

## Samling Global: Rich pickings

### Recommendation: BUY (initiating coverage) Hong Kong Industrials

Price	HK\$3.08	Year to Net profit	EPS	EPS	P/E	P/B	EV/EBITDA	Yield	ROE	ROCE	N. Gear.
Target price	HK\$3.89 (+26.3%)	Jun	US\$m	US\$	Δ %	x	x	x	%	%	%
12 mth range	HK\$2.08-3.12	05A	23.1	0.750	1.3	0.5	4.9	22.2	0.2	9.3	3.0
Market cap.	US\$1,698.6m	06A	5.1	0.170	(77.3)	2.3	7.3	26.4	0.2	2.5	0.7
Daily t/o, 3 mth	US\$19.0m	07F	88.4	0.022	(87.3)	18.3	2.2	10.7	0.6	18.6	9.8
Free float %	28.1%	08F	104.7	0.024	12.9	16.2	1.8	9.3	0.7	12.3	8.6
Ticker	3938.HK/3938 HK	09F	122.4	0.028	16.9	13.9	1.5	8.1	0.8	12.1	9.1

Relative to Hang Seng Index (1 mth, 3 mth, 12 mth): +14.7%, na, na

Actual price changes (1 mth, 3 mth, 12 mth): +14.1+%, na, na

Consensus EPS (07F-08F): HK\$0.160, HK\$0.194

#### Key points:

- With about 4.0m hectares of forest resources in Malaysia, Guyana and New Zealand, Samling Global is set to benefit from the decreasing log supply and diminishing forest resources globally.
- Highly integrated upstream and downstream production process.
- Its market covers more than 30 countries.
- Aims to increase log production levels in Guyana and New Zealand.
- Deforestation, measures to curb logging, higher export tariffs and mountain pine beetle's infestation of forests in North America will reduce log supply globally.
- Three-year earnings CAGR estimated at 187.9x.
- Undemanding valuation at P/E of 18.3x for FY06/07F, against the peer group's average one-year forward P/E of 25.7x.

**Company background.** Founded in 1963 by Datuk Yaw Teck Seng and listed on the main board of HKEX in March 2007, Samling Global is an integrated forest resource and wood products company with about 4.0m hectares of forests in different regions around the world. It also has one of the world's largest hardwood plywood manufacturing capacities. Based in Malaysia, it has established an international presence with strategically located operations in Malaysia, Guyana, New Zealand and China. It implements sustainable forest management practices to ensure the long-term supply of forest resources.

**Log extraction bases.** The group currently has about 4.0m hectares of forest resources in Malaysia, Guyana and New Zealand. It has 15 concession areas covering 1.42m hectares of natural forests in the Malaysian state of Sarawak, with a net operable area of about 908,000 hectares. Its concession area in Sarawak is its largest log source. The group's Guyana concession covers a total gross area of 1.61m hectares with a net operable area of 1.33m hectares.

**Annual quota.** The group's log production is capped. The Sarawak Forest Department gives licensees annual quotas, which represent the maximum volume of logs harvested using ground-based harvesting methods and exclude harvesting by helicopter. Salvaged logs harvested in the process of clearing for tree plantations under plantation licenses are subject to a separate regulatory regime. In Guyana, the group's log production is also subject to an annual allowable cut. The annual quota granted by the Sarawak Forest Department and Guyana was 2.13m m<sup>3</sup> in FY06/04A, 2.23m<sup>3</sup> in FY06/05A and 2.37m m<sup>3</sup> in FY06/06A.

**New Zealand bases.** The group's tree plantations in New Zealand cover 35,000 hectares and comprise 19 forests with a net plantable area of 26,000 hectares. The company grows radiata pine there, which can be used to produce a wide variety of products such as sawn timber, veneer, fiberboard, particleboard, pulp and paper. It is typically harvested at between 26 and 32 years of age. Its log production in New Zealand reached 96,000m<sup>3</sup> in FY06/06A. Its maturing radiata pine resources in New Zealand are expected to yield a sustainable woodflow of about 800,000 m<sup>3</sup> per annum within the next five years. The group plans to increase harvesting from tree plantations in New Zealand in the next five years to provide wood for its planned processing facilities in the

country.

