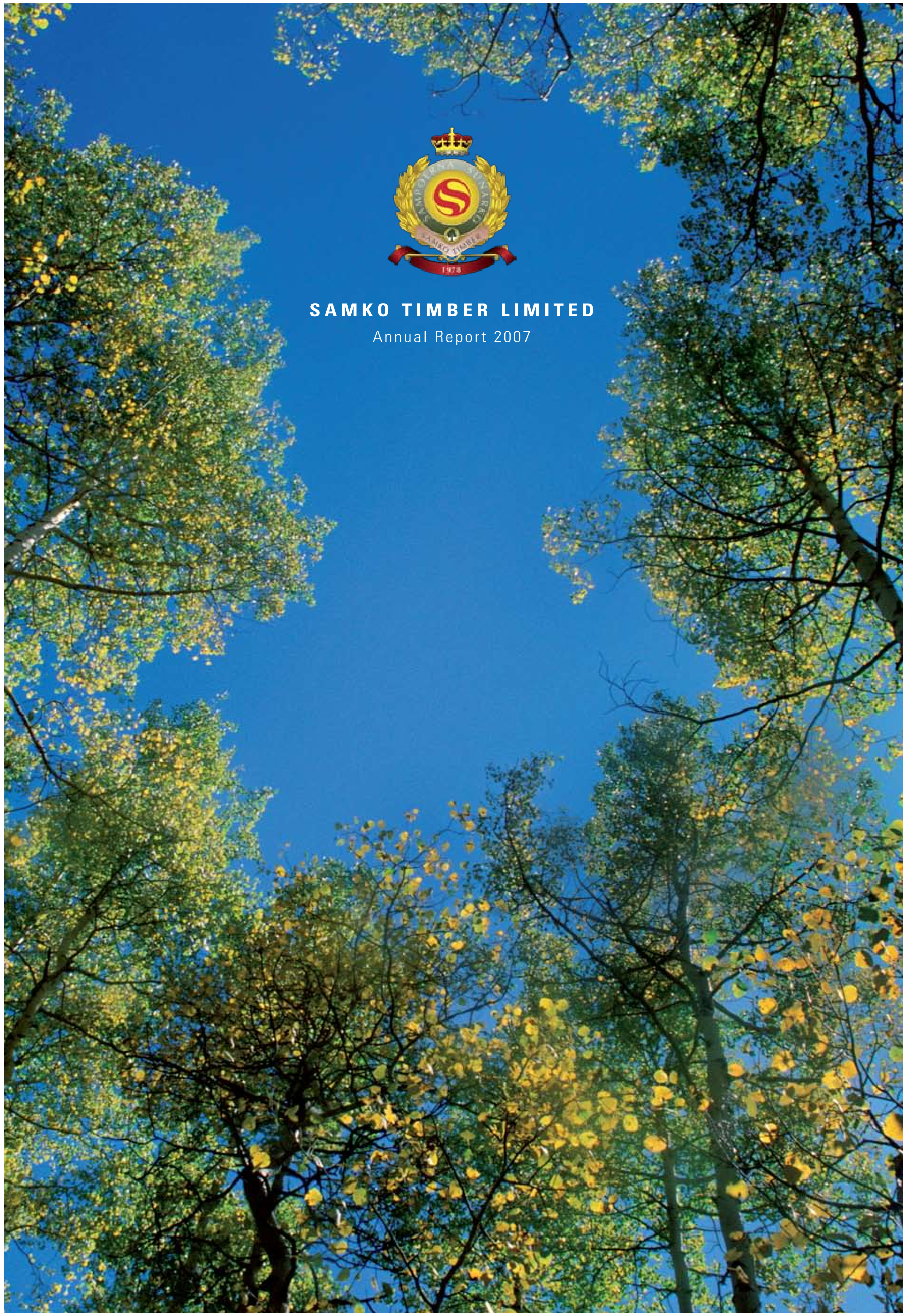
Samko Timber Limited
Company Registration No. 200517815M
7500A Beach Road #14-308/312 The Plaza, Singapore 199591 Tel: 6298 2189 Fax: 6298 2187



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CREATIVE RATIONALE

As a newly listed company embarking on its inaugural annual report, lush green trees reaching out to a clear sky, representing upward and continual growth, were used for the cover. This concept of growth is complemented and enhanced through the use of a symbolic upward curve and refreshing hues of blues and greens throughout the annual report. As one of the world's major tropical hardwood plywood producers, Samko Timber Limited is rooted in strong corporate values and integrity. The curved leaf element incorporated within the design alludes to the Company's responsiveness to changes in the external environment, and the sustainability of Samko Timber as a premier wood processing company. Together, these key elements consolidate the strengths of Samko Timber to form a dynamic, innovative company positioned for greater success in today's global marketplace.

CORPORATE PROFILE

From our humble beginnings as a traditional solid wood processing company with just one plywood mill in Sulawesi in the late 1970s, Samko Timber has since developed into one of the world's top five tropical hardwood plywood producers today, boasting concession rights to some 450,000 hectares of natural forest and around 125,000 hectares of industrial forest plantation. The Group also operates more than 1,000,000m^3 of plywood, veneer, medium density fiberboard (MDF) and secondary production capacity across the islands of Java, Sumatra, Kalimantan and Sulawesi.

Samko Timber places great emphasis on utilizing sustainable plantation wood resources, optimizing supply chain systems and developing its research and development (R&D), management, marketing, and distribution capabilities to achieve a strong competitive edge. Leveraging the Group's strong business model that is both efficient and scalable, it offers a wide range of primary and secondary processed timber products that comply with international market requirements, for export to a geographically diversified customer base in Asia, Japan, Europe, Middle East and the United States.

About 60% of Samko Timber's natural forest concession is Forest Stewardship Council (FSC) management certified, making it one of only six natural forest concession holders in Indonesia to have obtained FSC certification. Today, we have also attained ISO 14001, ISO 9001 and Japan Agriculture Standard (JAS) certifications for our various plants and we abide by other international and local environmental protection standards.

Listed on the Singapore Exchange in February 2008, Samko Timber is backed by a solid 30-year track record, a highly experienced management team, strong technical know-how, and efficient facilities.

CHAIRMAN'S MESSAGE

To the Shareholders of Samko Timber Limited:

On behalf of the Board of Directors of Samko Timber Limited, I am pleased to present to you, our first Annual Report since our recent Initial Public Offer (IPO) and successful listing on the Main Board of the Singapore Exchange on 25 February 2008.

2007 was an eventful year for Samko Timber. Operating conditions were mixed, with increases in timber demand and prices in some regions being offset by slower orders from other countries, record high oil prices and issues surrounding the global credit crunch caused by the US sub-prime mortgage crisis during the year. Nevertheless, our sound business model enabled us to ride out the uncertainties and turn in a reasonable performance at the end of the year. During the year, we also embarked on several initiatives that will help strengthen our fundamentals over the long haul.

FINANCIAL PERFORMANCE

For the year ended 31 December 2007, the Group registered total revenue of Rp2,315 billion, a 45% improvement from Rp1,602 billion recorded for the same period in 2006. Gross profit for the Group rose 34% to Rp463 billion, compared to Rp346 billion the year before. Taking into consideration the higher general and administrative expenses and Rp43 billion foreign exchange translation loss, which were partially offset by lower taxation, net profit came in at Rp55 billion, a 3% increase from Rp54 billion posted in the previous financial year.

Earnings per share on an enlarged shareholder base was Rp75 for 2007, versus Rp90 for 2006. At the end of the financial year under review, net asset value per share of the Group stood at Rp2,202, versus Rp877 the year before. This was due to an increase in the Group's shareholding of PT Sumalindo Lestari Jaya Tbk. (Sumalindo), a public-listed company.

OPERATIONS REVIEW

The increase in Group revenue was largely driven by higher demand from the Indonesian domestic market, as well as the Middle East. In line with stronger demand, average selling price of our timber products registered an improvement from Rp3.4 million per cubic meter in 2006 to Rp3.6 million per cubic meter in 2007.

Our performance was nevertheless affected by the total conversion of our subsidiary PT Putra Sumber Utama Timber's (PSUT) facilities into a more efficient, smaller satellite-based production plant that relies on smaller diameter plantation and community forest logs for raw material, instead of natural forest logs, which are now more costly due to its depleting supply. This conversion is expected to be completed in 2008, after which gross margin should improve significantly.

In August 2007, the Group increased its shareholding in Sumalindo from 30.59% to 52.03%, making it a subsidiary of Samko Timber. This will give us the opportunity to tap on Sumalindo's medium density fiberboard production capabilities, natural forest concessions and industrial forest plantations going forward.

The Group has always placed great emphasis on new product development to diversify its product base and build greater revenue and earnings stability. Among the new products being developed today are fire-resistant laminated veneer lumber structural building materials and insulated uniwood flooring. Supporting this is our research and development (R&D) team, which has been vital in building up the Group's technical know-how in process technology, harvesting yields and wood recovery rates, thereby ensuring that we remain ahead of our competition.

OUTLOOK & STRATEGY

The Group is cautiously optimistic of its prospects for the year ahead. While the international markets for timber products will remain highly competitive and could compromise the stability of average selling prices, the growth of the construction industry in the Middle East and Asia should fuel a corresponding increase in demand for timber products. In addition, demand from Japan, which in 2007 was hampered by the introduction of new regulations on building standards, is expected to see a recovery towards the second half of 2008.

Accordingly, we will continue to increase our sales and marketing effort, and leverage existing relationships with customers from Indonesia, Japan, Middle East, South Korea, Europe, the United States and Australia, to cross-sell our processed timber products. We believe that our business model, wide variety of products, together with our ability to proactively adjust our product mix according to market demand, will give us the competitive edge in meeting our customers' requirements while ensuring that our average selling prices are not negatively affected.

In line with our efforts to improve our efficiency and grow our share of the Indonesian processed timber market, we will be using part of the IPO proceeds to enhance our production capabilities and expand our logistics and distribution network. Such enhancements will include the construction of a new plywood and other timber processing facility in Central Java and the establishment of additional satellite veneer plants in Java, Sumatra and Sulawesi. In addition, we will also be expanding our existing production capacity in Java, Samarinda and Sulawesi. Collectively, the enhancement programme is expected to add about 600,000m^3 of production and processing capacity per year to the Group.

On the environmental front, we have obtained the Forest Stewardship Council (FSC) forest management certification for more than half of our natural forest concessions, giving us a 38.4% share of the total FSC forest management certification in Indonesia. As a long-term goal, we will be working towards obtaining FSC forest management and other certifications

CHAIRMAN'S MESSAGE

for all our natural forest concessions and industrial forest plantations, as well as the relevant ISO certification for all our production facilities.

Surging oil prices negatively affected our operating cost in 2007. Going forward, we will seek to manage this cost by exploring new and different ways of increasing log yields, in addition to improving our process technology so as to enhance the efficiency and quality standard of our products. In view of mitigating fluctuations in fuel price, we have already begun construction work for a second coal-fired power plant in Samarinda. This plant will be operational from the second half of 2008.

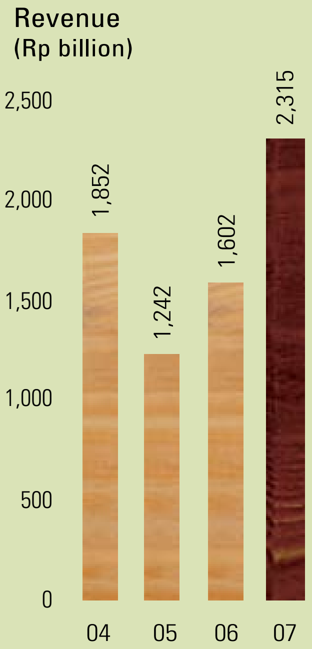
To maintain our position as one of the top five leading tropical plywood producers' worldwide, we will continue to invest aggressively in R&D and work on expanding and optimizing our existing range of secondary processed timber markets, including the development of composite structural timber products with lighter weight and higher loading strength for engineering applications. We will also constantly seek ways to develop industrial and community forest plantations so as to increase our scale of sustainable wood supply and ensure that we do not lose our competitive advantage.

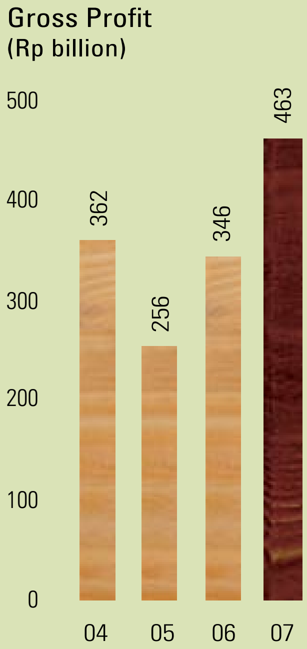
THANK YOU

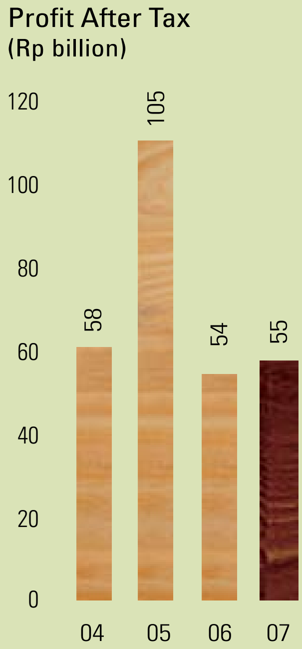
On behalf of the Board, I would like to thank all our customers, suppliers and business associates for their partnership and support throughout the year. I would also like to thank the staff of the Group for their dedication and hard work, which has been vital in growing Samko Timber to what it is today. Last but not least, I would also like to welcome all the new shareholders of Samko Timber on board. We appreciate your support during the IPO, and we thank you for your trust and belief in us. We are committed to doing our best to ensure that Samko Timber remains a leading and admired timber processing company in Asia, and we look forward to further enhancing shareholder value in the years ahead.

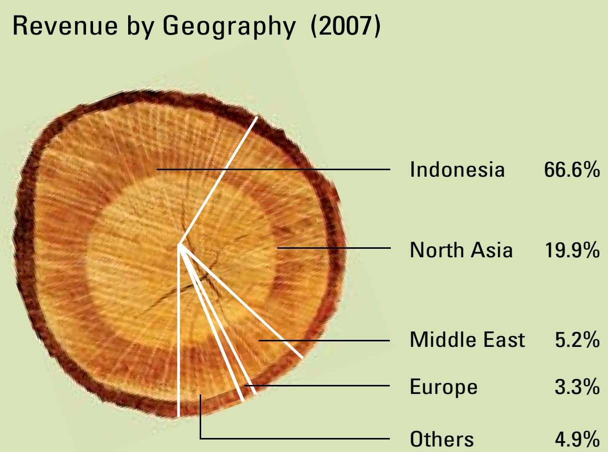
Koh Boon Hong
Chairman

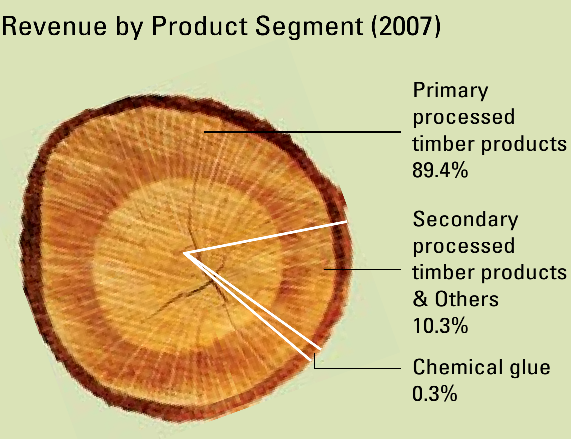
FINANCIAL HIGHLIGHTS











The consolidated report of the Group includes PT Sumalindo Lestari Jaya Tbk ("Sumalindo") accounts for the last 4 months after the acquisition. Sumalindo was consolidated commencing on 29 August 2007.

BOARD OF DIRECTORS

Koh Boon Hong

Chairman

Mr Koh Boon Hong founded the Group in 1978 and has served on the Board of Samko Timber Limited since August 2007. He was appointed to the Board of Sunarko Holding Pte Ltd in 1980 and continues to hold office today. Since 1981, he has also served as a director of Hasan Holding Pte Ltd and Noah Shipping Pte Ltd. Over the past 34 years, Mr Koh has also held directorships in various companies in the property industry, including Sing Holdings Limited, Sing Developments (China) Pte Ltd., Sing-Mas Investments Pte Ltd., and Sing Realty (Singapore) Pte Ltd.

Michael Joseph Sampoerna

Non-Executive Director

Mr Michael Joseph Sampoerna has served on the Board since August 2007. He possesses extensive Board and management experience, having previously served on the Boards of various local and overseas companies, including as President Director of PT H.M. Sampoerna Tbk. Currently, Mr Sampoerna is a director of nine other companies in Singapore and is the President Commissioner of PT Sumber Graha Sejahtera (PT SGS) and PT Sampoerna Agro Tbk.

Aris Sunarko @ Ko Tji Kim

Chief Executive Officer

Mr Aris Sunarko @ Ko Tji Kim has served on the Board since December 2005. He holds a B.Sc. degree from the University of Southern California and spent 13 years as a manager of production facilities in PT Panca Usaha Palopo Plywood. Mr Sunarko was responsible for the Group's initial venture into the production of laminated veneer lumber in 1989, which culminated after the acquisition of PSUT in 1993. Mr Sunarko possesses about 28 years of experience in the timber industry and is currently the President Commissioner of PT Haskojaya Abadi, PT Putra Sumber Kimindo and PT Pelayaran Nelly Dwi Puteri, and President Director of PT SGS and PT Panca Usaha Palopo Plywood.

