafts, loans and borrowings	120,829	103,782	121,792	91,949	110,813
Loans from shareholders	—	—	—	—	2,238
Finance lease liabilities	32,510	29,222	22,790	15,050	11,356
Bonds	—	43,422	—	39,474	—
Trade and other payables	131,558	114,802	186,258	137,597	194,828
Tax payable	261	2,632	1,842	2,531	9,930
Total current liabilities	285,158	293,860	332,682	286,601	329,165
Net current assets/(liabilities)	226,340	233,810	(121,449)	36,176	(20,774)
Total assets less current liabilities	1,068,713	1,020,191	559,785	670,542	578,780

FIVE YEARS SUMMARY

(Expressed in United States dollars)

	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Non-current liabilities					
Bank loans and borrowings	179,209	132,797	129,241	83,058	80,680
Loans from shareholders	—	—	—	—	39,705
Finance lease liabilities	57,120	63,590	55,509	39,837	26,769
Bonds	—	—	40,816	39,271	78,461
Deferred tax liabilities	54,534	59,015	47,899	53,406	47,422
Total non-current liabilities	290,863	255,402	273,465	215,572	273,037
Total liabilities	576,021	549,262	606,147	502,173	602,202
Equity					
Share capital	430,174	430,174	979	50,442	48,982
Reserves	165,940	168,601	166,449	197,346	75,498
Equity attributable to equity holders of the Company	596,114	598,775	167,428	247,788	124,480
Minority interests	181,736	166,014	118,892	207,182	181,263
Total equity	777,850	764,789	286,320	454,970	305,743
Total liabilities and equity	1,353,871	1,314,051	892,467	957,143	907,945

Notes: The Company was incorporated in Bermuda on 27 June 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Pursuant to the Reorganisation and Further Acquisitions, the Company became the holding company of the Group on 30 June 2006.

This financial summary presents the results and financial position of the Group on the basis that the Company is regarded as a continuing entity and that the Reorganisation has been completed as at 1 July 2003 and that the business of the Group had been conducted by the Company since 1 July 2003 as they were related entities under common control.

The calculation of basic earnings per share for the years ended 30 June 2004, 2005 and 2006 is based on the profit attributable to equity holders of the Company and the 3,094,236,830 shares in issue as at the date of the prospectus of 23 February 2007, as if the shares were outstanding throughout the year.

The share capital at 30 June 2004 and 2005 represents the aggregate of the share capital of the companies comprising the Group. Share capital at 30 June 2006, 2007 and 2008 represents the share capital of the Company.

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