**Malaysia tree plantation bases.** The group has six licences for planted forest in the Bintulu, Baram and Lawas regions of Malaysia covering a gross area of about 438,000 hectares and net plantable area of about 138,000 hectares. So far, it has not harvested any logs other than salvage logs from its Malaysian plantations. The production volume of salvage logs is estimated at an average of 457,800 m<sup>3</sup> per annum in 2006-2010. The first batch of harvested plantation logs will come in 2010.

**Downstream wood processing.** The group operates a highly integrated production model. It converts a portion of self-produced logs into plywood, veneer and sawn timber at its own processing facilities and adds further value by processing them into downstream products such as flooring, doors and furniture. It also converts the wood residue from its plywood and sawn timber into panel products such as fiberboard and door facings. In addition, it utilizes some of its wood residue as fuel for electricity production. Its ability to produce and sell a wide range of products enables it to maximize the recovery of wood resources, optimize profit margins, diversify revenue and quickly respond to changing customer needs.

**Downstream products.** The group produces a wide range of plywood products including structural and industrial panels. Structural panels are used in building for formwork, exterior siding and paneling, sheeting, roofing and flooring. Industrial panels are used in furniture making, joinery, packaging and transport. Veneer is mainly used in plywood production. The group also produces veneers, mainly rotary peeled veneer used to make conventional plywood products.

**Table 1: Downstream operations by capacity and volume**

Product	Annual production capacity	FY04A production volume	FY05A production volume	FY06A production volume
Plywood/Veneer/LVL ('000 m <sup>3</sup> )	1,218	643	743	762
Sawn timber ('000 m <sup>3</sup> )	118	42	47	43
MDF ('000 m <sup>3</sup> )	100	102	99	89
Furniture (pieces)	6,172	4,739	5,269	5,460
Flooring (m <sup>2</sup> )	2,004	664	584	423
Door facings (units)	8,000	4,318	7,562	8,165
Engineered/skin doors (units)	267	172	74	69

Source: Company

**Certified quality.** Forest and wood product certifications are becoming increasingly important in developed countries such as the US, UK and Europe as well as Japan, China and India. The group was Malaysia's first company to receive ISO9001:2000 certification in recognition of its quality management and high standards in plywood manufacturing in Sarawak. One of its plywood mills in Miri, Sarawak, has received the Malaysian Timber Certification Council's certificate for Chain-of-Custody. The group has also been awarded the Chain-of-Custody certification by UK-based Forest Stewardship Council for its overlaid decorative plywood products made in Nantong, China. The group also produces Japan Agricultural Standard (JAS) certified plywood required for Japan. Its fiberboard products also meet the Japan Industrial Standard (JIS) standard.

**Diversified customer base.** The group caters to different segments of the distribution chain from general traders to distributors and, indirectly, end-users. It sells its products in more than 30 countries and territories, including Japan, Malaysia, Greater China, the US, India, South Korea, Thailand, the UK and other European countries. Its diversified customer base and wide geographical coverage should minimize the risk of demand fluctuations in any market segment.

**Expansion in log production.** The group plans to expand its log production in Guyana and New Zealand, while maintaining production levels in Malaysia, to an average sustained woodflow of 355,000 m<sup>3</sup> per annum by 2008 from 218,000m<sup>3</sup> in FY06/06A. Its may be able to expand its log production to at least 420,000 m<sup>3</sup> per annum when more plywood species are commercialized for the export market in Guyana. The group's radiata pine resources in New Zealand are maturing and expected to yield a sustainable woodflow of 800,000 m<sup>3</sup> per annum in the next five years, from about 96,000 m<sup>3</sup> in FY06/06A. With an increasing supply of logs, the group will be able to expand its downstream operations. It also plans to increase its resource base by acquiring hardwood concessions and tree plantations, planting fast-growing species with harvesting cycles of 10-15 years.