Eka Dharmajanto Kasih

Non-Executive Director

Mr Eka Dharmajanto Kasih has served on the Board since April 2006. He is also a director and commissioner of various companies including PT SGS, PT Sampoerna Agro Tbk. Prior to Samko Timber, he was a commissioner and a director of PT H.M. Sampoerna Tbk., and also a director of Sampoerna International Finance Company, BV., and Sampoerna International Pte Ltd. Mr Kasih holds a Bachelor's degree in Economics from the University of Indonesia and has been an adjunct lecturer at the University of Indonesia (Faculty of Economics) since then.

Ng Cher Yan

Independent Director

Mr Ng Cher Yan was appointed to the Board on December 14, 2007. He started his career with Pricewaterhouse Singapore and is currently practicing as a Certified Accountant in CY Ng & Co., which he established in 1990. Mr Ng holds directorships in several companies listed on the SGX-ST, and is also Chairman of the Citizens' Consultative Committee of the Braddell Heights Constituency in Singapore. Mr Ng holds a Bachelor of Accountancy from the National University of Singapore, and is a member of the Institute of Certified Public Accountants in Singapore, and Institute of Chartered Accountants in Australia.

Sim Idrus Munandar

Independent Director

Mr Sim Idrus Munandar was appointed to the Board on December 14, 2007. He is also a commissioner of PT Sumber Sawit Sejahtera and PT Catur Manunggal Hidup Sejahtera. Prior to 2005, he was President Director of PT Bina Danatama Finance Tbk, a public-listed company in Indonesia engaged in the financing business. Mr Sim holds a Bachelor's degree in Economics from the University of Indonesia, and has been a lecturer at the Sekolah Tinggi Ekonomi (STIE) Jayakarta since 1981.

Laurence John Wee Ewe Lay

Independent Director

Mr Laurence John Wee Ewe Lay was appointed to the Board on December 14, 2007. He holds a Bachelor of Law (Honours) from the University of Buckingham, and was admitted as an advocate and solicitor of the Supreme Court of the Republic of Singapore in December 1983 and has been in legal practice for more than 23 years. He is currently the Managing Partner of Wee Ramayah & Partners where he has served since 1984.

Mr Wee currently also holds directorship appointments in several other Singapore companies, including AL Assets Pte Ltd, Cecilanda Private Limited, Royal Assets Pte Ltd and Royal Brothers Global Investments Pte Ltd.

Amir Sunarko @ Koh Tji Kiong

Executive Director

Mr Amir Sunarko @ Koh Tji Kiong, Head of Kalimantan Operations, was appointed to the Board in April 2006. He holds a B.Sc. degree from the University of Southern California, and was Director of PSUT from 1993 until his election as a member of its Board of Commissioners in 2005. He is currently the President Director of PT. Sumalindo Lestari Jaya Tbk. (Sumalindo), where he served since 2002. Mr Sunarko possesses approximately 23 years of experience serving as a commissioner or director of various companies in the timber industry, including PT SGS, PT Nelly Jaya Pratama, PT Haskojaya Abadi, PT Putra Sumber Kimindo and PT Pelayaran Nelly Dwi Puteri.

Ali Gunawan Budiman

Executive Director

Mr Ali Gunawan Budiman, Head of Business Development, was appointed to the Board in April 2006. He is also a director of PT Sampoerna Agro Tbk, PT SGS and Singapore-based Sampoerna Agri Resources Pte. Ltd. Prior to Samko Timber, Mr Budiman was a project manager at The Boston Consulting Group. Mr Budiman holds a Bachelor's degree in Chemical Engineering from the Institute of Technology, Bandung, and a Masters degree in Finance from the London Business School.

SENIOR MANAGEMENT

Untoro Angkawijaya

Chief Financial Officer (CFO)

Mr Untoro Angkawijaya joined the Group in 1994. He possesses some 20 years of experience in financial management. Prior to joining the Group, Mr Angkawijaya was Financial Controller of the Sinar Mas Group and Citibank N.A., Jakarta. He holds a Bachelor of Engineering degree in Electrical Engineering and a Masters of Business Administration (Finance) from the University of New South Wales, Australia.

Harry Handojo

Head of Java Operations

Mr Harry Handojo joined Samko Timber Limited in 1997. He had previously served at PT Putra Sumber Utama Timber (PSUT), where he was initially appointed as Project Manger and responsible for the implementation and development of new business plans. In 1999, Mr Handojo was promoted to General Manager of PSUT. He holds a Bachelor of Engineering degree from the Institute of Technology, Surabaya, Indonesia.

Lucky Phua

Head of Marketing, Research and Development

Mr Lucky Phua joined the Group in 2003. Prior to this, he was with Delphi Automotive Systems Singapore Pte Ltd for 14 years, where his last held position was Senior Manager. Mr Phua started his career with Philips (S) Pte Ltd in 1983 and left as a senior development engineer in 1989. Mr Phua's experience in the timber industry comes mainly from his work at PT SGS, where he was responsible for overseeing the business and product development operations and commercial activities.

Mr Phua holds a Bachelor of Engineering (Mechanical) degree and a Master of Science in Industrial Engineering from the National University of Singapore. He also holds a Master of Science in Computer Integration Manufacturing from the Nanyang Technological University of Singapore.

Wihartono

Group Financial Controller

Mr Wihartono joined the Group in 1995 as Financial Controller of PT Putra Sumber Utama Timber (PSUT) and was responsible for overseeing day-to-day financial and accounting matters. Between 1987 and 1995, Mr Wihartono was Group Head of Johan Malonda & Rekan, a public accounting firm. He holds a Bachelor degree in Economy (Major in Accounting), from the Tarumanagara University, Jakarta, Indonesia.

The Victor Diputra

Head of Sulawesi Operations

Mr The Victor Diputra joined the Group in 1986 and possesses some 25 years of working experience in the timber industry. Prior to joining the Group, he spent two years with PT Harapan Kita Utama Pontianak and before that, he worked with PT Aji Ubaya Banjarmasin from 1983 to 1985.

Yusran Mustary

Head of Sumatra Operations

Mr Yusran Mustary joined the Group in 1997 and possesses some 20 years of experience in the timber industry. Mr Mustary started his career at PT Wijaya Triutama Plywood Industry in 1988 and left as Manager in 1994. Before joining the Group, he was General Manager of PT Basirih Industrial Corporation from 1994 to 1997. Mr Mustary holds a Diploma-3 in Civil Technical Engineering from the Hasanudin University, Ujung Pandang, Indonesia.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Chairman:
Koh Boon Hong

Executive Directors:
Aris Sunarko @ Ko Tji Kim (Chief Executive Officer)
Amir Sunarko @ Koh Tji Kiong
Ali Gunawan Budiman

Non-Executive Directors:
Michael Joseph Sampoerna
Eka Dharmajanto Kasih
Ng Cher Yan (Independent)
Sim Idrus Munandar (Independent)
Laurence John Wee Ewe Lay (Independent)

AUDIT COMMITTEE

Ng Cher Yan (Chairman)
Sim Idrus Munandar
Laurence John Wee Ewe Lay

NOMINATION COMMITTEE

Sim Idrus Munandar (Chairman)
Ng Cher Yan
Laurence John Wee Ewe Lay

REMUNERATION COMMITEE

Laurence John Wee Ewe Lay (Chairman)
Ng Cher Yan
Sim Idrus Munandar

SECRETARY

Yeo Poh Noi Caroline

REGISTERED OFFICE

7500A Beach Road
#14-308/312 The Plaza
Singapore 199591
Tel : 6298 2189
Fax : 6298 2187

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
3 Church Street #08-01
Samsung Hub
Singapore 049483
Tel : 6536 5355
Fax : 6536 1360

AUDITORS

Ernst & Young
One Raffles Quay
North Tower, Level 18
Singapore 048583

AUDIT PARTNER-IN-CHARGE

Yee Woon Yim
Date of Appointment: 24 August 2007

SOLE GLOBAL COORDINATOR, BOOKRUNNER, ISSUE MANAGER AND UNDERWRITER

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

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Samko Timber Limited (the "Company") strives to observe the standards of corporate conduct in line with the spirit of the Code of Corporate Governance 2005 (the "Code") so as to safeguard shareholders' interests and enhance the financial performance of the Group.

To discharge its governance function, the Board of Directors (the "Board") and its Committees have laid down policies, procedures and practices to govern their activities.

This Report, which is the first after the Company's recent Initial Public Offer and successful listing on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"), on 25 February 2008, describes the Company's corporate governance practices with reference to the principles of the Code.

I. BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Effective Board to lead and control the Company

The Board oversees the business affairs of the Group and is responsible for setting the strategic direction of the Group establishing goals for Management. In addition, the Board works with Management to achieve these goals set for the Group. To ensure smooth operations, facilitate decision-making and ensure proper controls, the Board has delegated some of its powers to its Committees and the Management. The Board Committees and Management remain accountable to the Board.

Apart from the statutory responsibilities, the Board is responsible for the overall management of the Group and to review and monitor the Group's operations.

The Board is supported by three Board Committees, namely, the Audit Committee ("AC"), the Nomination Committee ("NC") and the Remuneration Committee ("RC"). Each Committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

BOARD COMPOSITION AND BALANCE

Principle 2: Strong and independent element on the Board

The Board consists of the following nine members, three of whom are executive Directors, three are non-executive Directors and the remaining three in turn are independent:-

Non Executive Chairman:
Koh Boon Hong

Executive Directors:

Aris Sunarko @ Ko Tji Kim	Chief Executive Officer
Koh Tji Kiong @ Amir Sunarko	
Ali Gunawan Budiman	

Non Executive Directors:
Michael Joseph Sampoerna
Eka Dharmajanto Kasih

Independent Directors:

Ng Cher Yan	Lead Independent Director
Sim Idrus Munandar	
Wee Ewe Lay Laurence John	

The Directors of the Company come from different backgrounds and possess core competencies, qualifications and skills. They bring with them a wealth of experience that enhances the overall quality of the Board. The profiles and key information of all the Directors are on pages 6 and 7 of the Annual Report.

The NC is of the view that the current Board size and composition is adequate taking into account the scope, nature and size of operations of the Group.

The NC conducted its annual review of the Directors' independence and was satisfied that the Company has complied with the guidelines of the Code. In its deliberation as to the independence of a Director, the NC took into account whether a director has business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgement.

In addition, the Company benefited from Management's ready access to its Directors for guidance and exchange of views both within and outside of the formal environment of Board and Board Committees meetings.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Principle 3: Clear division of responsibilities and balance of power and authority

To maintain effective supervision and ensure a balance of power and authority, different individuals assumed the Chairman and CEO roles. The division of responsibilities between the Chairman and CEO has been clearly established, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Company's Chairman, Mr Koh Boon Hong, who is non-executive, brings with him a wealth of experience, leads the Board and ensures Board members engage Management in constructive debate on various matters including strategic issues. As the Chairman, Mr Koh bears responsibility for the working of the Board and reviewing the effectiveness of the governance process of the Board. In addition, Mr Koh is responsible for representing the Board to shareholders of the Company.

The CEO, Mr Aris Sunarko @ Ko Tji Kim, who is the son of the Chairman, is involved in the day-to-day running of the business and has executive responsibilities for the Group's businesses, including the charting and reviewing of corporate directions and strategies.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for the appointment of directors to the Board

The NC consists of the following three members, all of whom are independent:-

Sim Idrus Munandar (Chairman)
Ng Cher Yan
Wee Ewe Lay Laurence John

The responsibilities and principal functions of the NC, as set out in its Terms of Reference, include:

(a) Reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment of Directors;

(b) Reviewing and recommending to the Board the retirement or re-election of Directors in accordance with the Articles of Association of the Company at each annual general meeting;

(c) Reviewing the composition of the Board annually to ensure that the Board has an appropriate balance of independent and non-independent Directors and ensuring an appropriate balance of expertise, skills, attributes and ability among the Directors;

(d) Determining annually the independence of Directors, in accordance with applicable codes and guidelines; and

(e) Deciding whether the Directors have been and will continue to contribute effectively and demonstrate commitment to their roles.

It reviewed the independence of the Directors, including those with multiple directorships in other companies, the Board size and competency mix and the effectiveness of the Board as a whole, and was satisfied with the outcome of the reviews.

During the year, Messrs Sim Idrus Munandar, Ng Cher Yan and Wee Ewe Lay Laurence John were the three new directors appointed. The Company's Articles of Association require these newly appointed directors as well as certain other Directors to retire from office at regular intervals and at least once every three years.

Accordingly, the NC has reviewed and proposed to the Board the re-appointment of Messrs Sim Idrus Munandar, Ng Cher Yan and Wee Ewe Lay Laurence John as Directors. Both Messrs Aris Sunarko @ Ko Tji Kim and Koh Tji Kiong @ Amir Sunarko, who are retiring as Directors by rotation at the forthcoming Annual General Meeting ("AGM") and, being eligible, will be offering themselves for re-election.

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board

The NC has assessed the effectiveness of the Board as a whole, as well as the contribution of each Director to the effectiveness of the Board.

The NC is guided by its Terms of Reference which set out its responsibilities for assessing the Board's effectiveness as a whole and its ability to discharge its responsibilities in providing stewardship, corporate governance and monitoring Management's performance with the objective of enhancing long term value for shareholders.

The NC reviewed the Directors' mix of skills and experiences that the Board requires to function competently and efficiently in achieving the Group's strategic objectives and was satisfied that the Board has a good mix of skills and expertise.

The evaluation of the Board will be carried out on an annual basis. Each Director assesses the Board's performance as a whole by providing feedback to the NC. The NC, when reviewing the Board's performance, will take note of the feedback received from the Directors and act on their comments accordingly.

A procedure to evaluate the contribution of each individual director to the effectiveness of the Board had been established. In assessing the contributions of each Director, the NC will take note of the individual Director's attendance at meetings of the Board, Board Committees and General Meetings, the individual Director's functional expertise and his commitment of time to the Company. The NC will also evaluate the competing time commitments faced by Directors serving on multiple boards during the year and is satisfied that the Directors have spent adequate time on the Company's affairs to fulfill their responsibilities.

The NC will decide how the Board's performance is to be evaluated and develop objective performance criteria, which address how the Board has enhanced long-term shareholders' value. The NC will also implement a process for assessing the effectiveness of the Board as a whole and assessing the contribution of each individual Director to the effectiveness of the Board. The NC Chairman will act on the results of the performance evaluation of the Board, and selections of members of the Board of Directors, in consultation with the NC. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

ACCESS TO INFORMATION

Principle 6: Board members should be provided with complete, adequate and timely information

In order to enable the Board to function effectively and to fulfil its responsibilities, Management recognises its obligation to supply the Board and the three Board Committees with complete, adequate information in a timely manner. A system of communication between Management and the Board has been established and will improve over time.

Each Director has been provided with the up-to-date contact particulars of the Company's senior management staff and the Company Secretary to facilitate access to any required information. The Company Secretary attends all Board and Board Committee Meetings and is responsible in ensuring that board procedures are adhered to.

In furtherance of their duties, the Directors, individually or as a group, may seek independent professional advice on matters relating to the businesses of the Group, at the Company's expense.

II. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors

The RC comprises of three Independent Directors, Messrs Wee Ewe Lay Laurence John (Chairman), Sim Idrus Munandar and Ng Cher Yan.

The principal responsibilities of the RC, as set out in its Terms of Reference, include:-

(a) Recommending to the Board for endorsement, the remuneration policies and guidelines for setting remuneration for the Directors and key executives;

(b) Approving performance targets to assess the performance of Executive Directors; and

(c) Recommending specific remuneration packages for each Executive Director for endorsement by the Board.

The RC had reviewed and recommended to the Board:-

(a) a framework of remuneration and the specific remuneration packages and terms of employment for each executive director and senior management; and

(b) the payment of Directors' Fees for the financial year ended 31 December 2007.

No member of the RC was involved in deciding his own remuneration.

The Group had entered into separate service contracts with the CEO and the other two Executive Directors for an initial fixed period of three years commencing from 19 December 2007 (the "Initial Period") and will be renewed automatically for successive periods of three years from the next day after the expiry of the Initial Period. However these service contracts, which can be terminated by either party giving six months' notice, will be reviewed by the RC and recommended for approval by the Board to be extended for a further period of three years after the expiry of the Initial Period. None of the non-Executive Directors is on service contract with the Company.

LEVEL AND MIX OF REMUNERATION

Principle 8: Level of remuneration of directors to be appropriate and not excessive

The Company's remuneration packages for Executive Directors comprised both fixed and variable components. The variable component is an annual salary supplement equivalent to one month of their respective total basic salary during each Muslim Hari Raya month.

Directors' fees are set in accordance with a remuneration framework based on the level of responsibility and scope of work. The Executive Directors do not receive Directors' fees, whilst the Non-Executive Directors are paid Directors' fees, subject to the shareholders' approval at the AGM. The Board has endorsed the remuneration framework.

DISCLOSURE ON REMUNERATION

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The Company has not included an annual remuneration report in this Annual Report as the matters required to be disclosed therein have been disclosed in summary below and the notes to the financial statements under Directors' remuneration as set out on page 84 of the Annual Report.

The remuneration of each individual Director and key executive officers of the Group is however not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in. The RC will review the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

A summary of each non-Executive and Executive Directors' remuneration paid or payable for FY2007 is shown below.

