

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Full Year Financial Statement And Dividend Announcement for the Year Ended 31/12/2008

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

- 1(a) An income statement for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Income Statement for the year ended 31 December 2008

	Group		
	2008	2007	Change
	Rp Million	Rp Million	%
Revenue	3,209,539	2,315,118	39%
Cost of Sales	(2,915,793)	(1,852,275)	57%
Gross profit	293,746	462,843	-37%
Other items of income			
Finance income	3,603	5,950	-39%
Other income	55,633	35,960	55%
Other items of expenses			
Selling expenses	(171,653)	(114,193)	50%
General & administrative expenses	(212,321)	(154,190)	38%
Finance expense	(179,948)	(142,451)	26%
Other expenses	(815,625)	(52,767)	n.m
Share of results in associate	-	27,736	-100%
(Loss)/ profit before tax	(1,026,565)	68,888	n.m
Taxation	31,370	(13,481)	n.m
(Loss)/ profit for the year	(995,195)	55,407	n.m
Attributable to:			
Equity holders of the Parent	(864,788)	47,118	n.m
Minority interests	(130,407)	8,289	n.m
	(995,195)	55,407	n.m

n.m: not meaningful

Notes:

The consolidated report of our Group for the year ended 31 December 2007 included PT Sumalindo Lestari Jaya ("Sumalindo") accounts. Sumalindo was consolidated commencing on 29 August 2007.

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The following items have been included in arriving at profit before tax:

	Group		
	2008	2007	Change
	Rp Million	Rp Million	%
Gain on loan waiver	50,968	-	n.m
Gain/ (loss) on sales of property, plant and equipment	4,665	(107)	n.m
(Loss)/ gain on dilution of investment	(3,316)	9,139	n.m
Amortisation of land use rights	(5,823)	(4,379)	33%
Provision for doubtful debts	(6,540)	-	n.m
(Loss)/ gain on change in fair value of biological asset	(35,024)	24,825	n.m
Impairment of machinery and equipment	(65,166)	-	n.m
Impairment of goodwill	(339,457)	-	n.m
Loss on foreign exchange, net	(312,902)	(43,212)	624%
Loss on derivative contracts, net	(12,513)	(1,839)	580%
Provision for inventory written-down	(18,390)	-	n.m
Retrenchment expenses	(19,531)	-	n.m
Depreciation of property, plant and equipment	(211,627)	(109,817)	93%

n.m: not meaningful

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1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheet as at 31 December 2008

	Group		Company	
	2008	2007	2008	2007
	Rp Million	Rp Million	Rp Million	Rp Million
Non-current assets				
Property, plant and equipment	2,180,785	1,877,722	1,308	534
Intangible assets	41,791	41,655	-	-
Goodwill	619,992	841,103	-	-
Investment in subsidiary company	-	-	544,528	1,290,693
Biological assets	403,219	412,403	-	-
Land use rights	101,625	66,197	-	-
Deferred tax assets	177,068	181,548	-	-
Other non-current assets	83,090	52,171	196	-
	3,607,570	3,472,799	546,032	1,291,227
Current assets				
Inventories	540,233	582,605	-	-
Trade and other receivables	168,093	158,566	790,115	256,798
Prepaid operating expenses	46,874	160,814	49	16,988
Advances to suppliers	179,296	186,031	-	41
Derivative financial instruments	15,959	-	-	-
Cash and cash equivalents	157,186	172,867	16,181	10,278
Restricted deposit	110,390	-	110,390	-
	1,218,031	1,260,883	916,735	284,105
Current liabilities				
Trade and other payable*)	437,052	236,264	110,546	3,683
Other liabilities	292,714	226,949	666	-
Derivative financial instruments	32,476	1,269	-	-
Provision for taxation	22,479	40,323	-	-
Short term bank borrowings	361,412	324,917	-	-
Long term borrowings (current portion)	671,392	288,807	171,801	-
	1,817,525	1,118,529	283,013	3,683
Net current (liabilities)/ assets	(599,494)	142,354	633,722	280,422
Non-current liabilities				
Long term borrowings	1,062,159	1,322,874	-	310,827
Post-employment benefits	54,434	44,894	-	-
Deferred tax liabilities	91,195	132,331	-	-
Other liability	202,860	202,860	-	-
	1,410,648	1,702,959	-	310,827
Net assets	1,597,428	1,912,194	1,179,754	1,260,822
Equity attributable to equity holders of the parent				
Share capital	1,943,866	1,269,167	1,943,866	1,269,167
Reserves	(626,346)	238,442	(764,112)	(8,345)
	1,317,520	1,507,609	1,179,754	1,260,822
Minority Interests	279,908	404,585	-	-
	1,597,428	1,912,194	1,179,754	1,260,822

Notes:

The consolidated report of our Group for the year ended 31 December 2007 included PT Sumalindo Lestari Jaya ("Sumalindo") accounts. Sumalindo was consolidated commencing on 29 August 2007.