**Dwindling log supplies.** In 2001-2005, the log production of ITTO's (International Tropical Timber Organization) member countries declined at a four-year CAGR of 0.4%, from 136.2m m<sup>3</sup> to 134.0m m<sup>3</sup>. The drop was a result of deforestation and increasing harvest restrictions.

**Deforestation.** Forests are unevenly distributed across the world. While forest areas in developed countries have stabilized and are generally increasing at a modest rate each year, deforestation remains a major issue in

developing countries, particularly in tropical and sub-tropical forests. Many countries in the Asia-Pacific region, notably Indonesia and China, have imposed measures to restrict harvest levels and conserve forest areas. This led to a significant shortage of large-diameter logs, both softwood and hardwood, which are particularly favored by plywood and sawn timber producers.

**Illegal logging.** This is a major factor depressing wood prices. For example, in Indonesia, the world's second largest tropical log producer in 2005, illegal logging is estimated to account for 40-80% of the total wood supply. The Indonesian government has recently re-introduced an export ban on all ramin except for a limited quantity of certified wood exported by one company. Malaysia also introduced legislation banning the import of logs and squared timber from Indonesia in response to Indonesia's export ban. The Indonesian government also signed bilateral agreements with several importing countries including China, Japan and the UK to help curb illegal logging. Since the reintroduction of the export ban and tighter controls on illegal trade, Indonesia's tropical log exports declined in 2002-2003 from 646,000 m<sup>3</sup> to 100,000 m<sup>3</sup>, according to ITTO. ITTO statistics show that Indonesia's tropical log exports remained at 100,000 m<sup>3</sup> in 2004, with no tropical log exports in 2005. In the long term, such measures help support wood prices.

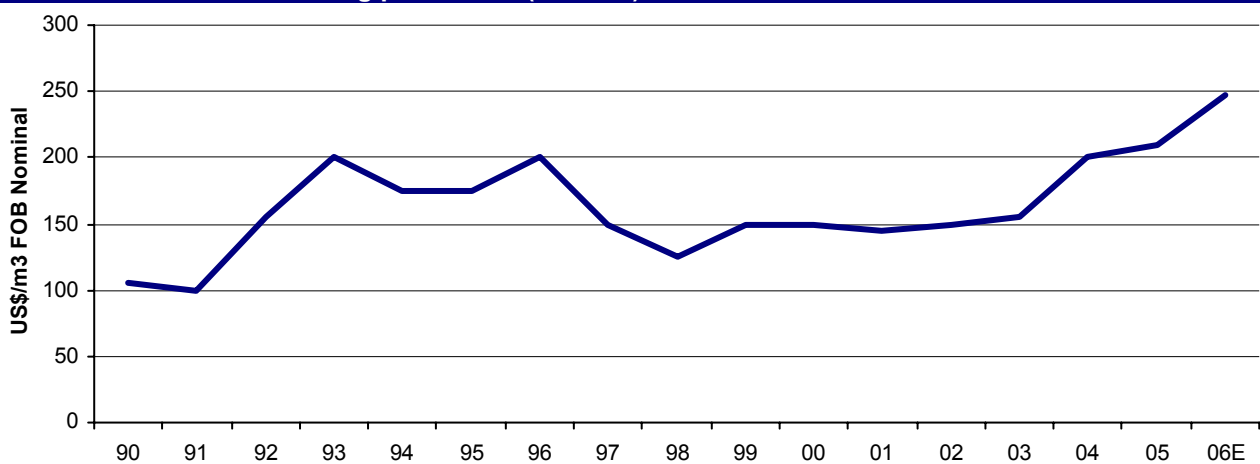
**Robust demand in China.** China's hardwood log imports increased fivefold in the past decade, driven by economic growth, the country's increasing wood processing capacity and the government's restrictions imposed in 1998 on harvesting from natural forests.