Name of Directors	Total remuneration in compensation bands of $250,000
Koh Boon Hong	<$250,000
Aris Sunarko @ Ko Tji Kim	$500,000 and Above
Koh Tji Kiong @ Amir Sunarko	$500,000 and Above
Ali Gunawan Budiman	<$250,000
Michael Joseph Sampoerna	<$250,000
Eka Dharmajanto Kasih	<$250,000
Ng Cher Yan	<$250,000
Sim Idrus Munandar	<$250,000
Wee Ewe Lay Laurence John	<$250,000

Remuneration of Key Executive Officers (other than the Company's Executive Directors)

The Company advocates a performance-based remuneration system taking into account the performance of individuals and the Company's performance.

The table below shows the ranges of gross remuneration received by the Group's key Executive Officers (excluding Executive Directors) in the Company and in the Group's subsidiaries, but does not include any associated companies.

Name of Key Executive Officers	Position	Total Remuneration in Compensation Bands of S$250,000
Untoro Angkawijaya	Chief Financial Officer	$250,000 to <$500,000
Harry Handojo	Head of Java Operations	<$250,000
Lucky Phua	Head of Marketing, Research & Development	$250,000 to <$500,000
Wihartono	Group Financial Controller	<$250,000
The Victor Diputra	Head of Sulawesi Operations	<$250,000
Yusran Mustary	Head of Sumatra Operations	<$250,000

No remuneration or compensation was paid or is to be paid in the form of share options, since the Company does not currently have any plans to implement share option or share incentive plans. However this does rule out the possibility of the Company doing so in the future.

Except for Mr Lucky Phua, who is the son-in-law of the Chairman and the brother-in-law of the CEO and the Executive Director, Koh Tji Kiong @ Amir Sunarko, there is no Group employee related to a Director or the CEO whose remuneration exceeded $150,000 for the financial year ended 31 December 2007.

III. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: Presentation of a balanced and understandable assessment of the company's performance, position and prospects

The Board recognises that it is accountable to shareholders for the performance of the Group. In discharging this responsibility, the Board will ensure the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, position and prospects.

To assist the Board to discharge its responsibility, the Company will establish a system whereby business and finance heads of individual subsidiaries and business units to provide written representations, to Management who would in turn furnish an overall representation to the AC and the Board confirming, inter alia, the integrity of the Group's financial statements.

Management will keep the Board regularly updated on the Group's business activities and financial performance by providing operations reports on a regular basis. Such reports will include information on:-

- the Group's actual performance against the approved budget and where appropriate, against forecast; and
- key business indicators and major issues that are relevant to the Group's performance.

AUDIT COMMITTEE

Principle 11: Establishment of Audit Committee with written terms of reference

The AC comprises of three Independent Directors, Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John. The Chairman of the AC is Mr Ng Cher Yan.

The AC has adopted the written Terms of Reference, which has been approved by the Board. The principal functions of the AC include:-

(a) Reviewing the financial reporting process including but not to the audit plans of the external auditors and, where applicable, the internal auditors, including the results of the auditors' review and evaluation of the Group's system of internal accounting, operational and compliance controls and risk management policies and systems and ensuring co-ordination between the internal and external auditors and management at least annually. The Committee shall ensure that a review of the effectiveness of the Group's internal controls is conducted at least annually;

(b) Reviewing the combined financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with FRS, concerns and issues arising from their audits including any matters which the external auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval;

(c) Reviewing and discussing with the external auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the operating results and/or financial position and the management's response;

(d) Reviewing the co-operation of Management with the auditors;

(e) Considering the appointment, re-appointment and removal, approving the remuneration and engagement of the external auditors and reviewing the independence and objectivity of the external auditors annually;

(f) Reviewing any transactions falling within the scope of Chapters 9 and 10 of the SGX-ST's Listing Manual ("Chapter 9" and "Chapter 10," respectively);

(g) Reviewing all hedging policies of, and instruments used for hedging by, the Group;

(h) Undertaking other reviews and projects as may be requested by the Board of Directors and reporting to the Board of Directors its findings from time to time on matters arising and requiring the attention of the AC;

(i) Reviewing and approving the Group's audit fees and where the auditors supply a substantial volume of non-audit services to the Group, keeping the nature and extent of such services under review;

(j) Reviewing potential conflicts of interest, if any;

(k) Reviewing the adequacy of the Group's insurance coverage; and

(l) Undertaking such other functions and duties as may be required by applicable law or the Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC will:-

(i) ensure that arrangements are in place for employees to raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters;

(ii) commission and review the findings of internal investigations into the matters or matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and

(iii) ensure that the appropriate follow-up actions are taken.

The AC had reviewed the full-year financial results announcement of the Company before submission to the Board for approval prior to release to the SGX-ST. In the ensuing year, the AC will also review the first, second and third quarter financial results announcements before their submission to the Board for approval prior to their release to the SGX-ST.

In addition, the AC reviewed the non-audit services provided by the external auditors as part of the AC's assessment of the external auditors' independence. The AC is of the view that the non-audit services provided by the external auditors in 2007 did not prejudice their objectivity and independence.

Accordingly, the AC recommended the re-appointment of Messrs Ernst &Young as external auditors for the ensuing year.

As the Lead Independent Director, the AC Chairman's scope of work also include leading the AC in its' role in respect of Interested Person Transactions undertaken by the Group and being available to shareholders where they have concerns which have been raised through the normal channels of the Chairman or Chief Financial Officer but have not been resolved or for which such contact is inappropriate.

INTERNAL CONTROLS

Principle 12: Sound system of internal controls

The Board recognises the importance of maintaining a sound system of internal controls to safeguard the shareholders' investments and the Company's assets. The AC has been assigned to oversee and ensure that such system has been appropriately implemented and monitored.

The Company's external auditors had conducted their 2007 review of the effectiveness of the Group's internal controls, including the adequacy of the Group's internal financial controls, operational and compliance controls. Audit findings, recommendations and actions taken by Management on the recommendations were reported to the AC.

The AC and the Board are of the opinion that, in the absence of any evidence to the contrary, the Group's internal controls provide adequate assurance against material financial misstatements or losses and will continue to monitor and improve the effectiveness of the Group's internal controls.

INTERNAL AUDIT

Principle 13: Independent internal audit function

An internal audit function that is independent of the activities it audits will be established and the Internal Auditor's ("IA") primary line of reporting is to the AC Chairman.

The Company has an internal audit team and the AC will continue on an annual basis:-

- to review the adequacy of the Group's internal and risk controls;
- to review the adequacy of the internal audit function, its activities and organizational structure to ensure that no unjustified restrictions or limitations are imposed;
- to review and approve the annual IA plan to ensure that there is sufficient coverage of the Group' activities; and
- to oversee the implementation of the internal audit plan and ensure that Management provides the necessary co-operation to enable the IA to perform its' function. All improvements to controls recommended by the IA and accepted by the AC will be monitored for implementation.

IV. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Regular, effective and fair communication with shareholders

Principle 15: Shareholders' participation at general meetings

In line with the continuous disclosure obligations of the Company, under the SGX-ST Listing Rules and the Singapore Companies Act, Cap. 50, the Board has established a policy to inform shareholders promptly of all major developments that may impact materially on the Company.

The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding the commercial interests of the Company. The Company does not practise selective disclosure.

The Group's results and other material information are released through the SGXNET on a timely basis for dissemination to shareholders and the public in accordance with the requirements of SGX-ST. A copy of the Annual Report and the Notice of the AGM are sent to every shareholder of the Company. The Notice of the AGM is also published in a major local newspaper and announced via SGXNET.

In addition, shareholders' participation is encouraged at the AGM to ensure a high level of accountability and to be informed of the Group's strategy and goals. The AGM is the principal forum for dialogue with shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. The Board including the Chairmen of the Audit, Remuneration and Nomination Committees, as well as the key management of the Company are present and available to address questions of the shareholders with the assistance of the external auditors, when necessary.

DEALINGS IN SECURITIES

The Company has issued an internal code on dealings in the Company's securities to the Directors and Executives (including employees with access to price-sensitive information to the Company's shares) of the Group based on the recommendations of the Best Practices Guide issued by the SGX-ST.

The Directors and Executives covered by this code are prohibited from dealing in the Company's securities two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year and one month before the announcement of the Company's financial statements for its full financial year, and ending after the announcement of the relevant results. Notification of the 'closed window' periods will be sent to the persons involved.

The Directors are also required to notify the Company of any dealings in the Company's securities within two (2) days of the transaction and to submit an annual confirmation on their compliance with the internal code.

Based on the processes in place, the Board is of the opinion that the Company has complied with the Best Practices Guide by the SGX-ST.

MATERIAL CONTRACTS

Save as disclosed above and the interested persons transactions, the details of which can be found in the Financial Statements, there were no other material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, each director or controlling shareholder subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Samko Timber Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2007.

1. Directors

The directors of the Company in office at the date of this report are:

Aris Sunarko @ Ko Tji Kim	
Koh Tji Kiong @ Amir Sunarko	
Eka Dharmajanto Kasih	
Ali Gunawan Budiman	
Koh Boon Hong	(Appointed 30 August 2007)
Michael Joseph Sampoerna	(Appointed 30 August 2007)
Ng Cher Yan	(Appointed 14 December 2007)
Sim Idrus Munandar	(Appointed 14 December 2007)
Wee Ewe Lay Laurence John	(Appointed 14 December 2007)

2. Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. Directors' Interests in Shares and Debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct Interest		Deemed Interest	
Name of director	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
Ordinary shares of the Company				
Aris Sunarko @ Ko Tji Kim	-	-	57,400,000	304,181,410
Koh Tji Kiong @ Amir Sunarko	-	-	57,400,000	304,181,410

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2008.

3. Directors' Interests in Shares and Debentures (continued)

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

4. Directors' Contractual Benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

5. Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- reviewing the financial reporting process including but not limited to the audit plans of our external auditors and, where applicable, our internal auditors, including the results of our auditors' review and evaluation of our system of internal accounting, operational and compliance controls and risk management policies and systems and ensuring co-ordination between the internal and external auditors and management at least annually. The Audit Committee shall ensure that a review of the effectiveness of our Group's internal controls is conducted at least annually;

- reviewing the combined financial statements and our external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with FRS, concerns and issues arising from their audits including any matters which our external auditors may wish to discuss in the absence of our management, where necessary, before submission to our Board of Directors for approval;

- reviewing and discussing with our external auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our operating results and/or financial position and our management's response;

- reviewing the co-operation of our management with our auditors;

- considering the appointment, re-appointment and removal, approving the remuneration and engagement of our external auditors and reviewing the independence and objectivity of our external auditors annually;

- reviewing any transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual ("Chapter 9" and "Chapter 10," respectively);

- reviewing and approving our Group's audit fees;

5. Audit Committee (continued)

- reviewing all hedging policies of, and instruments used for hedging by, our Group;
- undertaking other reviews and projects as may be requested by our Board of Directors and reporting to our Board of Directors its findings from time to time on matters arising and requiring the attention of our Audit Committee;
- where the auditors supply a substantial volume of non-audit services to our Group, keeping the nature and extent of such services under review;
- reviewing potential conflicts of interest, if any; and
- undertaking such other functions and duties as may be required by applicable law or the Listing Manual, and by such amendments made thereto from time to time.

The AC has also conducted a review of interested person transactions. The AC has not convened meeting during the year yet. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

6. Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the board of directors:

Aris Sunarko @ Ko Tji Kim
Director

Ali Gunawan Budiman
Director

31 March 2008

STATEMENT BY DIRECTORS

We, Aris Sunarko @ Ko Tji Kim and Ali Gunawan Budiman, being two of the directors of Samko Timber Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Aris Sunarko @ Ko Tji Kim
Director

Ali Gunawan Budiman
Director

31 March 2008

INDEPENDENT AUDITORS' REPORT

To the members of Samko Timber Limited

We have audited the accompanying financial statements of Samko Timber Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2007, the statements of changes in equity of the Group and the Company, the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:-

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 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 management, 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.

Opinion

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young
Certified Public Accountants
Singapore

31 March 2008

CONSOLIDATED INCOME STATEMENT
For the financial year ended 31 December 2007

	Notes	2007 Rp'million	2006 Rp'million
Revenue	4	**2,315,118**	1,602,047
Cost of sales		**(1,852,275)**	(1,256,190)
Gross profit		**462,843**	345,857
Other items of income			
Finance income	8	**5,950**	8,238
Other income	5	**35,960**	56,843
Other items of expense			
Selling expenses		**(114,193)**	(109,248)
General and administrative expenses		**(154,190)**	(85,638)
Finance expense	7	**(142,451)**	(103,423)
Other expense	6	**(52,767)**	(28,408)
Share of results in associate		**27,736**	10,241
Profit before taxation	9	**68,888**	94,462
Taxation	10	**(13,481)**	(40,792)
Profit for the year		**55,407**	53,670
Attributable to:			
Equity holders of the parent		**47,118**	54,188
Minority interests		**8,289**	(518)
		55,407	53,670
Earnings per share attributable to equity holders of the parent (in Rupiah)			
Basic	11	**75**	90
Diluted	11	**75**	90

The accompanying accounting policies and explanatory notes form an integral part of the financial information.

BALANCE SHEETS

At 31 December 2007

	Notes	Group 2007 Rp million	Group 2006 Rp million	Company 2007 Rp million	Company 2006 Rp million
Non-current assets					
Property, plant and equipment	12	1,877,722	769,484	534	-
Intangible assets	13	41,655	-	-	-
Goodwill	14	841,103	125	-	-
Investment in subsidiary companies	32	-	-	1,290,693	478,740
Investment in associate	15	-	254,456	-	-
Biological assets	16	412,403	2,379	-	-
Available for sale financial assets	17	-	9,278	-	-
Land use rights	18	66,197	15,580	-	-
Deferred tax assets	19	181,548	62,239	-	-
Sinking fund	27b	-	30,000	-	-
Other non-current assets	20	52,171	27,131	-	-
		3,472,799	1,170,672	1,291,227	478,740
Current assets					
Inventories	21	582,605	216,921	-	-
Trade and other receivables	22	158,566	88,483	256,798	-
Prepaid operating expenses		160,814	52,612	16,988	-
Advances to suppliers		186,031	153,985	41	-
Derivative financial instruments	31	-	859	-	-
Cash and cash equivalents	23	172,867	164,162	10,278	165
		1,260,883	677,022	284,105	165
Current liabilities					
Trade and other payable	24	236,264	233,030	3,683	29
Other liabilities	25	226,949	66,980	-	-
Derivatives financial instruments	31	1,269	-	-	-
Provision for taxation		40,323	25,230	-	-
Short term bank borrowings	26	324,917	131,452	-	-
Long term borrowings (current portion)	27	288,807	156,454	-	-
		1,118,529	613,146	3,683	29
Net current assets		142,354	63,876	280,422	136

BALANCE SHEETS
At 31 December 2007

	Notes	Group 2007 Rp million	Group 2006 Rp million	Company 2007 Rp million	Company 2006 Rp million
Non-current liabilities					
Long term borrowings	27	**1,322,874**	465,515	**310,827**	-
Post-employment benefits	28	**44,894**	20,804	**-**	-
Deferred tax liabilities	19	**132,331**	166,680	**-**	-
Decommissioning liabilities		**-**	110	**-**	-
Other liabilities	27a	**202,860**	-	**-**	-
		1,702,959	653,109	**310,827**	-
Net assets		**1,912,194**	581,439	**1,260,822**	478,876
Equity attributable to equity holders of the parent					
Share capital	29	**1,269,167**	475,840	**1,269,167**	475,840
Reserves		**238,442**	50,301	**(8,345)**	3,036
		1,507,609	526,141	**1,260,822**	478,876
Minority interests		**404,585**	55,298	**-**	-
		1,912,194	581,439	**1,260,822**	478,876

The accompanying accounting policies and explanatory notes form an integral part of the financial information.