*) Included within trade and other payable is amount due to a company related to our substantial shareholder which amounted to USD10 million in 2008.

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(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31 Dec 2008		As At 31 Dec 2007	
Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
1,027,936	4,868	606,604	7,120

Amount repayable after one year

Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
1,062,159	-	1,322,874	-

Details of any collateral

Our bank borrowings are secured and guaranteed by the following:

- (1) Short term working capital facilities: corporate guarantees, pledge on asset, accounts receivable, subsidiaries' inventories and fixed assets of our Group, shareholders' supports in the form of cash from the loans provided by company related to a substantial shareholder and personal guarantees, pledges/mortgages over fixed assets and deposits from two directors and a relative of such directors;
- (2) Long term bank borrowings: corporate guarantees, land, buildings, inventories and machinery of our Group; and
- (3) All assets acquired under finance leases are secured against the assets under lease.

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1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows For the financial year ended 31 December 2008

	Group	
	2008	2007
	Rp Million	Rp Million
Cash flows from operating activities		
(Loss)/ profit before tax	(1,026,565)	68,888
Adjustments:		
Unrealised exchange loss	264,881	12,748
Impairment of goodwill	339,457	-
Depreciation of property, plant and equipment	211,627	109,817
Interest expense	179,948	142,451
Impairment of property, plant and equipment	65,166	
Post employment benefits expenses	35,827	13,052
Loss/ (gain) on change in fair value of biological assets	35,024	(24,825)
Amortisation of land use rights	5,823	4,379
Loss/ (gain) on dilution of investment	3,316	(9,139)
Amortisation of intangible assets	1,178	-
Amortisation of deferred losses on sales and lease back	438	704
Interest income	(3,603)	(5,950)
Gain/ (loss) on sales of property, plant and equipment	(4,665)	107
Gain on loan waiver	(50,968)	-
Loss on disposal of available for sale financial assets	-	2,000
Share of results in associate	-	(27,736)
Operating cash flow before changes in working capital	56,884	286,496
Changes in working capital		
Inventories	42,372	(91,832)
Trade and other receivables	(9,443)	(266,225)
Prepaid operating expenses	113,940	54,233
Advance to suppliers	6,735	8,078
Trade and other payable	90,398	(144,808)
Other liabilities	88,872	413,165
Other non-current assets	(38,649)	(88,836)
Cash flow provided by operations	351,109	170,271
Payment of post employee benefits liabilities	(26,287)	(5,365)
Income tax paid	(23,130)	(35,286)
Net cash provided by operating activities	301,692	129,620
Cash flows from investing activities		
Purchase of property, plant, and equipment	(496,658)	(456,656)
Additions to land use rights	(31,447)	(18,026)
Acquisition of subsidiaries, net of cash acquired	(29,994)	(693,018)
Additions of biological assets	(25,840)	-
Additions of intangible assets	(594)	-
Interest received	3,603	5,950
Proceeds from disposal of property, plant and equipment	15,799	91,926
Acquisition of subsidiaries under common control	-	(7,800)
Investment in an associate	-	(46,891)
Proceeds from disposal of available for sale financial assets	-	9,278
Net cash used in investing activities	(565,131)	(1,115,237)

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Consolidated Statement of Cash Flows For the financial year ended 31 December 2008 (cont'd)

	Group	
	2008	2007
	Rp Million	Rp Million
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	674,699	793,327
Cash received from warrant exercise in a subsidiary	7,555	-
Proceeds from long-term loans	458,343	450,094
Repayment of long-term loans	(726,287)	(200,808)
Proceeds from short term bank loans	35,038	193,465
Cash received from a company related to a substantial shareholder	110,390	-
Placement of deposit	(110,390)	-
Interest expense paid	(203,047)	(141,756)
Payment of bonds payable	-	(100,000)
Net cash provided by financing activities	246,301	994,322
Net increase in cash and cash equivalents	(17,138)	8,705
Cash and cash equivalents at beginning of year	172,867	164,162
Cash and cash equivalents at end of year	155,729	172,867

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalent comprise the followings:

	Group	
	2008	2007
	Rp Million	Rp Million
Cash and cash equivalents	157,186	172,867
Less: Bank overdraft	(1,457)	-
	155,729	172,867

Notes:

The consolidated report of our Group for the year ended 31 December 2007 included PT Sumalindo Lestari Jaya ("Sumalindo") accounts. Sumalindo was consolidated commencing on 29 August 2007.