**Beetle infestation in North America.** The mountain pine beetle is native to the lodgepole pine forests of Western North America. Normally, forest fires and cold temperatures combine to keep its population low. But nearly a century of wildfire suppression and recent milder winters have created ideal conditions for the pest, which infested large areas of pine forests in North America. In 2005, the epidemic covered 8.7m hectares forest in British Columbia. Up to date, it is estimated that some 450m m<sup>3</sup> of pines have been killed, or six years' worth of harvest at pre-infestation levels. By 2013, some 80.0% of the province's mature pines may be affected and the outbreak is expected to reduce the region's logs supply.

**Russia to hike export tariffs.** In 2005, the Russian government introduced a 6.5% export tariff on logs and in February 2007, it announced plans to raise the tariff over the next two years in phases to 20.0% (but not less than EUR10.0 per m<sup>3</sup>) by July 2007, 25.0% (but not less than EUR15.0 per m<sup>3</sup>) by April 2008 and 80.0% (but not less than EUR50.0 per m<sup>3</sup>) by January 2009. Russia has more than 20.0% of the world's timber resources and is the world's major exporter of softwood logs, accounting for up to 40.0% of the global total. The government's plan to expand the domestic wood processing industry and reduce log exports will reduce the world's log supply; especially softwood logs driving global log prices.

**Log price trend.** Prices for tropical hardwood logs peaked in the mid-1990s and declined significantly during the Asian financial crisis in 1997 and 1998. Since 2000, especially over the last three years, log prices have been rising. Between 2002 and 2005, the price of Meranti (high quality grade log) increased at a three-year CAGR of 11.7%, boosted by strong demand from China. Asia's positive economic growth, increasing urbanization and expanding furniture, construction and interior decoration industries should drive demand for logs and wood products, including tropical hardwoods.

**Chart 1: Historical Meranti log price trend (US\$/m3)**



Source: company data

**Global plywood consumption.** The construction and furniture industries are the main plywood consumers. In 2005, China and Japan accounted for 42.0% and 34.0%, respectively, of Asia's total plywood demand, dominating the tropical hardwood plywood markets. The US consumed 20.4m m<sup>3</sup> of plywood in 2005 according

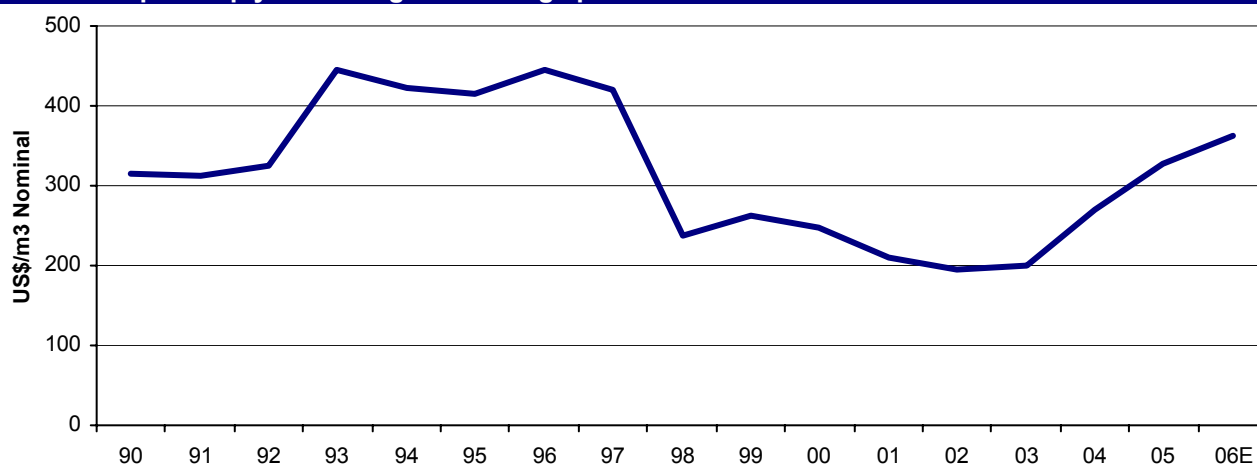
to ITTO.