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 December 2007

Group

	Attributable to equity holders of the Parent				Minority Interests	Total Equity
	Share Capital (Note 29)	Restructuring reserves (Note 30)	Accumulated losses	Equity attributable to equity holders of the parent, total		
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Balance at 1 January 2006	436,865	(18,317)	(171,914)	246,634	56,120	302,754
Adjustment arising from the restructuring exercise	(436,865)	186,344	-	(250,521)	(304)	(250,825)
Issuance of ordinary shares	475,840	-	-	475,840	-	475,840
Profit for the year, representing total recognised income and expense for the year	-	-	54,188	54,188	(518)	53,670
Balance at 31 December 2006	475,840	168,027	(117,726)	526,141	55,298	581,439
Balance at 1 January 2007	475,840	168,027	(117,726)	526,141	55,298	581,439
Additional paid-up capital of the Company	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 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	1,269,167	309,050	(70,608)	1,507,609	404,585	1,912,194

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2007

Company

	Attributable to equity holders of the Parent		
	Share Capital (Note 29)	Accumulated losses	Total Equity
	Rp'million	Rp'million	Rp'million
Balance at 1 January 2006	*	-	*
Issuance of ordinary shares	475,840	-	475,840
Profit for the year, representing total recognised income and expense for the year	-	3,036	3,036
Balance at 31 December 2006	475,840	3,036	478,876
Balance at 1 January 2007	475,840	3,036	478,876
Additional paid-up capital of the Company	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	1,269,167	(8,345)	1,260,822

** Amount is less than Rp1 million*

The accompanying accounting policies and explanatory notes form an integral part of the financial information.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2007

	Twelve months ended 31 December 2007 Rp million	31 December 2006 Rp million
Cash flows from operating activities		
Profit before tax	**68,888**	94,462
Adjustments:		
Depreciation of property, plant and equipment	**109,817**	81,871
Unrealised exchange losses	**12,748**	880
(Gain)/ Loss on change in fair value of biological assets	**(24,825)**	26
Amortisation of land use rights	**4,379**	1,145
(Gain)/ Loss on disposal of property, plant and equipment	**107**	(19)
Share of results in associate	**(27,736)**	(10,241)
Interest expense	**142,451**	103,423
Interest income	**(5,950)**	(8,238)
Amortization of deferred losses on sales and lease back	**704**	4,316
Impairment of goodwill	**-**	2
Gain on dilution of interest in an associate	**(9,139)**	(25,502)
Post employment benefits expense	**13,052**	5,094
Loss on disposal of available for sale financial assets	**2,000**	-
Operating cash flow before changes in working capital	**286,496**	247,219
Changes in working capital		
Inventories	**(91,832)**	(83,420)
Trade and other receivables	**(266,225)**	37,602
Prepaid operating expenses	**54,233**	(24,334)
Advance to suppliers	**8,078**	(113,790)
Trade and other payable	**(144,808)**	(9,127)
Other liabilities	**413,165**	16,425
Other non-current assets	**(88,836)**	(4,202)
Cash flow provided by operations	**170,271**	66,373
Payment of post employee benefits liabilities	**(5,365)**	(127)
Income tax paid	**(35,286)**	(27,496)
Net cash provided by operating activities	**129,620**	38,750

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2007

	Twelve months ended 31 December 2007 Rp million	31 December 2006 Rp million
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired (Note 1.3)	**(693,018)**	-
Proceeds from disposal of available for sale financial assets	**9,278**	-
Acquisition of subsidiaries under common control	**(7,800)**	(326,500)
Investment in an associate	**(46,891)**	(46,891)
Interest received	**5,950**	6,387
Additions to land use rights	**(18,026)**	(4,875)
Purchase of property, plant, and equipment	**(456,656)**	(132,799)
Proceeds from disposal of property, plant and equipment	**91,926**	7,054
Net cash used in investing activities	**(1,115,237)**	(497,624)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**793,327**	475,840
Payment of bonds payable	**(100,000)**	-
Proceeds/ (repayments) of short term bank loans	**193,465**	(49,822)
Repayment of long-term loans	**(200,808)**	(140,752)
Proceeds from long-term loans	**450,094**	351,827
Interest expense paid	**(141,756)**	(47,590)
Increase in pledge deposit	-	(10,544)
Net cash provided by financing activities	**994,322**	578,959
Net increase in cash and cash equivalents	**8,705**	120,085
Cash and cash equivalents at beginning of year	**164,162**	44,077
Cash and cash equivalents at end of year	**172,867**	164,162

The accompanying accounting policies and explanatory notes form an integral part of the financial information.

1. General

1.1 The Company

Samko Timber Limited (formerly known as Samko Timber Pte Ltd) (the "Company") is a limited liability company, which is incorporated in the Republic of Singapore in December 2005 and listed on the Singapore Exchange Securities Trading Limited (SGX-ST) on 25 February 2008. The immediate and ultimate holding company is SGSS Forest Products Ltd, incorporated in Singapore.

The registered office and principal place of business of the Company is located at 7500A Beach Road #14-308/312, The Plaza, Singapore 199591.

The principal activities of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 32 to the financial statements.

1.2 The restructuring exercise and acquisition of companies under common control

In April 2006, the Company acquired 99.98% interest in PT Sumber Graha Sejahtera (SGS) at the purchase consideration of Rp 478,740 million. The acquisition is taken up as acquisition of companies under common control, accounted for using pooling of interest method of accounting. The restructuring exercise also resulted in the acquisition of the following companies under common control in 2006 and 2007:-

(i) Acquisition of PT Putra Sumber Utama Timber

In May 2006, PT Sumber Graha Sejahtera (SGS) acquired 99.01% interest in PT Putra Sumber Utama Timber (PSUT) at the purchase consideration of Rp 226,500 million. Subsequently SGS increased its ownership to 99.2% at the purchase consideration of Rp 100,000 million. The acquisition is taken up as acquisition of companies under common control, accounted for under pooling of interest method of accounting.

(ii) Acquisition of PT Sejahtera Usaha Bersama

In June 2007, PT Sumber Graha Sejahtera (SGS) acquired 99.34% interest in PT Sejahtera Usaha Bersama (SUB) by purchase of new shares of SUB at purchase consideration of Rp 30,000 million. The acquisition is taken up as restructuring of companies under common control, accounted for under pooling of interest method of accounting.

(iii) Acquisition of PT Makmur Alam Lestari

In July 2007, PT Sumber Graha Sejahtera (SGS) acquired 99% interest in PT Makmur Alam Lestari (MAL) at the purchase consideration of Rp 4,960 million. Subsequently in August 2007, SGS acquired additional 0.93% in MAL at the purchase consideration of Rp 29,782 million. The acquisition is taken up as restructuring of companies under common control, accounted for under pooling of interest method of accounting.

1. General (cont'd)

1.3 Acquisition of PT Sumalindo Lestari Jaya Tbk.

In June 2007, PT Sumber Graha Sejahtera acquired additional 1.09% interest in PT Sumalindo Lestari Jaya Tbk by purchase of issued warrant at the purchase consideration of Rp 46,891 million. Subsequently, in August 2007, PT Sumber Graha Sejahtera (SGS) acquired additional 21.44% interest in the issued share capital of PT Sumalindo Lestari Jaya Tbk (SULI) through the Jakarta Stock Exchange, at the purchase consideration of Rp 791,242 million. Following this acquisition, SGS ownership in SULI increased to 52.03%. As of 31 December 2007, SGS' ownership in SULI become 51.95%.

The carrying value of the identifiable assets and liabilities of PT Sumalindo Lestari Jaya Tbk. as at the date of acquisition were:

	Rp million
Property, plant and equipment	853,432
Biological assets	369,012
Deferred tax asset	100,241
Land use rights	36,970
Other non current asset	47,366
Cash and cash equivalents	98,224
Trade and other receivables	60,744
Inventories	279,733
Prepayments	17,663
Advance to suppliers	66,682
Total assets	1,930,066
Trade and other payable	114,278
Obligation under capital lease	45,867
Taxes payable	1,710
Other liabilities	38,359
Short term bank loan	103,510
Long term borrowing (current portion)	59,845
Long term borrowing	724,366
Post-employment benefits	16,403
Deferred tax liabilities	89,940
Obligation under capital lease	59,386
Other non current liabilities	3,970
Minority interest in subsidiary	33,282
Total liabilities	1,290,916
Net assets	639,150
Portion acquired by the Company (21.44% of net assets)	137,062
Goodwill arising on acquisition (Note 14)	654,180
Total consideration	791,242

1. General (cont'd)

1.3 Acquisition of PT Sumalindo Lestari Jaya Tbk. (cont'd)

The total cost of the combination was Rp 791,242 million, and was fully paid in cash.

	Rp'million
Cash outflow on acquisition :	
Net cash acquired with the subsidiary company	98,224
Cash paid	(791,242)
Net cash outflow	(693,018)

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Indonesia Rupiah (Rp) and all values in the tables are rounded to the nearest million as indicated.

2.2 Future changes in accounting policies

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

Reference	Description	Effective for annual periods beginning on or after
FRS 23	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 111	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	Service Concession Arrangements	1 January 2008

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 108 as indicated below.

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

2. Summary of significant accounting policies (cont'd)

2.3 Subsidiaries and principles of consolidation

(a) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

(b) Consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for line transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

The consolidated financial statements of the Group for the financial years ended 31 December 2007 and 2006 have been prepared in accordance with the principles of merger accounting as the restructuring exercise completed as described in Note 1.2 is a legal reorganization of entities under common control. Under this method, the Company has been treated as the holding company of all its subsidiaries for the financial years (or from the date of incorporation of the subsidiaries, if later) rather from the date of completion of the restructuring exercise. Accordingly, the consolidated results of the Group for the respective periods include the results of the subsidiaries for the entire period under review.

Pursuant to this:

- Assets and liabilities are consolidated at their existing carrying amount;
- No amount is recognized for goodwill

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity as "asset revaluation reserve". Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.8 (a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. Summary of significant accounting policies (cont'd)

2.4 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associate in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. The financial statements of the associate are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 Foreign currency

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the plant and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such plant and equipment when that cost incurred meets the recognition criteria.

Depreciation of an asset begins when it is available for use and is computed on a straight-line method over the estimated useful lives of the asset as follows:

Buildings and improvements	-	20 years
Machinery and heavy equipment	-	8 to 20 years
Electrical installations	-	5 to 15 years
Furniture, fixtures and equipment	-	4 to 10 years
Vehicles	-	4 to 8 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Construction in progress is stated at cost, which includes the progress billing paid in accordance with the construction contracts. Constructions in progress are not depreciated as these assets are not yet available for use. Construction in progress is transferred to the respective plant and equipment account when construction is completed and ready for use.

The assets' residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset is included in the income statement in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.8 Intangible assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

2.9 Biological assets

Biological assets in the form of standing trees in a plantation forest are recognised and measured in the balance sheets at fair value separately from the land to which these assets are attached. The Group's forests are accounted for at fair value less estimated point-to sale costs at harvest.

The valuation of the biological asset is based on discounted cash flow model whereby the fair value is calculated using cash flows from continuous operations that is based on sustainable forest management plans taking into account growth potential. The yearly harvest made from the forecasted tree growth is multiplied by actual wood pines and the cost of fertilizer and harvesting is then deducted. The fair value is measured as the present value of the harvest from one growth cycle based on the productive forestland.

Point of sale costs commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties excluding transport and other costs necessary to get assets to a market.

2. Summary of significant accounting policies (cont'd)

2.10 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are stated at cost less accumulated amortization and any impairment in value. Amortisation is calculated on a straight line basis over the lease term of 7 - 30 years. Land use rights are tested for impairment annually either individually or at the cash generating unit level, as appropriate.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.12 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2. Summary of significant accounting policies (cont'd)

2.12 Financial assets (cont'd)

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading. Financial assets classified as held for trading are derivatives (including separated embedded derivatives) or are acquired principally for the purpose of selling or repurchasing it in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments are recognised in the income statement if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2. Summary of significant accounting policies (cont'd)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks, and short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost incurred in bringing the inventories to their present location and condition are accounted for using the average method for finished goods, work in progress and raw materials and first-in, first-out method for indirect materials and spare parts. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

2.17 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for decommissioning costs arises from the legal obligation to restore the site (land) to its original condition at the end of lease term, is shown as "decommissioning liabilities" and the corresponding asset is included in "property, plant and equipment" in the balance sheet.

2. Summary of significant accounting policies (cont'd)

2.17 Provisions (cont'd)

Decommissioning costs are provided at the present value of the expected costs to settle the obligation using the estimated cash flows. The cash flows are discounted at a pre tax rate that reflects the risks specific to the decommissioning liabilities. The unwinding of the discount is expensed as incurred and is recognised in the profit and loss account as "finance costs". The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

2.18 Post employment benefits

The Group recognises provision for employee service entitlements in accordance with Indonesia Labour Law No. 13/2003.

The cost of providing employee benefits is determined using the projected unit credit method. The accumulated unrecognised actuarial gains and loses that exceed 10% of the present value of the Group's defined benefit obligations is recognised on straight line basis over the expected average remaining working lives of the participating employees.

Past service cost is recognised immediately to the extent that the benefits are already vested or otherwise amortised on a straight-line basis over the average years until the benefits become vested.

The employee benefits liabilities recognised in the balance sheet represents the present value of the defined benefit liability, adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

2.19 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

The difference between the selling price and the book value of the asset on the sale-and leaseback transactions are recognised as 'deferred loss or gain on sale-and-leaseback transactions' in the balance sheet and are amortised over the lease term.

Operating lease payments are recognised as expense in the income statement account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. Summary of significant accounting policies (cont'd)

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. Local sales are recognised upon delivery of goods to customers, while export sales are recognised upon the shipment of the products (FOB Shipping Point).

Interest income is recognised using the effective interest method.

2.21 Income taxes

(a) Current tax

Currents tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Amendments to tax obligations are recorded when an assessment is received or, if appealed against by the Group, when an assessment is received or, if appealed against by the Group, when the result of appeal is determined.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will be reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

2. Summary of significant accounting policies (cont'd)

2.21 Income taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.22 Borrowing costs

Borrowing costs and similar charges are recognised in the income statement as incurred.

2.23 Derivative financial instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into or bifurcated, and are subsequently remeasured at fair value at each balance sheet date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group's derivative does not qualify for accounting for hedges. Consequently, gain and losses from changes in fair value of these derivatives are recognised immediately in the profit and loss account.

2.24 Related parties

Related parties are entities and individuals that directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the entities, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related entities. Transaction between related parties are accounted for at arm's length prices or on terms similar to those offered to non related entities in an economically comparable market.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2. Summary of significant accounting policies (cont'd)

2.25 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.26 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line method over the estimated useful lives. Estimates of the useful lives of these property, plant and equipment are within 4 to 20 years. These are common life expectancies applied in the integrated timber processing industries. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment as of 31 December 2007 was Rp 1,877,722 million (31 December 2006: Rp 769,484 million).

3. Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(ii) Impairment of non-financial assets (cont'd)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of property, plant and equipment as of 31 December 2007 was Rp1,877,722 million (2006: Rp769,484 million). There were no indicators that the carrying amounts may not be recoverable.

The carrying amount of intangible assets and goodwill as of 31 December 2007 was Rp41,655 million (2006: nil) and Rp841,103 million (2006: Rp125 million) respectively.

The carrying amount of investment in subsidiary companies at Company level as of 31 December 2007 was Rp1,290,693 million (2006: Rp478,740 million). There were no indicators that the carrying amounts may not be recoverable.

Further details of the key assumptions applied in the impairment assessment of goodwill, are given in Note 14 to the financial statements.

During the year ended 31 December 2006, a subsidiary company PSUT recognised an impairment loss on goodwill amounting to Rp2 million. PSUT continued to record losses for the year. The Group has assessed the carrying value of property, plant, and equipment amounting to Rp344,467 million. This carrying value is supported by expected future cash flows as well as a professional independent valuation and accordingly no provision for impairment has been made. On the same basis, there is no provision for impairment in the Company's investment in PSUT of Rp105,282 million.

3. Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(iii) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in Note 36 to the financial statements.

(iv) Derivative financial instruments

Derivative financial instruments are carried at fair value, which requires the use of accounting estimates and judgment. While a significant component of fair value measurement is determined using variable objective evidence (i.e. foreign exchange rates and interest rates), the timing and amount of changes in fair value will differ with the valuation methodology used. Any changes in the fair value of these derivative financial instruments will directly affect the profit and loss account. The related loss/gain recognised on changes in fair value of derivative financial instruments for the year ended 31 December 2007 and 2006 is loss of Rp1,839 million and gain of Rp 3,102 million, respectively. The Group's derivative liabilities as at 31 December 2007 amounted to Rp 1,269 million (31 December 2006: assets of Rp 859 million).

(v) Employee benefits

The determination of obligation and provision for post-employment benefits of employees is dependent on the selection of certain assumptions used by actuaries in calculating such amount. Those assumptions are described in Note 28 and include, among others, discount rate and salary incremental rate. Actual results that differ from the Group's assumptions are accumulated and amortised over future periods, and therefore generally affect the recognised expense and recorded obligation. Significant differences in actual experience or significant changes in assumptions may materially affect the Group's obligation for post-employment benefits. Post employment liabilities as of 31 December 2007 amounted to Rp 44,894 million (31 December 2006: Rp 20,804 million).

(b) Critical judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

3. Significant accounting estimates and judgements (cont'd)

(b) Critical judgments made in applying accounting policies (cont'd)

(i) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax in the year in which such decision is made by the taxation authority. The carrying amount of provision for taxation and deferred tax liabilities as of 31 December 2007 was Rp40,323 million (2006: Rp25,230 million) and Rp132,331 million (2006: Rp166,680 million), respectively.

(ii) Deferred tax assets

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. There is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilised. The carrying amount of deferred tax assets as at 31 December 2007 was Rp181,548 million (2006: Rp62,239 million). The additional deferred tax assets in 2007 mainly due to losses before tax in PSUT of Rp 126,044 million and PT Navatani Persada of Rp24,497 million.

The resulting deferred tax in PSUT of Rp78,149 million has been recognised as the Group has assessed that the utilisation of these losses within the five years of incurrence is more probable than not. PSUT has put in place restructuring plans for its operations since 2006 and is projected to be profitable from the beginning of the year 2009.