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- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity For the Year Ended 31 December 2008

Group

	Attributable to equity holders of the Parent			Minority Interest	Total Equity	
	Share Capital	Restructuring reserves	Accumulated losses			
	Rp million	Rp million	Rp million			
Balance at 1 January 2008	1,269,167	309,050	(70,608)	1,507,609	404,585	1,912,194
Issuance of ordinary shares	674,699	-	-	674,699	-	674,699
Change in minority interest	-	-	-	-	5,730	5,730
Profit for the year, representing total recognised income and expense for the year	-	-	(864,788)	(864,788)	(130,407)	(995,195)
Balance at 31 December 2008	<u>1,943,866</u>	<u>309,050</u>	<u>(935,396)</u>	<u>1,317,520</u>	<u>279,908</u>	<u>1,597,428</u>
Balance at 1 January 2007	475,840	168,027	(117,726)	526,141	55,298	581,439
Issuance of ordinary shares	793,327	-	-	793,327	-	793,327
Minority interest on acquisition of subsidiary	-	-	-	-	340,998	340,998
Adjustment arising from the restructuring exercise	-	141,023	-	141,023	-	141,023
Profit/ (loss) for the year, representing total recognised income and expense for the year	-	-	47,118	47,118	8,289	55,407
Balance at 31 December 2007	<u>1,269,167</u>	<u>309,050</u>	<u>(70,608)</u>	<u>1,507,609</u>	<u>404,585</u>	<u>1,912,194</u>

Company

	Attributable to equity holders of the Parent		
	Share Capital	Accumulated (losses) profit	Total
	Rp million	Rp million	Rp million
Balance at 1 January 2008	1,269,167	(8,345)	1,260,822
Issuance of ordinary shares	674,699	-	674,699
Profit for the year, representing total recognised income and expense for the year	-	(755,767)	(755,767)
Balance at 31 December 2008	<u>1,943,866</u>	<u>(764,112)</u>	<u>1,179,754</u>
Balance at 1 January 2007	475,840	3,036	478,876
Issuance of ordinary shares	793,327	-	793,327
Loss for the year, representing total recognised income and expense for the year	-	(11,381)	(11,381)
Balance at 31 December 2007	<u>1,269,167</u>	<u>(8,345)</u>	<u>1,260,822</u>

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- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	<u>Group and company 2008</u>
	<u>Number of shares</u>
Balance at beginning of the year	684,623,916
Additional paid-in capital of our Company from:	
- Warrant option exercised by Sampoerna Forestry Ltd on 21 February 2008	27,941,646
- Initial Public Offering on 25 February 2008	183,000,000
- Public over-allotment portion on 21 March 2008	<u>2,597,000</u>
Balance at the end of the year	<u><u>898,162,562</u></u>

Our Company's initial public offering ("IPO") was successfully completed and our Company's shares were listed and quoted on the main board of the Singapore Exchange Securities Trading Limited ("SGX") on 25 February 2008. In connection with the IPO and listing, our Company issued 183,000,000 new shares to the public, an additional 27,941,646 shares as a result of the option exercise by Sampoerna Forestry Ltd and 2,597,000 shares pursuant to the exercise of the over-allotment option.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<u>Company</u>	
	<u>2008</u>	<u>2007</u>
	Actual	Actual
Total number of issued shares excluding treasury shares	<u>898,162,562</u>	<u>684,623,916</u>

There were no shares held as treasury shares as at 31 December 2008 and 2007.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable, as there were no shares held as treasury shares as at 31 December 2008 and 31 December 2007.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been reviewed or audited by the auditors.