**Lower substitution risk for high-grade plywood.** Substitution by other types of wood such as MDF and particleboard has affected plywood demand. The price differential has been a key factor. Within the plywood segment, there has also been substitution of tropical hardwood with softwood and temperate hardwood products to reduce costs. However, in some end-use applications such as film-faced, floor-based and marine plywood as well as container flooring grades, the substitution risk is lower because other materials are less suitable.

**Plywood price trend.** Plywood prices increased significantly as a result of a rapid increase in demand in 1990-1993, but fell sharply during the Asian financial crisis. They have rebounded since 2003 on strong demand growth in the Asia-Pacific region. Plywood prices in Asia have also been affected by increasing tropical log costs due to a tight supply. Between 2002 and 2005, the weighted average price of export plywood increased at a three-year CAGR of 18.6%.

**Increase in demand.** Improving living standards and higher global GDP imply increased volumes of plywood consumption. The recent revival in Japan's housing market is expected to be sustained in the near-term and boost the country's plywood imports. In addition, China's strong economic growth, expanding furniture industry and booming housing construction will drive plywood demand.

**Chart 2: Exported plywood weighted average price**



Source: company data

**Fair value change in plantation reflected in P&L.** IAS 41 on accounting for biological assets require forestry companies to account for their tree plantations based on the fair value of plantation forests less estimated point-of-sale costs. Fair value is determined based upon a net present value and projected net cash flows derived from the asset in the future, using the projected net cash flows from plantations discounted at a market-determined, pre-tax discount rate. The aggregate gain or loss arising from the initial recognition of tree plantations and from the change in their fair value of tree plantations, less estimated point-of-sale costs, is recognized in profit and loss statement as profit or loss. Any such profit or loss reflects only unrealized gain or loss on plantation assets and does not generate actual cash flow.

**Risk factors.** The group's results may fluctuate due to revaluation gains or losses on plantation assets. Besides, fuel shortages and fuel price increases may increase operating costs. The company is also vulnerable to downturns in the housing and construction sectors, as well as adverse weather conditions.

**FY06/07F profit to surge.** The 77.9% YoY plunge in net profit in FY06/06A was due to the long rainy season in Sarawak, which affected sales, an increase in fixed costs and US\$15.3m losses from changes in the fair value of plantation assets. Although costs of sales increased only 0.6% YoY in FY06/06A, the group's gross profit margin narrowed 4.9pps to 12.1%. We expect the company's net profit to surge 17.2x in FY06/07F to US\$88.4m due to strong product ASPs and gains from changes in the fair value of plantation assets. In 1H FY06/07F, the ASP of exported hardwood logs increased 23.9% YoY and boosted the ASP of its exported plywood by 41.5% YoY. As result, its blended margin widened to 29.9% from 12.4% in 1H FY06/06A. The group also reported a US\$2.8m gain from changes in the fair value of plantation assets against a US\$3.0m loss in 1H FY06/06A.

**Undemanding valuation.** We expect the group's net earnings to increase at a three-year CAGR of 187.9% between FY06/06A and FY06/09F, driven mainly by higher log prices. With the upstream log extraction volume capped by annual quotas and its tree plantation is still in initial stages of development, the sales of salvage logs will be the major volume driver between FY06/07F and FY06/10F. Downstream log processing operations still have some spare production capacity and their expansion is expected to be gradual. The group is trading at P/E of

18.3x for FY06/07F and 16.2x for FY06/08F. Compared with peers' average one-year forward P/E of 25.7x and two-year forward P/E of 19.0x, the group's valuation is appealing, in our view. Based on a 10.0% discount to the sector average one-year forward P/E, we arrive at our target price of HK\$3.89, representing a potential upside of 26.3%. Thus, we initiate coverage with a BUY recommendation.