4. Revenue

	Group	
	2007	2006
	Rp million	Rp million
Domestic sales	1,543,083	947,251
Export sales	772,035	654,796
	2,315,118	1,602,047

5. Other income

	Group 2007 Rp million	Group 2006 Rp million
Foreign exchange gain	-	23,476
Gain on dilution of investment in associate	**9,139**	25,502
Gain on derivative contract	-	3,102
Changes in fair value of biological assets	**24,825**	(26)
Others	**1,996**	4,789
	35,960	56,843

6. Other expense

	Group 2007 Rp million	Group 2006 Rp million
Foreign exchange loss	**43,212**	-
Loss on derivative contract	**1,839**	-
Amortisation of deferred losses on sales and leaseback	**704**	4,316
Tax penalties	-	553
Loss from restructuring of long-term borrowings	**470**	19,964
Others	**6,542**	3,575
	52,767	28,408

7. Finance expense

	Group 2007 Rp million	Group 2006 Rp million
Interest expense:		
Bank borrowings	**120,395**	74,195
Finance lease	**3,134**	5,194
Bonds payable	**15,487**	22,139
Reforestation loan	**825**	1,349
Others	**2,610**	546
	142,451	103,423

8. Finance income

	Group 2007 Rp million	Group 2006 Rp million
Interest income:		
Fixed deposit	**2,843**	2,838
Current account	**3,107**	5,400
	5,950	8,238

9. Profit before taxation

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

	Group 2007 Rp'million	Group 2006 Rp'million
Changes in fair value of biological assets	**24,825**	(26)
Salaries and employees' benefits	**(329,729)**	(210,035)
Depreciation of property, plant and equipment	**(109,817)**	(81,871)
Amortization of deferred losses on sales and lease back	**(704)**	(4,316)
Amortisation of land use rights	**(4,379)**	(1,145)
Amortisation of intangible assets	**919**	-
Impairment of goodwill	**-**	(2)

10. Taxation

(a) Major components of income tax expense

	Group 2007 Rp'million	Group 2006 Rp'million
Current income tax	**55,664**	32,976
Under provision of prior year's income tax	**4,750**	-
Deferred income tax	**(46,933)**	7,816
	13,481	40,792

10. Taxation (cont'd)

(b) Relationship between tax expense and accounting profit (cont'd)

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	Group	
	2007	2006
	Rp'million	Rp'million
Profit before taxation	**68,888**	94,462
Tax at domestic rates in the countries where the Group operates	**20,666**	28,339
Income not taxable for tax purposes	**(21,032)**	(11,254)
Expenses not deductible for tax purposes	**13,279**	20,455
Under provision of prior year's income tax	**4,750**	-
Others	**(4,182)**	3,252
Tax expense	**13,481**	40,792

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

The corporate income tax rate applicable to Singapore company of the Group was reduced to 18% for the year of assessment 2008 onwards from 20% for year of assessment 2007. Due to the recorded losses at the Company, the Singapore tax was not implied as at 31 December 2007 and 2006.

The corporate income tax rate applicable to Indonesia companies of the Group was 30% for 2007 and 2006.

A subsidiary, Perfect Crops Limited, a Seychelles registered company has recorded losses in the year 2007 and 2006 and therefore has not implied the prevailing income tax of 1.5%.

There are no deferred tax benefit recognised for the losses incurred by the company and Perfect Crops Limited above mentioned.

As of 31 December 2007, the Group has tax losses of approximately Rp331,223 million (31 December 2006: Rp160,213 million) that is available for offset against future taxable profits, subjected to a maximum of five years period. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in the country in which the Company and its subsidiaries operate.

11. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares during the year plus the dilutive effect on the conversion of the Citibank warrant option (note 29).

Basic earnings per share for the years ended 31 December 2007 and 2006 were computed based on the weighted average number of shares after adjusting for share split (Note 29). For the purpose of determining weighted average number of shares for the year ended 31 December 2006, the number of shares used is that of PT. Sumber Graha Sejahtera as this represents the interest of the shareholders then. Diluted earnings per share for the financial year ended 31 December 2006 does not take into consideration the effects of warrant options as there was no market price determined then.

The following reflects the income statement and share data used in the computation of basic earnings per share:

	Group	
	2007	2006
	Rp'million	Rp'million
Profit for the year attributable to ordinary equity holders of the Company used in computation of earnings per share	**47,118**	54,188
	Number of shares	Number of shares
Weighted average number of ordinary shares for basic earnings per share computation	**628,748,947**	600,000,000
Weighted average number of ordinary shares for diluted earnings per share computation	**629,709,697**	600,000,000

12. Property, plant and equipment

Group

	Buildings and improvements Rp'million	Machinery & heavy equipment Rp'million	Electrical installations Rp'million	Vehicles Rp'million
Cost				
At 1 January 2007	132,582	1,051,083	8,945	22,175
Additions from acquisition of subsidiary	149,882	483,274	-	5,815
Additions	123,483	82,722	6,828	7,097
Disposals	(147)	(135,411)	-	(242)
Reclassifications	(85,716)	8,295	612	(2,057)
At 31 December 2007	320,084	1,489,963	16,385	32,788
Accumulated depreciation				
At 1 January 2007	44,395	460,727	3,957	14,887
Depreciation charge during the year	18,868	64,650	1,120	5,162
Disposals	(7)	(43,822)	-	(219)
Reclassifications	(11,549)	17,705	-	(1,089)
At 31 December 2007	51,707	499,260	5,077	18,741
Net book value				
At 31 December 2007	268,377	990,703	11,308	14,047

	Construction in Progress		Leased Assets		
Furniture, fixtures & equipment Rp'million	Buildings Rp'million	Machinery Rp'million	Machinery & heavy equipment Rp'million	Vehicles Rp'million	Total Rp'million
17,445	3,207	9,392	76,891	3,728	1,325,448
2,418	7,729	25,276	179,038	-	853,432
11,590	119,627	75,464	29,259	586	456,656
(23)	(258)	-	-	-	(136,081)
(845)	19,257	74,527	(13,058)	(1,015)	-
30,585	149,562	184,659	272,130	3,299	2,499,455
10,176	-	-	20,214	1,608	555,964
5,355	-	-	15,586	(924)	109,817
-	-	-	-	-	(44,048)
-	-	-	(4,799)	(268)	-
15,531	-	-	31,001	416	621,733
15,054	149,562	184,659	241,129	2,883	1,877,722

12. Property, plant and equipment (cont'd)

Group

	Buildings and improvements Rp'million	Machinery & heavy equipment Rp'million	Electrical installations Rp'million	Vehicles Rp'million
Cost				
At 1 January 2006	105,097	930,081	5,705	18,480
Additions	16,388	93,199	3,240	2,402
Disposals	-	(1,502)	-	(3)
Reclassifications	11,097	29,305	-	1,296
At 31 December 2006	132,582	1,051,083	8,945	22,175
Accumulated depreciation				
At 1 January 2006	38,611	397,033	3,266	13,783
Depreciation charge during the year	5,968	55,206	691	(16)
Disposals	(184)	(23)	-	(4)
Reclassifications	-	8,511	-	1,124
At 31 December 2006	44,395	460,727	3,957	14,887
Net book value				
At 31 December 2006	88,187	590,356	4,988	7,288

Company

		Construction in Progress	
	Furniture, fixtures & equipment Rp'million	Buildings and improvements Rp'million	Total Rp'million
Cost			
At 1 January 2007	-	-	-
Additions	124	416	540
At 31 December 2007	124	416	540
Accumulated depreciation			
At 1 January 2007	-	-	-
Depreciation charge during the year	6	-	6
At 31 December 2007	6	-	6
Net book value			
At 31 December 2007	118	416	534

	Furniture, fixtures & equipment	Construction in Progress: Buildings	Construction in Progress: Machinery	Leased Assets: Machinery & heavy equipment	Leased Assets: Vehicles	Total
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
	16,763	8,934	14,437	69,538	2,610	1,171,645
	682	5,370	11,518	28,482	2,414	163,695
	-	-	-	(8,387)	-	(9,892)
	-	(11,097)	(16,563)	(12,742)	(1,296)	-
	17,445	3,207	9,392	76,891	3,728	1,325,448
	8,698	-	-	14,359	1,200	476,950
	1,478	-	-	17,012	1,532	81,871
	-	-	-	(2,646)	-	(2,857)
	-	-	-	(8,511)	(1,124)	-
	10,176	-	-	20,214	1,608	555,964
	7,269	3,207	9,392	56,677	2,120	769,484

12. Property, plant and equipment (cont'd)

Buildings & improvements, leasehold improvements, machinery & heavy equipment with aggregate net book value of Rp1,334,600 million in 2007 (2006: Rp678,543 million) are pledged as collateral for interest bearing loans, reforestation fund payable and bonds payable (Notes 26 and 27).

As at 31 December, the Group has idle property, plant and equipment with a net carrying amount of Rp211,630 million. No impairment was recognised for these property, plant and equipment as its recoverable amount based on valuation performed by accredited independent valuer was higher than its net carrying amount. These assets will be either sold or relocated for use by another subsidiary company subsequent to year end.

13. Intangible assets

	Group 2007 Rp'million
Cost	
Balance at beginning of the year	-
Additions due to acquisition of subsidiary	42,574
Balance at end of the year	42,574
Amortisation	
Balance at beginning of the year	-
Current year charge	919
Balance at end of the year	919
Net book value	
Balance at end of the year	41,655

The Group obtained forest concession rights with terms ranging from 20 to 45 years in connection with the Indonesian government's grant to the Company for the right to utilize the timber resources in certain virgin forest areas, and develop the industrial timber plantations in certain areas in East Kalimantan, Indonesia. As at 31 December 2007, the remaining terms of these concession rights range from 2 to 43 years. These forest concession rights are carried at cost less amortisation since there is no active market for these intangible assets. The amortisation of intangible assets has been included in "other expenses" line items in the income statement.

14. Goodwill

Goodwill on consolidation arises from the acquisition of the subsidiaries, PT Arangan Hutani Lestari and PT Sumalindo Lestari Jaya Tbk (SULI). The carrying amount of goodwill is:

	Group	
	2007	2006
	Rp million	Rp million
At beginning of year	125	127
Additions due to earlier investment in SULI as an associate [Note (i)]	186,798	-
Additions due to acquisition of SULI as a subsidiary [Note (ii)]	654,180	-
Impairment loss	-	(2)
At end of year	841,103	125

The carrying amounts of goodwill and brands allocated to each CGU are as follows:

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets covering a five-year period.

The calculations of value in use for the CGUs are most sensitive to the following assumptions:-

Budgeted gross margins – Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Growth rates – the forecasted growth rate at 5.0% is based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rate of 11.5% reflects management's estimate of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Market share assumptions – These assumptions are important because as well as using industry data for growth rates, management assess how the CGU's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the timber market to be stable over the budget period. Management expects the Group's share of the timber market to be stable over the budget period.

14. Goodwill (cont'd)

(i) Goodwill arising from earlier investments in SULI as an associate

This amount has arisen from earlier investments in SULI as an associate, and is reclassified from investment in associate, to goodwill upon the acquisition of SULI.

(ii) Goodwill arising from the investment in/ acquisition of SULI

In accordance with FRS 103 Business Combinations, management has identified the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition based on an independent valuation report by an independent valuer.

Based on management review, there is no impairment of goodwill as at 31 December 2007 and there was an impairment loss amounting to Rp2 million.

15. Investment in associate

	Group	
	2007	2006
	Rp'million	Rp'million
Quoted shares, at cost		
Balance at beginning of year	**64,657**	17,766
Additions during the year	**46,891**	46,891
Effect of consolidating SULI	**(111,548) ***	-
Balance at end of the year	-	64,657

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2007	2006
Held through subsidiary				
PT. Sumalindo Lestari Jaya, Tbk.[1]	Indonesia	Forest exploration, industrial timber estate and utilisation of forest products	51.95%	30.10%

[1] *Audited by member firm of Ernst & Young Global in Indonesia*

15. Investment in associate (cont'd)

	Group	
	2007	2006
	Rp'million	Rp'million
Share of post-acquisition reserves		
Balance at beginning of year	**189,799**	154,056
Share of results	**27,736**	10,241
Effect of dilution of interest	**-**	25,502
Effect of consolidating SULI	**(217,535)***	-
Balance at end of the year	-	189,799
Carrying value of investments	-	254,456

* *In August 2007, the Group has acquired additional interest in PT Sumalindo Lestari Jaya Tbk (SULI), thereby increasing its effective interest to 52.03%, which is over 50% and hence the investment has been consolidated as a subsidiary.*

In June 2006, SULI increased its subscribed and fully paid shares through conversion of its debt to 92,950,040 shares or Rp 92,950 million. Hence, the Group's interest decreased from 33.44% to 30.11%. The effect of this change of Rp 25,502 million has been taken up as "other income" in income statement for the year ended 31 December 2006.

In August 2006, the Group acquired an additional 46,890,995 shares in SULI at a purchase consideration of Rp 46,891 million.

In September 2006, SULI further increased its issued and fully paid shares through a rights issue of 1,089,994,134 shares, or Rp 1,089,994 million. The Group's investment in SULI remained 30.11%.

In August 2007, the Group acquired an additional 263,011,007,000 shares in SULI at a purchase consideration of Rp 791,242 million, resulting in the Group's interest in SULI to increase to 51.95%.

As at 31 December 2007 the Group's interest in SULI decreased from 52.03% to 51.95%. The effect of such change of Rp 9,139 million was taken up as "other operating income" in income statement for the year ended 31 December 2007.

15. Investment in associate (cont'd)

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group , is as follows :

	Group	
	2007	2006
	Rp'million	Rp'million
Assets & Liabilities		
Total assets	-	1,405,348
Total liabilities	-	1,107,437
Result		
Revenue	-	703,992
Profit for the year	-	34,008

16. Biological assets

The Group's plantation forest are recognised and measured at fair value less estimated point-of-sale costs at harvest. The valuation of the biological assets of PT Sumalindo Lestari Jaya is calculated by the independent valuers PT Asian Appraisal Indonesia, and PT Bahana Kareza Appraisal for PT Arangan Hutani Lestari, based on the discounted cash flow model whereby the fair value is calculated using cash flows from continuous operations, assuming sustainable forest management plans, taking into account the growth potential from their industrial forest plantations. The yearly harvest made from the forecasted tree growth is multiplied by actual wood pines and the cost of fertilizer, before the deduction of harvesting. The fair value is measured as the present value of the harvest from one growth cycle based on the productive forestland.

Biological assets comprise of standing trees in a plantation forest, separate from land on which these assets are located. Movements in the carrying value are as follows:

	Group	
	2007	2006
	Rp'million	Rp'million
At fair value		
At 1 January	**2,379**	2,533
Addition from acquisition of new subsidiary	**369,012**	-
Addition during the year	**16,187**	-
Gain/(Loss) on changes in fair value	**24,825**	(26)
Point of sale costs	**-**	(128)
At 31 December	**412,403**	2,379

17. Available for sale financial assets

	Group	
	2007	2006
	Rp'million	Rp'million
Shares – unquoted	**-**	9,278

Available for sale financial assets consist of investment in ordinary shares with no fixed maturity date or coupon rate. Investment in ordinary shares are carried at cost as the fair value of the investment cannot be reasonably estimated.

18. Land use rights

	Group	
	2007	2006
	Rp'million	Rp'million
Cost		
At 1 January	**21,178**	16,303
Addition from acquisition of subsidiary, net	**36,970**	-
Addition	**18,026**	4,875
At 31 December	**76,174**	21,178
Accumulated amortisation		
At 1 January	**5,598**	4,453
Amortisation	**4,379**	1,145
At 31 December	**9,977**	5,598
Net book value		
At 31 December	**66,197**	15,580

19. Deferred tax

Deferred tax relates to the following:

	Group	
	2007	2006
	Rp'million	Rp'million
Deferred tax assets		
Unabsorbed losses	95,485	48,064
Temporary difference on employees' benefits obligation	7,770	6,203
Temporary difference between accounting and tax base accumulated depreciation	49,744	-
Effect of fair value on net asset of subsidiary acquired by the Company	17,886	-
Effect of discounting of receivables	7,541	4,505
Temporary difference on amortisation of land use rights	3,601	1,615
Temporary difference on accounting and tax treatment of finance lease	-	1,084
Others	(479)	768
Total deferred tax assets	181,548	62,239

	Group	
	2007	2006
	Rp'million	Rp'million
Deferred tax liabilities		
Temporary difference on gain on dilution of interest in associate	-	94,181
Effect of change in value of biological assets	77,146	-
Temporary difference between accounting and tax base accumulated depreciation	21,474	35,600
Temporary difference on accounting and tax treatment of finance lease	21,348	25,649
Effect of discounting of loans	3,333	8,926
Others	9,030	2,324
Total deferred tax liabilities	132,331	166,680

20. Other non-current assets

	Group	
	2007	2006
	Rp million	Rp million
Estimated claim for tax refund	11,346	13,398
Deferred loss on sale and lease-back transactions	671	5,721
Advances for purchase of property, plant and equipment	19,851	5,506
Guarantee deposits - net	1,325	2,506
Others	18,978	-
	52,171	27,131

20. Other non-current assets (cont'd)

Guarantee deposits are made by a subsidiary to PT Sarana Agro Mandiri, a related party, for the purchase of logs. The subsidiary has provide a 50% allowance on the guarantee deposit.

Deferred loss on sale and lease-back transactions is amortized over the useful life of the lease-back assets. The sales and lease-back assets are disclosed in Note 12, and the Group's obligation under finance lease is disclosed in Note 27(c).

21. Inventories

	Group	
	2007	2006
	Rp'million	Rp'million
Raw materials	71,392	92,567
Work in progress	92,822	24,962
Finished goods	205,947	62,382
Indirect materials and spare parts	212,444	37,010
Total inventories at lower of cost and net realisable value	582,605	216,921
Inventories recognised as an expense in cost of sales in income statement	1,416,783	984,157
Inclusive inventories written down	1,964	-

All inventories are pledged as collaterals on interest bearing loans and reforestation fund payable (Notes 26 and 27).