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3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

There were no changes in the accounting policies and methods of computation adopted by our Group and our Company for the preparation of the financial statements for the current reporting period as in the audited financial statements for the year ended 31 December 2007.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There are no changes in the accounting policies and methods of computation.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	2008	2007
Weighted average number of ordinary shares for basic earnings per share computation	865,985,506	628,748,947
Weighted average number of ordinary shares for diluted earnings per share computation	865,985,506	629,709,697
	Rp (full amount)	Rp (full amount)
(Loss)/ earnings per ordinary share - basic	(999)	75
(Loss)/ earnings per ordinary share - diluted	(999)	75

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	2008	2007	2008	2007
Net asset for the period attributable to ordinary equity holders of the parent used in computation of net asset value per share (Rp million)	1,317,520	1,507,609	1,179,754	1,260,822
Number of ordinary shares at the end of period	898,162,562	684,623,916	898,162,562	684,623,916
Net asset value per ordinary share (Rp)	1,467	2,202	1,314	1,842

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8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors**

Our Group's consolidated income statement for the financial year ended 31 December 2008 ("FY2008") has been affected significantly, as compared to last year, with the consolidation of Sumalindo's full-year results. For FY2007, Sumalindo's accounts for the last 4 months were consolidated from 29 August 2007, after our Company's acquisition of additional shares in the share capital of Sumalindo, which resulted in our Company having control of Sumalindo.

Revenue

	Group	
	2008	2007
	Rp million	Rp million
Domestic sales	2,154,546	1,543,083
Export sales	1,054,993	772,035
	<u>3,209,539</u>	<u>2,315,118</u>

Our revenue in 2008 increased by 39% compared to 2007. Our revenue during 2008 was Rp3,210 billion, an increase of Rp894 billion from the previous year's result of Rp2,315 billion, 81% of which or Rp727 billion was derived from the consolidation of Sumalindo's full-year revenue.

The increase in our revenue in 2008 was mainly driven by the increase in our sales volumes and prices. Our total sales volume and average price in 2008 increased by 36% and 2%, respectively compared to 2007.

In 2008 domestic sales contributed Rp2,155 billion compared to Rp1,543 billion in 2007 or 67% of our total revenue in the respective years. The increase in our domestic sales revenues in 2008 was due to the 44% increase in sales volume, which was offsetted by 3% decrease in our average selling price.

Our export sales revenues in 2008 increased by 37% to Rp1,055 billion compared to Rp772 billion in 2007 due to the increase in sales volume and in our average selling price caused mainly by the appreciation of US\$ against the Indonesian Rupiah.

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Cost of Sales

	Year Ended December 31	
	2008	2007
	Rp million	Rp million
Raw materials used	1,285,029	1,099,838
Factory overheads	1,048,564	609,740
Labor costs	371,270	255,828
Movement in finished goods	210,930	(113,131)
Cost of sales	2,915,793	1,852,275

Raw materials used

Our raw materials used comprise of cost of logs purchased from third parties, which typically includes cost of transportation to our processing plants, reforestation fees, costs of veneer purchased from third parties and logging costs.

The raw material costs had increased by 17% to Rp1,285 billion in 2008 from Rp1,100 billion in 2007, in line with our increase in sales volume and the consolidation of Sumalindo's full year results. As a percentage of our cost of sales, our raw material cost decreased to 44% in 2008 from 59% in 2007 which was mainly due to decreased log prices during 2008. Sumalindo's consolidation has brought down the percentage ratio as Sumalindo's plantation logs which were priced at cost basis having been consolidated into the cost numbers had resulted in the log cost as a percentage of sales being lower as compared with the market price of the logs.

Factory overheads

Our factory overheads consist of chemical glues (including cost of production of chemical glues at our factory and third party purchases), energy costs for operation of our processing plants, ancillary raw materials, depreciation of our production facilities, spare parts and other costs relating to production.

Our factory overheads increased by 72% to Rp1,049 billion in 2008 from Rp610 billion in 2007 in line with the increase in production volume, increase in glue price, general price increases caused by fuel cost increase and the weakening of the Indonesian Rupiah exchange rate against the US dollars ("US\$").

Our depreciation expense increased from Rp120 billion in 2007 to Rp201 billion in 2008 due to the consolidation of the accounts of Sumalindo, the increase in capital expenditure and the offsetting by the the write down of unutilised assets in our subsidiary, PT. Putra Sumber Utama Timber ("PSUT").

Our energy cost increased by 64% in 2008 to Rp161 billion in 2008 compared to Rp98 billion in 2007 owing to consolidation of Sumalindo's accounts and increase in fuel cost (namely, diesel) as we use diesel for most of our electricity generators.