**Table 2: Peer comparison**

Company name	Ticker	Year End	Currency	Price	Market Cap (US\$m)	P/E (x)	
						1-yr forward	2-yr forward
Ta Ann Holdings	TAH MK	Dec	MYR	10.7	675.9	12.9	11.2
Jaya Tiasa Holdings	JT MK	Apr	MYR	4.72	392.4	17.8	23.0
WTK Holdings	WTKH MK	Dec	MYR	8.65	446.7	9.6	8.6
Lingui Development	LING MK	Jun	MYR	3.22	625.1	9.4	8.9
Evergreen Fibreboard	EVF MK	Dec	MYR	1.89	267.0	12.0	7.9
Timberwest Forest	TWF-U CN	Dec	CAD	17.13	1,260.5	22.5	10.8
International Forest Products	IFP/A CN	Dec	CAD	9.2	416.9	75.4	27.1
Sino-Forest	TRE CN	Dec	CAD	13.2	2,033.6	11.8	9.7
Weyerhaeuser	WY US	Dec	USD	82.4	17,949.4	45.8	28.5
International Paper	IP US	Dec	USD	39.6	17,239.8	18.5	15.4
Rayonier Inc	RYN US	Dec	USD	45.4	3,512.0	21.2	17.7
Potlatch Corp	PCH US	Dec	USD	44.0	1,718.2	25.5	21.9
Plum Creek Timber	PCL US	Dec	USD	41.6	7,358.5	27.3	25.1
Fletcher Building	FBU NZ	Jun	NZD	12.9	4,807.1	15.0	14.5
Gunns Ltd	GNS AU	Jun	AUD	3.5	1,050.6	15.2	13.8
UPM-Kymmene Oyj	UPM1V FH	Dec	EUR	19.4	13,664.6	16.5	13.1
<b>Average</b>						<b>25.7</b>	<b>19.0</b>

Source: Bloomberg



P & L (US\$m)	05A	06A	07F	08F	09F
<b>Year to Jun</b>					
<b>Turnover</b>	<b>409.1</b>	<b>388.7</b>	<b>642.1</b>	<b>688.4</b>	<b>738.2</b>
% chg	12.3	(5.0)	65.2	7.2	7.2
Gross profit	69.3	46.9	190.6	213.7	237.1
EBITDA	92.6	78.1	191.6	222.3	254.5
Depre./amort.	(44.7)	(52.9)	(48.3)	(52.4)	(57.0)
EBIT	48.0	25.2	143.3	169.9	197.5
Net int. income/(exp.)	(7.6)	(15.5)	4.7	9.8	13.7
Exceptionals	(0.6)	(14.0)	5.0	2.2	2.2
Associates	2.3	1.3	3.0	3.1	3.2
Jointly-controlled entit.	2.4	2.8	1.8	1.9	2.0
<b>Pre-tax profit</b>	<b>44.6</b>	<b>(0.2)</b>	<b>157.8</b>	<b>186.9</b>	<b>218.6</b>
Tax	(1.3)	1.7	(31.6)	(37.4)	(43.7)
Minority interests	(20.1)	3.6	(37.9)	(44.9)	(52.5)
<b>Net profit</b>	<b>23.1</b>	<b>5.1</b>	<b>88.4</b>	<b>104.7</b>	<b>122.4</b>
% chg	(1.7)	(77.8)	1,623.6	18.4	16.9
Dividends	(2.5)	(2.4)	(9.7)	(11.5)	(13.5)
Retained earnings	20.6	2.7	78.7	93.2	108.9
EPS (US\$) - Basic	0.750	0.170	0.022	0.024	0.028
EPS (US\$) - F.D.	0.750	0.170	0.021	0.024	0.028
DPS (US\$)	0.001	0.001	0.002	0.003	0.003
No. sh.s o/s (m) - W.A.	3,094.2	3,094.2	4,100.5	4,301.7	4,301.7
No. sh.s o/s (m) - Y.E.	3,094.2	3,094.2	4,301.7	4,301.7	4,301.7
No. sh.s o/s (m) - F.D.	3,094.2	3,094.2	4,301.7	4,301.7	4,301.7
<b>Margins (%)</b>					
Gross	17.0	12.1	29.7	31.0	32.1
EBITDA	22.6	20.1	29.8	32.3	34.5
EBIT	11.7	6.5	22.3	24.7	26.8
Pre-tax	10.9	(0.1)	24.6	27.2	29.6
Net	5.7	1.3	13.8	15.2	16.6