22. Trade and other receivables

	Group		Company	
	2007	2006	2007	2006
	Rp'million	Rp'million	Rp'million	Rp'million
Trade receivables				
- Third parties	137,920	64,780	-	-
- Related parties	-	7,706	-	-
Other receivables				
- Third parties	20,646	14,329	-	-
- Related parties	-	1,668	-	-
- Subsidiary company	-	-	256,798	-
	158,566	88,483	256,798	-

22. Trade and other receivables (cont'd)

Trade receivable are non-interest bearing and are generally on 30-90 days base terms. They are recognised at their original invoice amount which represent their fair values on initial recognition.

All trade accounts receivable are pledged as collaterals for the interest bearing loans (Note 26 and 27).

The amount due from related parties is unsecured, interest free and is repayable on demand.

At the balance sheet date , trade receivables arising from export sales amounting to Rp72,196 million (2006:Rp16,278 million) are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based.

The Group has trade receivable amounting to Rp158,566 million (2006: Rp88,483 million) that are vast due at balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2007	2006	2007	2006
	Rp'million	Rp'million	Rp'million	Rp'million
0 – 30 days	**77,434**	56,293	-	-
31 – 60 days	**41,660**	4,030	-	-
61 – 90 days	**39,472**	28,160	**256,798**	-
Total	**158,566**	88,483	**256,798**	-

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	Rp'million	Rp'million	Rp'million	Rp'million
Indonesian Rupiah	**95,247**	68,937	-	-
US dollars	**63,319**	18,374	**256,798**	-
Others	-	1,172	-	-
	158,566	88,483	**256,798**	-

23. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	Rp'million	Rp'million	Rp'million	Rp'million
Cash on hand	**8,606**	4,962	**8**	27
Cash in banks	**138,177**	57,914	**539**	138
Fixed deposits	**26,084**	101,286	**9,731**	-
Cash and cash equivalents	**172,867**	164,162	**10,278**	165
Interest rate per annum	**0.65% - 8.5%**	4.5%-9.25%	**1.5% - 1.75%**	1.5%-1.75%

Fixed deposits are made for varying periods of between one day and one month depending on the immediate cash requirement of the Group, and earns interests at the respective short-term deposit rates.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	Rp'million	Rp'million	Rp'million	Rp'million
Indonesian Rupiah	**104,501**	90,927	**-**	-
US Dollars	**67,697**	73,061	**9,862**	165
Others	**669**	174	**416**	-
	172,867	164,162	**10,278**	165

24. Trade and other payable

	Group		Company	
	2007	2006	**2007**	2006
	Rp'million	Rp'million	**Rp'million**	Rp'million
Trade payable				
- Third parties	**184,956**	148,819	**-**	-
- Related parties	**11,295**	43,323	**-**	-
Liabilities for purchase of machineries	**2,443**	17,169	**-**	-
Other payable	**37,570**	23,719	**3,683**	29
	236,264	233,030	**3,683**	29

24. Trade and other payable (cont'd)

Trade and other payable are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	Rp'million	Rp'million	**Rp'million**	Rp'million
Indonesian Rupiah	**150,711**	148,819	-	-
US Dollars	**79,287**	43,323	-	-
Others	**6,266**	40,888	3,683	29
	236,264	233,030	3,683	29

Trade payable – third parties/other payables

These amounts are non-interest bearing. Trade payables are normally settled on 60 day terms while other payables have an average term of 3 months.

Amount due to related parties

These amounts are unsecured, non-interest bearing and are repayable on demand.

25. Other liabilities

	Group	
	2007	2006
	Rp'million	Rp'million
Accrued expenses		
- Interests	**33,435**	9,753
- Salaries and wages	**5,450**	5,243
- Claims and commissions	**4,268**	3,591
- Freight	**8,634**	3,415
- Others	**32,792**	8,998
Advances from customers	**100,828**	30,510
VAT payable	**39,452**	5,470
Decommissioning liabilities	**2,090**	-
	226,949	66,980

26. Short term bank borrowings

The details of short term bank borrowings are as follows:

		Group	
		2007	2006
		Rp'million	Rp'million
(a)	US$4,345,000 working capital facility. Interest is payable at 4.5% per annum above 1 month SIBOR.	-	970
(b)	US$5,500,000 working capital facility. Interest is payable at 5.75% – 8.00% per annum.	50,156	49,538
(c)	US$1,000,000 working capital facility. Interest is payable at 0.125% under prime rate.	-	4,154
(d)	US$2,400,000 working capital facility. Interest is payable at quarterly adjusted prime lending rate of 3 months SIBOR plus 3.25% per annum.	-	14,432
(e)	Rp2,000,000,000 working capital facility. Interest is payable at 15% per annum.	891	-
(f)	Rp4,000,000,000 overdraft facility. Interest is payable approximately at SBI plus 1.5% per annum.	3,666	-
(g)	Rp11,000,000,000 overdraft facility and Rp4,000,000,000 credit local facility. Interest is payable at SBI plus 1.25% per annum.	-	4,394
(h)	Rp200,000,000 working capital facility. Interest is payable at 12.5% per annum.	-	219
(i)	US$10,950,000 working capital facility. Interest is payable at 2.75% below the current base rate, approximately 9.75% - 10.75%	64,463	49,682
(j)	Rp47,500,000,000 working capital facility. Interest is payable at 13.5% per annum.	28,875	8,063
(k)	US$8,000,000 and Rp75,000,000,000 working capital facility. Interest is payable at 8.0% per annum for the US$ denominated loan and 11% per annum for the Rupiah denominated loan.	150,352	-
(l)	US$3,000,000 packing loan facility. Interest is payable at 8.5% per annum.	26,514	-
		324,917	131,452

The short term bank borrowings are secured and guaranteed by corporate guarantees, pledge on asset, accounts receivable, subsidiaries' inventories and property, plant and equipment of the Group and personal guarantees, property, plant and equipment and deposits from two directors and a relative of such directors.

27. Long term borrowings

	Group		Company	
	2007	2006	**2007**	2006
	Rp'million	Rp'million	**Rp'million**	Rp'million
Current				
Interest bearing bank borrowings	**205,077**	125,452	-	-
Obligation under finance lease	**69,225**	22,906	-	-
Notes payable	**7,120**	6,166	-	-
Reforestation fund payable	**7,110**	1,730	-	-
Customer financing loans	**275**	200	-	-
	288,807	156,454	-	-
Non Current				
Interest bearing bank borrowings	**1,231,692**	348,647	310,827	-
Bonds payable	**-**	98,466	-	-
Obligation under finance lease	**87,212**	11,281	-	-
Notes payable	**-**	7,121	-	-
Reforestation fund payable	**3,970**	-	-	-
	1,322,874	465,515	310,827	-
	1,611,681	621,969	310,827	-

(a) Interest bearing bank borrowings

	Group	
	2007	2006
	Rp'million	Rp'million
Within one year	**205,077**	125,452
Between two and five years	**879,621**	106,943
Later than five years	**352,071**	241,704
	1,436,769	474,099

27. Long term borrowings (cont'd)

(a) Interest bearing bank borrowings (cont'd)

		Group		Company	
		2007	2006	**2007**	2006
		Rp'million	Rp'million	**Rp'million**	Rp'million
(a)	US$35,000,000 term loan payable on quarterly instalments starting November 2006 and subsequently commencing November 2010, on monthly instalments. Interest is at LIBOR plus 5.95% per annum.	**282,862**	293,156	-	-
(b)	US$12,500,000 term loan, repayable on quarterly instalments, commencing March 2004 and subsequently commencing January 2005, on monthly instalments. Interest is payable at 8% to 9% per annum.	**24,736**	35,802	-	-
(c)	US$25,000,000 term loan, repayable on a monthly basis, commencing on June 2006 and due on March 2010. Interest is payable at 9.35% per annum.	**136,776**	110,960	-	-
(d)	US$5,000,000 term loan, commencing on October 2003. Interest is payable at 7.75% per annum.	-	6,764	-	-
(e)	Rp60,888,000,000 term loan, repayable on quarterly instalments, commencing November 2004. Interest is payable at a range of 12.5% to 14.5% per annum.	**14,564**	27,417	-	-
(f)	US$33 million loan repayable in 18 months upon following the first utilisation date interest is payable at Libor plus 4% per annum	**310,827**	-	**310,827**	-

27. Long term borrowings (cont'd)

(a) Interest bearing bank borrowings (cont'd)

	Group 2007 Rp'million	Group 2006 Rp'million	Company 2007 Rp'million	Company 2006 Rp'million
(g) US$18,592,768 term loan (Tranche A), repayable in 35 quarterly instalments starting March 2008 after a 3-year grace period. Interest is 1% above the base lending rate of the creditor.	175,125	-	-	-
(h) US$ 27,889,152 term loan (Tranche B), repayable in 47 quarterly instalments starting March 2008 after a 3-year grace period. Interest is payable at 1% per annum.	262,688	-	-	-
(i) US$ 5,000,000 term loan, repayable in 48 monthly instalments that started June 2007. Interest is payable at 8.0% per annum.	40,207	-	-	-
(j) US$ 10,500,000 term loan, repayable in 12 quarterly instalments that started March 2007 after a 6-month grace period. Interest is payable at 8.0% per annum.	65,933	-	-	-
(k) US$ 8,000,000 term loan, repayable in 36 monthly instalments starting March 2008 after a 9-month grace period. Interest is payable at 8.0% per annum.	75,956	-	-	-
(l) US$ 5,000,000 term loan, repayable in 48 monthly instalments that started December 2007. Interest is payable at 2.75% SIBOR	47,095	-	-	-
	1,436,769	474,099	310,827	-

As a result of the restructuring of the loan of PT Sumalindo Lestari Jaya Tbk. obtained from PT Bank Mandiri (Persero) Tbk, consisting of Tranche A amounting to US$18,592,768 and Tranche B amounting to US$27,889,152 (as indicated in loan (g) and (h) respectively), the past due interest amounting to Rp 202,860 million will be written off after 15 years, if PT Sumalindo Lestari Jaya Tbk. can meet the repayment requirement as agreed with PT Bank Mandiri (Persero) Tbk. The balance of past due interest is presented as "other liabilities" under Non-current Liabilities.

27. Long term borrowings (cont'd)

(a) Interest bearing bank borrowings (cont'd)

The long term interest-bearing bank borrowings are secured as follows:

- Corporate guarantee from the subsidiaries to Citigroup International Limited as fiscal agent, security agent, registrar and agent bank and Citigroup Global Markets Limited as original note holder; and
- land rights, buildings, inventories and machineries of the subsidiaries.

(b) Bonds payable

In May 2003, a subsidiary, PT Putra Sumber Utama Timber (PSUT) issued to the public 5-year bonds with nominal value totaling Rp 200,000 million , consisting of 2 series (A and B Series) rated A- (A Minus ; Stable Outlook) by PT Pefindo, and listed at the Surabaya Stock Exchange on 19 May 2003. Owners of the B Series bonds have the option to sell or purchase on year three from the date of issuance on 13 May 2003. The fixed annual interest rates are 15.875% for A Series and 15.375% for B Series and are paid every 3 months.

The first interest payments for the bonds were made on August 13, 2003, and the last will be made on May 13, 2008 for the A Series, which is also the date for the payment of the principal. The last date of interest payments for the B Series was May 13, 2006, which was also the date for the payment of the principal, should PSUT or the bondholders have opted to exercise their rights to buy or sell.

The bonds are secured by first priority on six parcels of land with commercial building usage rights held under the name of PSUT, totaling 174,919 m^2 and include the buildings, machineries, fixtures and equipment that are located in Desa Sarang Burung, Province of Jambi.

Based on the resolutions in the General Meeting of Bondholders (RUPO) dated October 28, 2004, PSUT is given flexibility on the financial covenant and is obliged to provide a Sinking Fund amounting to Rp 30,000 million gradually. This has fully been provided by PSUT on 9 April, 2005.

As at 31 December 2006, the Sinking Fund balance amounted to Rp 30,000 million. The Sinking Fund is placed as a time deposit at PT Bank Permata Tbk., Jakarta, which earn interest of 7.75% - 8.5% per annum. On 12 November 2007, PSUT already paid the bonds and premium value using the sinking fund balance amounting Rp30 billion so the balance of sinking fund was nil.

27. Long term borrowings (cont'd)

(b) Bonds payable (cont'd)

Details of the bond payable are as follows:

	Group 2007 Rp'million	Group 2006 Rp'million
A Series	-	98,466
Within one year	-	-
Between two and five years	-	98,466
	-	98,466

As at 31 December 2006, the fair values of the bonds at market prices by reference to the last published quotations from the Surabaya Stock Exchange was Rp 79,200 million.

(c) Obligation under finance lease

The Group has finance lease for certain items of machinery and heavy equipment and vehicles. These leases have terms of renewal but no purchase option and escalation clauses. There are no restrictions placed upon the Group by entering into these leases.

The future minimum lease payments under the lease agreements are as follows:

	Group			
	2007 Rp'million		2006 Rp'million	
	Minimum Payments	Present value of minimum payments	Minimum Payments	Present value of minimum payments
Within one year	83,004	69,225	23,066	22,906
Between two and five years	103,912	87,212	14,052	11,281
Total minimum lease payments	186,916	156,437	37,118	34,187
Less: interest	(30,479)	-	(2,931)	-
Present value of minimum lease payments	156,437	156,437	34,187	34,187

Finance leases bear interest ranging from 9.6% to 10.1% per annum for year ended 31 December 2007 (2006: 9.6% to 10.1% per annum). The effective interest rate ranges from 9.8% to 10% per annum for year ended 31 December 2007 (2006: 9.8% to 10% per annum).

All assets acquired under finance leases are secured against the assets under lease.

The net book value of assets under finance lease a mounts to Rp 244,012 million for the financial year ended 31 December 2007 (2006: Rp 58,797 million).

27. Long term borrowings (cont'd)

(d) Notes payable

Notes payable represents promissory notes issued by a subsidiary, PT Putra Sumber Utama Timber (PSUT) to a third party, PT Pelayaran Nelly Dwi Putri (Pelayaran) in relation to PSUT's liability to Pelayaran for freight expenses. The notes is payable in six quarterly instalments of Rp 2,500 million each commencing June 2007 until September 2008 and subject to annual interest of 2% per annum.

	Group	
	2007	2006
	Rp'million	Rp'million
Within one year	**7,120**	6,166
Between two and five years	**-**	7,121
	7,120	13,287

As at 31 December 2007, the fair value of the notes payable, calculated using market interest rates, is Rp10,729 million (31 December 2006: Rp 11,327 million).

(e) Reforestation fund payable

In 2000, a subsidiary, Arangan Hutan Lestari (AHL) obtained a non-interest bearing loan amounting to Rp 1,740 million (US$181,335) from the Department of Forestry of the Republic of Indonesia arising from the reforestation fund given through PT Bank Mandiri (Persero) Tbk., which shall be payable in annual instalments until July 2007. The loan is used for reforestation activities of Commercial Forest Estate by a group of farmers and is secured by property, plant and equipment, receivables, inventories, insurance claim and corporate guarantee from AHL (Notes 23 and 24 (a)).

AHL submitted an application for rescheduling the instalment payment. As of date of the report, AHL has not yet obtained an approval from Bank Mandiri on the application for rescheduling. In 2006, AHL made an instalment payment amounting to Rp10 million. As of 31 December 2006, balance of the loan is considered due and demandable since AHL has been in breach with respect to the principal payment schedule.

In 1998, a subsidiary, PT Sumalindo Hutani Jaya (SHJ) obtained a non-interest bearing loan amounting to approximately Rp11,870 million from the Department of Forestry of the Republic of Indonesia arising from the reforestation fund given through PT Bank Mandiri (Persero) Tbk., which shall be payable in semi-annual instalments until July 2005. The loan is used for reforestation activities and is secured by fixed assets and inventories of SHJ.

28. Post-employment benefits

The Group and its subsidiaries calculate and record post-employment benefits for its qualified employees based on Labor Law No. 13/2003 dated March 2003. The number of employees entitled to the benefits as at 31 December 2007 was 14,970 (31 December 2006: 8,953).

The following tables summarize the components of provision for post employment benefits included in salaries and employee allowances and employee benefits under "general and administrative expenses" in the income statement and "post-employment benefits" in the balance sheets.