Our glue costs increased by 55% to Rp278 billion in 2008 compared to Rp180 billion in 2007 owing to fuel cost-related increase in the Q2 and Q3 of FY2008 and Indonesian Rupiah depreciation against US\$ in the last quarter of FY2008.

Labor costs

Our cost of direct labor increased by 45% to Rp371 billion in 2008 from Rp256 billion in 2007 due to increase in staff in our Group and the consolidation of the Sumalindo's accounts offsetted by some workers retrenchment costs incurred in 2008. Our labor costs represented 13% and 14% of our total cost of sales in 2008 and 2007, respectively.

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Gross Profit

Our gross profit decreased by 37% to Rp294 billion in 2008 from Rp463 billion in 2007. As a percentage of sales, our gross profit margin declined to 9% in 2008 from 20% in 2007.

The decline in our gross profit margin was mainly affected by the 57% increase in our cost of sales, particularly during the second half of 2008 while our average selling price only increased marginally by 2%. This margin squeeze was particularly apparent in the last quarter of 2008 as the drop in our selling price was not accompanied by a drop in cost. A sudden drop in our export demand as the global financial crisis deepened had forced our Group to sell our unsold high grade export items into the domestic market at lower prices.

The worst affected company in our Group was our subsidiary, PSUT. In 2008, PSUT suffered a gross loss of Rp38 billion as compared to last year's gross profit of Rp47 billion. This was mainly due to PSUT experiencing a significant decline in sales volume in the export market, caused by the global financial crisis. Consequently, sales volume and revenue decreased by 42% and 33% respectively.

Profit (Loss) Before Tax

Our profit before tax decreased from a profit of Rp69 billion in 2007 to become a loss of Rp1,027 billion in 2008. The significant drop in our profit before tax was mainly due to the increase in our non-operating expenses:

1) Other Income / Expense - net

On a net basis, our other income / expense increased from an expense of Rp17 billion in 2007 to an expense of Rp760 billion in 2008 due primarily to:

- an exchange loss in 2008 of Rp325 billion against an exchange loss in 2007 of Rp45 billion (mainly arising from the translation of foreign exchange loss in our balance sheet);
- provisions for the impairment of goodwill of Rp339 billion from our investment in a subsidiary reflecting the worsening subsidiary's performance hence its value as a result of the weakened export market and
- impairment of fixed assets in PSUT (unutilized machinery) of Rp65 billion in 2008.

2) General and Administration ("G&A") Expenses

Our G&A expenses increased by 38% to Rp212 billion in 2008 from Rp154 billion in 2007 due to the increase in headcount in our head office, effect of consolidation of Sumalindo's accounts and professional costs. As a percentage of sales, the G&A expenses remained at 6.6% and 6.7% in 2008 and 2007 respectively.

3) Finance Expense

Our finance expense increased by almost 26% to Rp180 billion in 2008 from Rp142 billion in 2007 due to the effect of the consolidation of Sumalindo into Samko and the increase in the subsidiary's bank borrowings in 2008. In the last quarter of 2008, some of our bankers have also increased the interest rates chargeable in response to the global financial crisis.

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Taxation

Our tax expense consisted of the following:

	<u>2008</u> Rp million	<u>2007</u> Rp million
Income Tax		
Current income tax	3,798	55,664
Deferred income tax	(36,656)	(46,933)
Under provision of prior years taxes	1,488	4,750
Total	<u>(31,370)</u>	<u>13,481</u>

Indonesia adopts individual company income tax system.

Earnings

The key factor leading to material changes in contributions to turnover and earnings by the business and geographical segments was our increased share interest in Sumalindo. The transaction resulted in the consolidation of the accounts of Sumalindo, which had a significant impact on our Group's accounts for the period under review (i.e., 2008) as compared to the previous financial year, 2007.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Balance Sheet

Our non current assets increased by Rp135 billion due to increase in net fixed assets and land rights of Rp303 billion and Rp35 billion respectively, net increase in other assets of Rp31 billion offsetted by the net decrease in goodwill of Rp221 billion;

We were in a net current liabilities position of Rp599 billion which was due to the increase in current liabilities of Rp699 billion as a result of a Rp419 billion increase in the short term bank loan stemming from the reclassification from long term to short term loans and the US\$ currency appreciation against the Indonesian Rupiah, and a Rp201 billion increase in the trade liabilities owing to our suppliers and shareholders. The increase in liabilities was offset against the decrease in current assets of around Rp43 billion contributed by the Rp114 billion drop in prepaid operating expenses from the pre IPO cost and in inventories of Rp42 billion offset by the increase in our trade receivables.