Cash Flow (US\$m)	05A	06A	07F	08F	09F
<b>Year to Jun</b>					
EBIT	48.0	25.2	143.3	169.9	197.5
Depre./amort.	44.7	52.9	48.3	52.4	57.0
Net int. paid	11.1	10.4	(4.7)	(9.8)	(13.7)
Tax paid	(8.7)	(7.9)	(12.7)	(35.6)	(41.8)
Dividends received	0.8	0.7	1.5	1.5	1.6
<b>Gross cashflow</b>	<b>95.8</b>	<b>81.2</b>	<b>175.7</b>	<b>178.4</b>	<b>200.6</b>
Chgs. in working cap.	6.0	12.8	(136.4)	(7.4)	(8.3)
<b>Operating cashflow</b>	<b>101.8</b>	<b>94.1</b>	<b>39.3</b>	<b>171.0</b>	<b>192.3</b>
Capex	(45.0)	(65.7)	(62.9)	(72.2)	(53.7)
<b>Free cashflow</b>	<b>56.8</b>	<b>28.4</b>	<b>(23.6)</b>	<b>98.8</b>	<b>138.6</b>
Dividends paid	(1.3)	(5.0)	(5.0)	(10.6)	(12.5)
Net distribution to MI	-	-	-	-	-
Investments	(59.2)	(9.3)	-	-	-
Disposals	59.4	8.6	-	-	-
New shares	-	72.3	434.6	-	-
Others	(49.4)	(161.9)	29.8	26.3	33.9
<b>Net cashflow</b>	<b>6.3</b>	<b>(66.9)</b>	<b>435.8</b>	<b>114.4</b>	<b>160.0</b>
Net (debt)/cash - Beg.	(288.4)	(282.1)	(349.0)	86.8	201.2
Net (debt)/cash - End.	(282.1)	(349.0)	86.8	201.2	361.2

Interim Results (US\$m)	05A	06A
<b>Six months to Dec</b>		
<b>Turnover</b>	<b>187.8</b>	<b>298.3</b>
% chg	-	58.8
Profit from operations	11.0	80.1
Interest expenses	(4.8)	(2.9)
Associates	(0.3)	2.1
Jointly-controlled entit.	1.3	1.1
<b>Pre-tax profit</b>	<b>7.2</b>	<b>80.4</b>
Tax	(2.2)	(14.7)
Minority interests	(1.2)	(19.6)
<b>Net profit</b>	<b>3.7</b>	<b>46.1</b>
% chg	-	1,132.9
EPS (HK\$) - Basic	0.001	0.015
DPS (HK\$)	-	-