	Group	
	2007	2006
	Rp'million	Rp'million
Components of provision for post-employment benefits		
Current service costs	**8,460**	3,737
Interest costs	**5,058**	1,729
Amortisation of past service costs and actuarial losses	**211**	34
Curtailments effect or termination	**(677)**	(406)
	13,052	5,094
Employee benefits liabilities		
Beginning of the year	**20,804**	15,837
Addition due to acquisition of subsidiary	**7,307**	-
Expenses during the year	**13,052**	5,094
Actual payments during the year	**3,731**	(127)
	44,894	20,804

Movements in the present value of employee benefits liabilities are as follows:

	Group	
	2007	2006
	Rp'million	Rp'million
Present value of post employment benefits obligation	**61,027**	28,403
Unrecognised past service cost vested	**7,155**	(498)
Unrecognised actuarial losses	**(23,288)**	(7,101)
Liability recognised in balance sheet	**44,894**	20,804

28. Post-employment benefits (cont'd)

Reconciliation of present value of employee benefits liabilities is as follows:

	Group	
	2007	2006
	Rp'million	Rp'million
Beginning of the year	20,804	15,837
Addition due to acquisition of subsidiary	7,307	-
Current service cost	8,460	3,737
Interest cost	5,058	1,729
Actuarial loss	211	34
Benefits paid	3,731	(127)
Effect of curtailment or termination	(677)	(406)
	44,894	20,804

The cost of providing post-employment benefits is calculated by independent actuaries, PT KAIA Magna Consulting. The actuarial valuation was carried out using the following key assumptions:

	Group	
	2007	2006
Discount rate	10% per annum	10% per annum
Mortality table	TM II – 1999	TM II 1999
Rates of increase in compensation	10% per annum	10% per annum
Average expected retirement age	55 years	55 years

The history of curtailment effect is as follows:

	Group	
	2007	2006
	Rp'million	Rp'million
Experience adjustments	-	127

29. Share capital

	Group			
	2007		2006	
	Number of shares	Rp'million	Number of shares	Rp'million
Issued and fully paid				
Balance at beginning of the year	**100,000,000**	**475,840**	**816,580,885**	**436,865**
Additional paid-in capital of the Company	**14,103,986**	**793,327**	-	-
Adjustment arising from the restructuring exercise	-		(816,580,882)	(436,865)
Issuance during the year	-	-	99,999,997	475,840
Sub division of one ordinary share into six shares	570,519,930	-	-	-
Balance at the end of the year	684,623,916	1,269,167	100,000,000	475,840

	Company			
	2007		2006	
	Number of shares	Rp'million	Number of shares	Rp'million
Issued and fully paid				
Balance at beginning of the year	**100,000,000**	**475,840**	**3**	**-***
Additional paid-in capital of the Company	**14,103,986**	**793,327**	-	-
Issuance during the year	-	-	99,999,997	475,840
Sub division of one ordinary share into six shares	570,519,930	-	-	-
Balance at the end of the year	684,623,916	1,269,167	100,000,000	475,840

** Amount less than Rp 1 million*

The Group was incorporated on 26 December 2005 and three shares of the Group have been issued as at 31 December 2005.

In August 2006, the Group entered into a loan agreement with Citibank Group ("Citibank") for a US$35 million loan facility, whereby the Group granted a warrant option to Citibank to buy up to 3.5% of the enlarged share capital of the Group at 15% discount off the IPO price. Subsequent to the year end 27,941,646 shares were issued at a discount of 15% to the offering price of S$ 0.55 per share pursuant to the exercise of this option.

In connection with the initial public offering, the Group undergoes a share split of 1 share into 6 shares in December 2007.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. Each ordinary share carries one vote per share without restriction.

30. Restructuring reserves

	2007 Rp'million	2006 Rp'million
Balance at beginning of the year	**168,027**	(18,317)
Adjustment arising from the restructuring exercise	**141,023**	186,344
Balance at the end of year	**309,050**	168,027

Restructuring reserves represent the difference between the nominal value of shares issued in exchange for the nominal value of shares and capital reserve of subsidiaries acquired under common control, in accordance with the principles of merger accounting.

31. Derivative financial instruments

Derivative financial instruments included in the balance sheets of 31 December 2007 and 31 December 2006 are as follows:

	Group			
	2007 Rp'million		2006 Rp'million	
	Contract/ nominal amount	**Liabilities**	Contract/ nominal amount	Assets
- Forward currency contracts (Equivalent in USD 8,072,500 in 2007 and USD 6,750,000 in 2006)	**76,035**	288	**61,330**	859
- Swap exchange contract USD 15,000,000	**141,285**	981	-	-
		1,269		859

PT Putra Sumber Utama Timber (PSUT) and PT Sumber Graha Sejahtera (SGS) entered into short-term foreign currency forward and swap exchange contracts to manage the adverse effects the exchange rate fluctuations may have on the foreign currencies denominated short-term liabilities.

The above derivative financial instruments do not qualify for accounting for hedges. The loss from forward currency transactions for the year ended 31 December 2007 is Rp1,839 million and gain for year ended 31 December 2006: Rp3,102 million), and is included within "other expenses" / "other income" within the consolidated income statement.

32. Investment in subsidiary companies

	Name (Country of incorporation)	Principal activities	Cost		Percentage of effective equity interest held by the Company	
			2007 Rp million	2006 Rp million	2007 %	2006 %
@	PT Sumber Graha Sejahtera (Indonesia) (1)	Production of plywood, laminated veneer lumber wood panels and wood based furniture	1,289,754	478,740	99.98	99.98
&	Perfect Crops Limited (Seychelles)	Investment holding	939	*	100.00	100.00
			1,290,693	478,740		

*means not meaningful

Subsidiaries held through PT Sumber Graha Sejahtera:

	Name (Country of incorporation)	Principal activities	Percentage of effective equity interest held by the Company	
			2007 %	2006 %
@	PT Panca Usaha Palopo Plywood (Indonesia)	Production of plywood, sawn timber, wood moldings and construction materials	98.44	98.44
@	PT Putra Sumber Utama Timber (Indonesia) (1)	Production of plywood and laminated veneer lumber, wood moldings and building material components	99.18	99.18
@	PT Sejahtera Usaha Bersama (Indonesia) (2)	Production of veneers	99.98	99.98
#	PT Sumber Graha Sejahtera Indonesia (Indonesia)	Trade of construction goods, and trade of processed wood, technical/mechanical/ electrical tools	98.98	98.98
#	PT Makmur Alam Lestari (Indonesia) (2)	Production of veneers	99.91	99.91
@	PT Sumalindo Lestari Jaya Tbk (Indonesia)	Forest exploration, industrial timber estate and utilization of forest products	51.95	30.10(3)

Subsidiaries held through PT Putra Sumber Utama Timber:

@	PT Putra Sumber Kreasitama (Indonesia)	Production of wood moldings and building materials components	97.27	97.27

32. Investment in subsidiary companies (cont'd)

Subsidiaries held through PT Putra Sumber Utama Timber: (cont'd)

	Name (Country of incorporation)	Principal activities	Percentage of effective equity interest held by the Company	
			2007	2006
			%	%
@	PT Putra Sumber Kimindo (Indonesia)	Production of chemical glues	**68.82**	68.82
@	PT Navatani Persada (Indonesia)	Production of laminated engineering wood panel, veneers, wood moldings, building construction components and wood furniture	**69.92**	69.92
@	PT Arangan Hutan Lestari (Indonesia)	Cultivation and logging of industrial forest plantations	**59.51**	59.51

Subsidiaries held through PT Makmur Alam Lestari:

	Name (Country of incorporation)	Principal activities	2007 %	2006 %
#	PT Makmur Alam Sentosa (Indonesia)	Production of veneers	**99.88**	99.88
#	PT Kharisma Megah Dharma (Indonesia)	Production of veneers	**99.90**	99.90
#	PT Mitra Lestari Abadi (Indonesia)	Production of veneers	**98.89**	98.89
#	PT Wana Makmur Sejahtera (Indonesia)	Production of veneers	**99.91**	99.91
#	PT Kreatif Cipta Bersama (Indonesia)	Trading of agricultural, plantation and industrial products	**99.91**	99.91
#	PT Sari Alam Sejahtera (Indonesia)	Trading of construction materials	**99.51**	99.51
#	PT Anugrah Karunia Alam (Indonesia)	Retail of construction materials and wood for interior renovation, and trade of products in the wood industry	**99.81**	99.81
#	PT Nusantara Makmur Sentosa (Indonesia)	Retail of construction materials and wood for interior renovation, and trade of goods in the wood industry	**99.81**	99.81

32. Investment in subsidiary companies (cont'd)

Subsidiaries held through PT Makmur Alam Lestari: (cont'd)

	Name (Country of incorporation)	Principal activities	Percentage of effective equity interest held by the Company 2007 %	2006 %
#	PT Kreasi Putra Pratama (Indonesia)	Supplier of mining, agricultural, handicraft printing and primary needs products and goods transportation services	99.81	99.81
#	PT Musi Rawas Lestari Makmur (Indonesia)	Production of veneers	99.90	99.90
#	PT Surya Sumber Rejeki (Indonesia)	Production of veneers	99.91	99.91
#	PT Agrindo Persada Lestari (Indonesia)	Trading of veneer plant	99.90	99.90
#	PT Alam Raya Makmur (Indonesia)	Production of veneers	99.81	99.81
#	PT Dinamika Maju Bersama (Indonesia)	Production of veneers	99.90	99.90

Subsidiaries held through PT Sumalindo Lestari Jaya Tbk :

@	PT Karya Wijaya Sukses (Indonesia)	Logging of natural forests and trading of wood-based construction materials	50.89	- (3)
@	PT Sumalindo Hutani Jaya (Indonesia)	Cultivation and logging of industrial forest plantations	31.12	- (3)
@	PT Nityasa Prima (Indonesia)	Dormant	51.90	- (3)
@	PT Inti Prona (Indonesia)	Dormant	51.40	- (3)
@	PT Kalimantan Powerindo (Indonesia)	Supplier of electric power	51.9	- (3)
@	PT Sumalindo Mitra Resindo (Indonesia)	Production and wholesale trading of chemical glues	31.12	- (3)

32. Investment in subsidiary companies (cont'd)

[1] *PT Sumber Graha Sejahtera and PT Putra Sumber Utama Timber were acquired in April 2006 and May 2006 respectively, as restructuring of companies under common control, accounted for under pooling of interest method of accounting*
[2] *PT Sejahtera Usaha Bersama and PT Makmur Alam Lestari were acquired in June 2007 and July 2007 respectively, as restructuring of companies under common control, accounted for under pooling of interest method of accounting*
[3] *Accounted as an associated company in 2006 before it became a subsidiary in August 2007*
@ *Audited by Ernst & Young, Jakarta*
# *Audited by Kanaka Puradiredja, Robert Yogi, Suhartono – a member of Nexia International, Jakarta*
& *Audited by Halpern & Woolf, Seychelles*

33. Commitments and contingencies

Capital commitments

As of 31 December 2007, the Group had capital commitments amounting to Rp89,210 million (31 December 2006: Rp17,898 million).

Operating lease commitments

The Group has various operating lease agreements for the rental of office and land. Office leases have an average life of between 3 and 6 years and contain renewable options. As of 1 March 2007 the contract extends till 28 February 2013. Lease terms do not contain escalation clauses or contingent rentals and do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Operating lease payments recognised in the profit and loss account for 2007 that were paid to this company amounted to Rp15,013 million and Rp15,013 million in 2006. Future minimum lease payments payable under non-cancellable operating leases as of 31 December 2007 and 31 December 2006 are as follows:

	Group	
	2007	2006
	Rp'million	Rp'million
Not later than one year	**11,044**	17,735
Later than one year but not later than five years	**4,249**	41,962
Later than five years	**-**	6,341
	15,393	66,038

34. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

(a) Sale and purchase of goods and services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties.

	Group	
	2007	2006
	Rp'million	Rp'million
Related parties		
Sales	**5,455**	956
Purchases	**6,215**	8,307
Freight charges	**35,805**	32,255

Hasan Holding Pte. Ltd. acted as a purchasing agent for our procurement of spare parts and some sub-materials from overseas markets and we in turn purchased these spare parts and sub-materials from them. They also provided cargo handling services for the loading and unloading or our cargo in Singapore.

We have, from time to time, in ordinary course of our business, chartered tugs and barges from Noah Shipping Pte Ltd for the transportation of our logs, veneers and finished timber products within Indonesia.

Hasan Holding Pte Ltd and Noah Shipping Pte Ltd are wholly-owned by Sunarko family.

(b) Compensation to key management personnel

	Group	
	2007	2006
	Rp'million	Rp'million
Short-term benefits		
- Directors	**6,825**	5,616
- Executive officers	**6,578**	3,419

Compensation to key management personnel consist of salaries, bonuses, and car allowance.

34. Related party disclosures (cont'd)

(c) Loans and advances to/(from) related parties

	Group	
	2007	2006
	Rp'million	Rp'million
Loans/advances to related parties	-	12,014
Loans/advances (from) related parties	-	(14,381)
	-	(2,367)

(d) Operating lease commitments

Included within operating lease commitments as disclosed in Note 33 is an amount payable for the rental of land and buildings to PT Balaraja Unggul Sejati, a company which is wholly owned by the Group's Chief Executive Officer, Mr Aris Sunarko @ Ko Tji Kim, Executive Director, Mr Koh Tji Kiong @ Amir Sunarko, and their respective associates.

The total amount of operating lease payments recognised in the profit and loss account for the financial year 31 December 2007 that were paid to this company amounted to Rp 17,735 million and Rp 17,361 million in 2006. The rental amounts paid were lower than prevailing market rental rates for similar real property, and were not on an arm's length basis.

Future minimum lease payments payable under non-cancellable operating leases as of 31 December 2007 and 31 December 2006 to this company are as follows:

	Group	
	2007	2006
	Rp'million	Rp'million
Not later than one year	**17,310**	15,240
Later than one year but not later than five years	**17,210**	31,680
Later than five years	-	1,200
	34,520	48,120

34. Related party disclosures (cont'd)

(e) Capital commitments with related parties

Included in the capital commitments as disclosed in Note 33 are binding agreements that the Group has entered into, with its related parties, for the purchase of land and buildings. The purchase prices are based on valuations obtained from independent property valuers. The terms under which the Group purchased the land and buildings were negotiated on an arm's length basis.

The capital commitments entered into with related parties as of the following dates are set out below:

	Group	
	2007	2006
	Rp'million	Rp'million
Land	11,009	-
Building	1,400	-
	12,409	-

(f) Provision of freight services by interested persons

Freight services have been provided by PT Pelayaran Nelly Dwi Putri ("Pelayaran"), to the Group. Pelayaran is a shipping company wholly owned by the Company's Chief Executive Officer, Mr Aris Sunarko @ Ko Tji Kim, Executive Director, Mr Koh Tji Kiong @ Amir Sunarko, and their respective associates.

The total amount of freight charges paid by the Group to Pelayaran during the period 1 January 2007 to 31 December 2007 amounted to approximately Rp 35,805 million. The freight services were provided to the Company on an arm's length basis and the freight charges paid to Pelayaran are comparable to those which might have been paid to unrelated third parties for such services. The Company intends to continue obtaining freight services from Pelayaran in the future.

During the year, the Company entered into the following time charters with Pelayaran :

Tug/Barge	Charter Amount (Rp in millions) per month
Tug boat Putra Taliabu and barge Nelly 32	220
Tug boat Nelly V and barge Nelly 22	250
Tug boat Sumber 6 and barge Putri Bahari	250
Tug boat Nelly 11 and barge Nelly 26	250
Tug boat Nelly 17 and barge Nelly 30	250

35. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the Group's short term bank borrowings, long-term borrowings and cash in bank.

The Group's policy is to manage its exposure to interest rate risks using a mix of fixed and variable rate borrowings. The objectives for the mix between fixed and variable rate borrowings are set to reduce the impact of an upward change in interest rate while enabling benefits to be enjoyed if interest rates fall.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Surplus funds are placed with reputable banks and financial institutions which generate interest income for the Group. Information relating to the Group's interest rate exposure is disclosed in Note 27.

<u>Sensitivity analysis for interest rate risk</u>

At the balance sheet date, if US$ interest rates had been 100 basis points lower/higher with all other variables held constant, the Group's profit net of tax in 2007 and in 2006 would have been Rp13,556 million and Rp5,274 million higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(b) Foreign currency risk

Substantially all of the Group's export sales are denominated in US$. Products prices sold in domestic market are also influenced by the international prices of timber products which are denominated in US$.

The Group has practices that include the periodic review of the impact of movements in foreign exchange rates on profitability so that appropriate action is taken to mitigate these risks. The Group uses derivative financial instruments to hedge foreign exchange exposure arising from US$ denominated loans. The Group does not use derivative financial instruments for trading or speculative purposes.

35. Financial risk management objectives and policies (cont'd)

(b) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Indonesian Rupiah exchange rates (against USD), with all other variables held constant, of the Group's profit for the year and equity.

	Group			
Exchange Rate 1 USD is equal to :	2007 Rp'million		2006 Rp'million	
	Profit for the year	Equity	Profit for the year	Equity
Actual	**55,407**	1,912,194	**53,670**	581,439
Test Rate	Increase / (Decrease)		Increase / (Decrease)	
9,400	**49,741**	49,741	**71,202**	71,202
9,300	**24,577**	24,577	**53,402**	53,402
9,200	**(587)**	(587)	**35,601**	35,601
9,100	**(25,752)**	(25,752)	**17,801**	17,801

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial obligation should a counter party default on its obligations.

The Group's exposures to credit risk are primarily attributable to receivables and bank balances. It is the Group's policy to monitor the financial standing of these receivables on an on-going basis to ensure that the Group is exposed to minimal credit risk. Bank balances are placed with credit worthy financial institutions. More than 95% of the Group's customers have been loyal customers for more than 5 years with good credit standing. The Group adopts prudent credit risk assessment on new and existing customers by implementing 'know-your-customer' policy.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22 (Trade and other receivables).

35. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter in meeting financial obligation due to shortage of funds.