Our non current liabilities decreased by Rp292 billion due to reduction in our long term loan and write down of our deferred tax in PSUT.

Our net assets reduced by Rp315 billion due to reduction in our reserve and our minority interest as a result of the huge losses in 2008 offsetted by the increase in share capital from the IPO.

Cash Flow

Our net cash provided by operating activities increased by 133% to Rp302 billion in 2008 from Rp130 billion in 2007 due to the reduction in our inventories and prepaid expenses from the pre-IPO cost which was netted off against the IPO proceeds, increase in our trade and other payables.

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Net cash used for investment in 2008 was Rp565 billion mainly to finance capex expenses for the business expansion.

The capex expense was mainly funded by IPO proceeds. The company had also raised and repaid its loans. During 2008, our net loan repayment amounted to Rp455 billion which was funded by the net cash provided from operating activities.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Our Group's results for the financial year ended 31 December 2008 are in line with the profit guidance announcement released on 23 January 2009.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We expect our Group's results to remain under pressure in the next six to 12 months due to the following factors:-

- 1) Exchange rate risk remains high in 2009. Our Group's borrowings are mostly in US\$ and for this year the decline in our export revenue is expected to continue. This currency mismatch is expected to materially and adversely affect our Company's books and profitability in the form of foreign exchange translation loss. Our Group is continuously looking at ways to lower the currency gap by hedging or refinancing. However, this effort is now proving to be very challenging given the current limited risk appetite of banks and financial institutions generally. Sensitivity of the rate movements is highlighted below.

The weakening of the Indonesian Rupiah against the US\$ had increased the unrealised foreign exchange translation loss in our Group's balance sheet arising from our Group's US\$ borrowings.

Our Group periodically reviews the impact of movements in foreign exchange rates on profitability so that appropriate action could be taken to mitigate these risks as far as practicable.

The following table demonstrates the sensitivity of our loans denominated in US\$ to a reasonably possible change in the Indonesian Rupiah exchange rates (against US\$), with all other variables held constant, on our Group's profit after tax for the year (assuming tax rate of 30%).

Exchange Rate 1 US\$ is equal to :	Group 2008 Rp million
Actual	Loss after tax for the full year ended 31 December
10,950	(986,096)
Test Rate	Increase/ (decrease)
13,000	(167,981)
12,500	(127,010)
12,000	(86,039)
11,500	(45,068)
11,000	(4,097)
10,500	36,874
10,000	77,845
9,500	118,816

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Note:

- Exchange rate of Indonesian Rupiah ("IDR") to 1 US\$ at 31 December 2007 was Rp9,419
- Exchange rate of IDR to 1US\$ at 31 December 2008 was Rp10,950
- Exchange rate of IDR to 1US\$ at 27 February 2009 was Rp11,980
- Our US\$ loans as of 31 December 2008 amounts to US\$172 million.

- 2) Our Group's operating environment has been challenging and competitive with the slow down in the economic growth of many countries, caused by the global financial crisis.

In view of this situation, Management anticipates further pressure on selling prices while our material costs remain high in the first quarter of 2009 mainly due to the rainy season which has made transportation of logs difficult. We expect our margins to remain under pressure in the next three to six months of 2009.

The tightening of liquidity in the global financial markets, in particular, in Indonesia, has affected our Group's working capital funding. We expect it to remain tight for the next few months.

Management is aware of these risks and have taken proactive steps to control costs and maintain our working capital facilities, and to reschedule our various financial obligations to ease the cashflow.