Balance Sheet (US\$m)	05A	06A	07F	08F	09F
<b>Year to Jun</b>					
Fixed assets	529.9	558.4	589.9	623.9	634.8
Intangible assets	40.2	59.0	67.5	76.1	95.0
Other LT assets	64.3	63.9	60.3	60.3	60.3
Cash	26.5	21.1	320.4	414.8	489.2
Accounts receivable	218.8	97.3	297.4	318.9	341.9
Other receivables	-	-	-	-	-
Inventories	69.0	83.5	97.6	102.7	108.4
Due from related co.s	-	-	-	-	-
Other current assets	8.5	9.4	-	-	-
<b>Total assets</b>	<b>957.1</b>	<b>892.5</b>	<b>1,433.2</b>	<b>1,596.6</b>	<b>1,729.4</b>
Accounts payable	(137.6)	(186.3)	(264.2)	(283.2)	(303.7)
Other payable	-	-	-	-	-
Tax payable	(2.5)	(1.8)	(20.7)	(22.4)	(24.3)
Due to related co.s	-	-	-	-	-
ST debts	(146.5)	(144.6)	(10.9)	(76.6)	(84.2)
Other current liab.	-	-	-	-	-
LT debts	(162.2)	(225.6)	(222.7)	(137.0)	(43.8)
Other LT liabilities	(53.4)	(47.9)	-	-	-
<b>Total liabilities</b>	<b>(502.2)</b>	<b>(606.1)</b>	<b>(518.6)</b>	<b>(519.3)</b>	<b>(456.0)</b>
Share capital	50.4	1.0	121.7	121.7	121.7
Reserves	197.3	166.4	659.3	804.4	980.1
<b>Shareholders' funds</b>	<b>247.8</b>	<b>167.4</b>	<b>781.0</b>	<b>926.1</b>	<b>1,101.8</b>
Minority interest	207.2	118.9	133.7	151.2	171.6
<b>Total</b>	<b>455.0</b>	<b>286.3</b>	<b>914.7</b>	<b>1,077.3</b>	<b>1,273.4</b>
Capital employed	763.6	656.5	1,148.3	1,290.9	1,401.4
Net (debt)/cash	(282.1)	(349.0)	86.8	201.2	361.2

Shareholding Structure	Shares o/s (m)	%
Samling Strategic	2,320.4	53.9
SIL	203.5	4.7
Datuk Yaw Teck Seng	68.4	1.6
Wong Lee Ung	1.7	0.0
Yong Nyan Siong	2.9	0.1
PDT	207.2	4.8
Tapah	225.4	5.2
Glory Winner Trading Limited	64.7	1.5
Public	1,207.5	28.1
<b>Total</b>	<b>4,301.6</b>	<b>100.0</b>

Background
Based in Malaysia, Samling Global is an integrated forest resource and wood products maker with about 4.0m hectares of forest in Guyana, Malaysia and New Zealand. The company's upstream operations comprise timber harvesting, management of natural forest concessions in Malaysia and Guyana, and tree plantations in New Zealand and Malaysia. Its downstream operations involve the manufacturing and sales of wood products, including logs, plywood, veneer, sawn timber, and value-added products such as fiberboard, door facings and housing products.

Key Ratios	05A	06A	07F	08F	09F
Net gearing (%)	62.0	94.2	Cash	Cash	Cash
Net ROE (%)	9.3	2.5	18.6	12.3	12.1
EBIT ROCE (%)	6.3	3.6	15.9	13.9	14.7
Dividend payout (%)	10.8	47.8	11.0	11.0	11.0
Effective tax rate (%)	2.9	876.9	20.0	20.0	20.0
Net interest coverage (x)	6.3	1.6	na	na	na
A/R turnover (days)	195.2	148.4	112.2	163.4	163.4
A/P turnover (days)	122.8	152.1	128.0	145.1	145.1
Stock turnover (days)	74.1	81.4	73.2	77.0	76.9

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**SBI E2-Capital stock ratings:**

**STRONG BUY** : absolute upside of >50% over the next three months

**BUY** : absolute upside of >10% over the next six months

**HOLD** : absolute return of -10% to +10% over the next six months

**SELL** : absolute downside of >10% over the next six months

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