The Group's exposure to liquidity and cash flow risk arise mainly from general funding and business activities. Its objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group adopts prudent liquidity risk management by maintaining sufficient cash balances.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

31 December 2007	Within 1 year Rp'million	1-2 Years Rp'million	2-3 years Rp'million	3-4 Years Rp'million	4-5 Years Rp'million	More than 5 years Rp'million	Total Rp'million
Notes payable	7,120	-	-	-	-	-	7,120
Cash and cash equivalents	172,867	-	-	-	-	-	172,867
Short term bank borrowings	324,917	-	-	-	-	-	324,917
Interest bearing bank borrowings	205,077	524,642	134,130	124,583	96,266	352,071	1,436,769
Obligations under finance lease	69,225	56,121	25,070	6,021	-	-	156,437
Reforestation fund payable	7,110	3,970	-	-	-	-	11,080
Customer financing loans	275	-	-	-	-	-	275

31 December 2006	Within 1 year Rp'million	1-2 Years Rp'million	2-3 years Rp'million	3-4 Years Rp'million	4-5 Years Rp'million	More than 5 years Rp'million	Total Rp'million
Bonds payable	-	98,466	-	-	-	-	98,466
Notes payable	6,166	-	7,121	-	-	-	13,287
Cash and cash equivalents	164,162	-	-	-	-	-	164,162
Short term bank borrowings	131,452	-	-	-	-	-	131,452
Interest bearing bank borrowings	125,452	106,943	241,704	-	-	-	474,099
Obligations under finance lease	22,906	11,281	-	-	-	-	34,187
Reforestation fund payable	1,730	-	-	-	-	-	1,730
Customer financing loans	200	-	-	-	-	-	200

36. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's-length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amount of cash and cash equivalents, trade and other receivables, trade and other payable and current/short-term bank loans based on their nominal amounts, reasonably approximate their fair value because these are mostly short term in nature bear floating interest rates and are re-priced frequently.

Financial instruments carried at amounts other than fair values

The carrying amounts and fair values for financial instruments carried at amounts other than fair values are as disclosed in Notes 15, 16, 27(b) and 27(d) to the financial statements.

Unquoted shares stated at cost have no market prices and the fair value cannot be reliably measured using valuation techniques.

Methods and assumptions used to determine fair values

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned above, are as follows:

Financial assets and liabilities	***Methods and assumptions***
• Investment securities (unquoted debentures) • Other receivables (non-current) • Bank loans (non-current)	Fair value has been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending and borrowing arrangements.

36. Fair value of financial instruments (cont'd)

Set out below is a comparison by category of carrying amounts of all the Group's financial assets and liabilities that are carried in the financial statements:

Group

	2007				
	Loan & Receivable	Available for sale assets	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
Property,plant and equipment	-	-	-	1,877,722	1,873,722
Intangible assets	-	-	-	41,655	41,655
Goodwill	-	-	-	841,103	841,103
Biological assets	-	-	-	412,403	412,403
Land use rights	-	-	-	66,197	66,197
Deferred tax assets	-	-	-	181,548	181,548
Other non-current assets	-	-	-	52,171	52,171
Inventories	-	-	-	582,605	582,605
Trade and other receivables	697	-	-	157,869	158,566
Prepaid operating expenses	-	-	-	160,814	160,814
Advances to suppliers	-	-	-	186,031	186,031
Cash and cash equivalents	172,867	-	-	-	172,867
Trade and other payable	-	-	233,821	2,443	236,264
Other liabilities	-	-	126,121	100,928	226,949
Derivatives financial instruments	-	-	-	1,269	1,269
Provision for taxation	-	-	-	40,323	40,323
Short term bank borrowings	-	-	324,917	-	324,917
Long term borrowings (current portion)	-	-	288,807	-	288,807
Long term borrowings	-	-	1,322,874	-	1,322,874
Post-employment benefits	-	-	-	44,894	44,894
Deferred tax liabilities	-	-	-	132,331	132,331
Other liabilities	-	-	-	202,860	202,860

36. Fair value of financial instruments (cont'd)

Group

	2006				
	Loan & Receivable	Available for sale assets	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
Property,plant and equipment	-	-	-	769,484	769,484
Goodwill	-	-	-	125	125
Investment in associate	-	-	-	254,456	254,456
Biological assets	-	-	-	2,379	2,379
Available for sale financial assets	-	9,278	-	-	9,278
Land use rights	-	-	-	15,580	15,580
Deferred tax assets	-	-	-	62,239	62,239
Sinking fund	-	-	-	30,000	30,000
Other non-current assets	-	-	-	27,131	27,131
Inventories	-	-	-	216,921	216,921
Trade and other receivables	1,246	-	-	87,237	88,483
Prepaid operating expenses	-	-	-	52,612	52,612
Advances to suppliers	-	-	-	153,985	153,985
Derivative financial instruments	-	-	-	859	859
Cash and cash equivalents	164,162	-	-	-	164,162
Trade and other payable	-	-	215,861	17,164	233,030
Other liabilities	-	-	36,470	30,510	66,980
Derivatives financial instruments	-	-	-	-	-
Provision for taxation	-	-	-	25,230	25,230
Short term bank borrowings	-	-	131,452	-	131,452
Long term borrowings (current portion)	-	-	156,454	-	156,454
Long term borrowings	-	-	465,515	-	465,515
Post-employment benefits	-	-	-	20,804	20,804
Deferred tax liabilities	-	-	-	166,680	166,680
Decommissioning liabilities	-	-	-	110	110

36. Fair value of financial instruments (cont'd)

Company

	2007				
	Loan & Receivable	Available for sale assets	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
Property,plant and equipment	-	-	-	534	534
Investment in subsidiary companies	-	-	-	1,290,693	1,290,693
Trade and other receivables	256,798	-	-	-	256,798
Prepaid operating expenses	-	-	-	16,988	16,988
Advances to suppliers	-	-	-	41	41
Cash and cash equivalents	10,278	-	-	-	10,278
Trade and other payable	-	-	3,683	-	3,683
Long term borrowings	-	-	310,827	-	310,827

Company

	2006				
	Loan & Receivable	Available for sale assets	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
Investment in subsidiary companies	-	-	-	478,740	478,740
Cash and cash equivalents	165	-	-	-	165
Trade and other payable	-	-	29	-	29

37. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 50% and 75%. The Group includes within net debt, loans and borrowings (excluding convertible redeemable preference shares), trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less the restructuring reserves.

Description	Group	
	2007	2006
	Rp'million	Rp'million
Loans and borrowings (Notes 26 and 27)	**1,936,598**	753,421
Trade and other payable (Note 24)	**236,264**	233,030
Other liabilities (Note 25)	**226,949**	66,980
Less: cash and cash equivalents (Note 23)	**(172,867)**	(164,162)
Net debt	**2,226,944**	889,269
Equity attributable to the equity holders of the parent	**1,507,609**	526,141
Less: restructuring reserve	**(309,050)**	(168,027)
Total capital	**1,198,559**	358,114
Capital and net debt	**3,425,503**	1,247,383
Gearing ratio	**65%**	71%

38. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risk and rates of return are affected predominantly by differences in the products produced. The secondary segment is reported geographically. The operating businesses are organised and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products, and serves different markets.

Business segments

Primary processed timber products segment includes primary plywood, laminated veneer lumber, medium density fibre board, piano parts and logs.

Secondary processed timber products segment includes processed plywood such as film-faced plywood, fancy plywood, paper overlay plywood and truck bodies.

Chemical glue segment includes urea formaldehyde resin, melanine formaldehyde resin and phenol formaldehyde resin.

Geographical segments

Sales to external customers disclosed in geographical segments are based on the geographical location of the customers.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities, finance income, investment in associate, interest-bearing loans and related expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenues, segment expenses and results include transfers between business segments. Those transfers are eliminated on consolidation.

38. Segment information (cont'd)

(a) Business segments

The following table presents revenue and results information regarding the Group's business segments for the financial year ended 31 December 2007 and 2006:

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	71,791	(65,313)	2,315,118
Segment results	179,613	11,224	6,233	(2,610)	194,460
Other expense					(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
Assets and liabilities as at 31 December 2007:					
Segment assets	4,373,079	220,257	80,866	(122,068)	4,552,134
Deferred tax assets					181,548
Total assets					4,733,682
Segment liabilities	681,921	110,489	38,637	(118,811)	712,236
Provision for taxation					40,323
Short term and long term borrowings					1,936,598
Deferred tax liabilities					132,331
Total liabilities					2,821,488

38. Segment information (cont'd)

(a) Business segments (cont'd)

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
Other segment information :					
Depreciation	102,798	3,599	4,758	(1,787)	109,817
Amortisation of deferred losses on sale and leaseback	704	-	-	-	704
Amortisation of land use rights	2,797	274	24	-	4,379
Post employment benefit expense	12,485	526	41	-	13,052
Capital expenditure on property, plant and equipment	455,994	653	9	-	456,656
Gain arising from fair value of biological asset	24,825	-	-	-	24,825

Year ended 31 December 2006	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	1,401,635	185,445	14,967	-	1,602,047
Inter-segment sales	415,001	-	59,744	(474,745)	-
Total sales	1,816,636	185,445	74,711	(323,437)	1,602,047
Results:					
Segment results	135,996	12,005	6,688	(3,718)	150,971
Other income					56,843
Other expense					(28,408)
Finance income					8,238
Finance expense					(103,423)
Share of results in associate					10,241
Profit before tax					94,462
Taxation					(40,792)
Profit for the year					53,670

38. Segment information (cont'd)

(a) Business segments (cont'd)

Year ended 31 December 2006	Primary processed timber products Rp'million	Secondary processed timber products Rp'million	Chemical Glue Rp'million	Elimination Rp'million	Total Rp'million
Assets and liabilities :					
Segment assets	1,381,029	177,933	97,043	(125,006)	1,530,999
Investment in associate					254,456
Deferred tax assets					62,239
Total assets					1,847,694
Segment liabilities	316,698	41,740	43,426	(81,210)	320,924
Provision for taxation				-	25,230
Short term loan and long term borrowings					753,421
Deferred tax liabilities					166,680
Total liabilities					1,266,255
Other segment information :					
Capital expenditure on property, plant and equipment	162,031	1,664	-	-	163,695
Depreciation	71,022	6,092	4,757	-	81,871
Amortisation of deferred losses on sale and leaseback	4,316	-	-	-	4,316
Amortisation of land use rights	847	274	24	-	1,145
Loss arising from changes in fair value of biological asset	26	-	-	-	26
Post employment benefit expense	4,665	368	61	-	5,094

38. Segment information (cont'd)

(b) Geographical segments

All of the Group's assets are located in Indonesia, other than Rp28,955 million (2006: Rp165 million) of assets located in Singapore.

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

Region	2007 Rp'million	2006 Rp'million
Indonesia	**1,542,577**	947,251
North Asia	**459,965**	442,018
Middle East	**121,057**	95,763
Europe	**77,358**	1,353
Others	**114,161**	115,662
	2,315,118	1,602,047

39. Events Occurring After the Balance Sheet Date

On 25 February 2008 the Company completed its Initial Public Offering (IPO) in respect of 183,000,000 ordinary shares of an offer price of S$0.55. On 21 February, the Company issued 27,941,646 additional shares from option exercise by Sampoerna Forestry Ltd and 2,597,000 shares for public over-allotment portion.

40. Authorisation of Financial Statements for Issue

The financial statements for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 31 March 2008.

SHAREHOLDERS' INFORMATION

AS AT 27 MARCH 2008

Class of equity securities	:	Ordinary Shares
Number of equity securities	:	898,162,562
Voting rights	:	One vote per share

There are no treasuy shares held in the issued share capital of the Company

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	669	73.76	2,954,000	0.33
10,001 - 1,000,000	225	24.81	30,078,000	3.35
1,000,001 AND ABOVE	13	1.43	865,130,562	96.32
TOTAL	907	100.00	898,162,562	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
SGSS Forest Products Pte Ltd [1]	365,017,692	40.6	-	-
Aris Sunarko @ Ko Tji Kim [1]	-	-	365,017,692	40.6
Koh Tji Kiong @ Amir Sunarko [1]	-	-	365,017,692	40.6
Piniaty Liawanto [1]	-	-	365,017,692	40.6
Sampoerna Forestry Limited	347,547,870	38.7	-	-

Note:

[1] Mr Aris Sunarko @ Ko Tji Kim and his brother, Mr Koh Tji Kiong @ Amir Sunarko, and their sister-in-law, Ms Piniaty Liawanto, who each own one third of the issued share capital of SGSS Forest Products Pte Ltd ("SGSS"), are deemed to be interested in the shares held by SGSS.

SHAREHOLDERS' INFORMATION
AS AT 27 MARCH 2008

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	715,565,562	79.67
2	CITIBANK NOMINEES SINGAPORE PTE LTD	47,458,000	5.28
3	MERRILL LYNCH (SINGAPORE) PTE LTD	19,700,000	2.19
4	HSBC (SINGAPORE) NOMINEES PTE LTD	19,540,000	2.18
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	17,500,000	1.95
6	RAFFLES NOMINEES PTE LTD	16,511,000	1.84
7	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	13,992,000	1.56
8	JULIAN	3,960,000	0.44
9	DBS NOMINEES PTE LTD	3,248,000	0.36
10	KIM ENG SECURITIES PTE. LTD.	2,465,000	0.27
11	IMAM LIYANTO	1,891,000	0.21
12	CHANDRA WIJAYA LIE	1,700,000	0.19
13	ROYAL BANK OF CANADA (ASIA) LTD	1,600,000	0.18
14	ASIA SATELLITE LIMITED	1,000,000	0.11
15	DB NOMINEES (S) PTE LTD	900,000	0.10
16	CORNELIUS WIELIM PRANATA	842,000	0.09
17	OCBC SECURITIES PRIVATE LTD	805,000	0.09
18	CITIBANK CONSUMER NOMINEES PTE LTD	800,000	0.09
19	WATERWORTH PTE LTD	700,000	0.08
20	EDI SUMARDI SOH	600,000	0.07
	TOTAL	870,777,562	96.95

Percentage of Shareholding in Public's Hands

Based on information available to the Company as at 27 March 2008, approximately 20.7% of the Company's Ordinary Shares are held in the hands of public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

SAMKO TIMBER LIMITED
Company Registration No.: 200517815M
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Samko Timber Limited ("the Company") will be held at Parkroyal on Beach Road, Singapore, Plaza Ballroom II, Level 4, 7500A Beach Road, Singapore 199591 on Wednesday, 30 April 2008, at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Articles 94 and 100 of the Articles of Association of the Company:

Mr Aris Sunarko @ Ko Tji Kim	(Retiring under Article 94)	**(Resolution 2)**
Mr Koh Tji Kiong @ Amir Sunarko	(Retiring under Article 94)	**(Resolution 3)**
Mr Ng Cher Yan	(Retiring under Article 100)	**(Resolution 4)**
Mr Sim Idrus Munandar	(Retiring under Article 100)	**(Resolution 5)**
Mr Wee Ewe Lay Laurence John	(Retiring under Article 100)	**(Resolution 6)**

Mr Aris Sunarko @ Ko Tji Kim will, upon re-election as a Director of the Company, remain as the Chief Executive Officer of the Company and will be considered non-independent.

Mr Koh Tji Kiong @ Amir Sunarko will, upon re-election as a Director of the Company, remain as the Executive Director of the Company and will be considered non-independent.

Mr Ng Cher Yan will, upon re-election as a Director of the Company, remain as the Chairman of Audit Committee and a member of the Nomination and Remuneration Committees and will be considered independent.

Mr Sim Idrus Munandar will, upon re-election as a Director of the Company, remain as the Chairman of Nomination Committee and a member of the Audit and Remuneration Committees and will be considered independent.

Mr Wee Ewe Lay Laurence John will, upon re-election as a Director of the Company, remain as the Chairman of Remuneration Committee and a member of the Audit and Nomination Committees and will be considered independent.

3. To re-appoint Mr Koh Boon Hong, a director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.
[See Explanatory Note (i)] **(Resolution 7)**

Mr Koh Boon Hong will, upon re-appointment as a Director of the Company, remain as the Non-Executive Chairman and will be considered non-independent.

4. To approve the payment of Directors' fees of S$5,698 for the year ended 31 December 2007. **(Resolution 8)**

5. To approve the payment of Directors' fees of S$175,000 for the year ending 31 December 2008, payable quarterly in arrears.
(Resolution 9)

6. To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 10)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

8. **Authority to issue shares up to 50 per centum (50%) of the issued shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:-

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
(c) any subsequent bonus issue consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)] **(Resolution 11)**

By Order of the Board

Yeo Poh Noi Caroline
Secretary
Singapore, 15 April 2008

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The effect of the Ordinary Resolution 7 proposed in item 3 above, is to re-appoint a director of the Company who is over 70 years of age.

(ii) The Ordinary Resolution 11 in item 8 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue consolidation or subdivision of shares.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 7500A Beach Road, #14-308/312 The Plaza, Singapore 199591 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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PROXY FORM

(Please see notes overleaf before completing this Form)

SAMKO TIMBER LIMITED
Company Registration No.: 200517815M
(Incorporated in the Republic of Singapore)

I/We, ____

of ____

being a member/members of **Samko Timber Limited** (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above , the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 30 April 2008 at 3.00p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2007		
2	Re-election of Mr Aris Sunarko @ Ko Tji Kim as a Director		
3	Re-election of Mr Koh Tji Kiong @ Amir Sunarko as a Director		
4	Re-election of Mr Ng Cher Yan as a Director		
5	Re-election of Mr Sim Idrus Munandar as a Director		
6	Re-election of Mr Wee Ewe Lay Laurence John as a Director		
7	Re-appointment of Mr Koh Boon Hong as a Director		
8	Approval of Directors' fees amounting to S$5,698 for the year ended 31 December 2007		
9	Approval of Directors' fees amounting to S$175,000 for the year ending 31 December 2008		
10	Re-appointment of Ernst & Young as Auditors		
11	Authority to issue shares		

Dated this ____________ day of ____________ 2008

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 7500A Beach Road, #14-308/312 The Plaza, Singapore 199591 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.