- 3) The Company has been informed by three of its subsidiaries, in relation to loans or financing taken by those subsidiaries, that they are either in breach of certain financial covenants and/or in payment default. Negotiations for our Group's loan rescheduling is on-going and is expected to take a few months to finalise. Our Group and the bankers are working towards reaching agreement on the rescheduling terms. Management is aware of the increasing liquidity risk during this interim period where banks are imposing tighter credit monitoring on our trade transactions given that the new terms are not yet in place. Also, in the event that the debts rescheduling is not approved by the relevant banks and financial institutions, there is no assurance, given the current market conditions, that our Group would be able to meet all our payment obligations on time or obtain refinancing. We will update Shareholders on the status of our Group's debt rescheduling efforts should there be any material developments.
- 4) Our subsidiary Sumalindo received tax assessment letters from the Indonesian Tax Office confirming underpayments of income tax (Rp116 billion) and value-added tax (VAT) (Rp27 billion) for the fiscal year of 2006. Sumalindo has also received notice of asset seizure from the Indonesian Tax Office, however] its management disagreed with the assessment results and filed an objection to the Indonesian Tax Office. Sumalindo's management believes that the potential tax exposure is not likely to be material and therefore no provision was provided for the tax issue. As at the date of this announcement the objection is still being processed and a verdict is expected to be issued in April. We will provide further announcements to update Shareholders on any material developments on this front.
- 5) In an effort to improve liquidity and strengthen our Company's balance sheet, Management is looking at various fund raising options including some asset divestments of our subsidiaries. We will provide further announcements to update Shareholders on any material developments on this front.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend will be declared in the current year being reviewed.

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(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend for financial year ended 31 December 2008 has been declared.

13. Interested persons transactions.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	1 Jan 2008 to 31 Dec 2008	
	Rp Million	Rp Million
PT Pelayaran Nelly Dwi Putri <ul style="list-style-type: none">• Time charter of tug and barges• Freight	53,178	-
Hasan Holding Pte Ltd <ul style="list-style-type: none">• Freight• Supply of spare parts and sub material	7,278	-
PT Nelly Jaya Pratama <ul style="list-style-type: none">• Supply of veneer and sales commission• Purchase of veneer, fuel and glue	27,064 2,603	- -

During the financial year ended 31 December 2008, our Group made a downpayment of Rp5,450 million for the purchase of trees from PT Bioforest Indonesia.

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PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Year ended 31 December 2008	Primary processed timber products Rp million	Secondary processed timber products Rp million	Chemical glue Rp million	Elimination Rp million	Total Rp million
Revenue:					
Sales to external customers	2,998,366	196,978	14,195	-	3,209,539
Inter-segment sales	-	-	47,212	(47,212)	-
Total sales	2,998,366	196,978	61,407	(47,212)	3,209,539
Results:					
Segment results	(78,191)	(12,692)	2,835	(2,180)	(90,228)
Other expense – segment related	(454,404)	(10,423)	(173)	-	(465,000)
Other expense – unallocated					(350,625)
Other income					55,633
Finance expense					(179,948)
Finance income					3,603
Loss before tax					(1,026,565)
Taxation					31,370
Loss for the year					(995,195)

Year ended 31 December 2007	Primary processed timber products Rp million	Secondary processed timber products Rp million	Chemical Glue Rp million	Elimination Rp million	Total Rp million
Revenue:					
Sales to external customers	2,069,741	238,900	6,477	-	2,315,118
Inter-segment sales	-	-	65,313	(65,313)	-
Total sales	2,069,741	238,900	71,790	(65,313)	2,315,118
Results:					
Segment results	179,613	11,224	6,233	(2,610)	194,460
Other expenses					(52,767)
Other income					35,960
Finance expense					(142,451)
Finance income					5,950
Share of results in associate					27,736
Profit before tax					68,888
Taxation					(13,481)
Profit for the year					55,407

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Geographical segments

The following table presents revenue information regarding our Group's geographical segments for years ended 31 December

Region	2008	2007
	Rp million	Rp million
Indonesia	2,154,546	1,543,083
North Asia	471,198	459,965
Middle East	110,606	121,057
Europe	158,520	77,358
USA	129,609	55,437
Others	185,060	58,218
	3,209,539	2,315,118

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

(1) On Business Segmentation

- (a) Primary sales increased by more than 44% due to the consolidation of Sumalindo's accounts, sales volume growth and the strengthening of US\$ against the Indonesian Rupiah.
- (b) Secondary processed timber sales have gone down due to decline in PSUT's outputs as PSUT was facing log supply delivery problem.

(2) On Geographical Segmentation

- (a) Sales in the domestic market had increased as our market share increase, particularly, in the high value secondary process market segment in Java and new markets like Medan substituting for imports from China.
- (b) On export market, the consolidation of Sumalindo's accounts had contributed mostly to the increase.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

No dividend has been declared.

BY ORDER OF THE BOARD

Aris Sunarko @ Ko Tji Kim
Chief Executive Officer
27 February 2009

Credit Suisse (Singapore) Limited is the Sole Global Coordinator, Book Runner, Issue Manager and Underwriter for the initial public offering of shares in Samko Timber Limited.