

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Second Quarter Financial Statement And Dividend Announcement for the Period Ended 30/06/2010

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF SECOND QUARTER RESULTS

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

	Group					
	2nd Qtr 1 Apr 2010 to 30 Jun 2010	2nd Qtr 1 Apr 2009 to 30 Jun 2009	Increase/ (decrease)	1 Jan 2010 to 30 Jun 2010	1 Jan 2009 to 30 Jun 2009	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	522,547	620,177	-16%	1,196,796	1,258,285	-5%
Cost of sales	(455,368)	(629,425)	-28%	(1,060,212)	(1,248,457)	-15%
Gross profit/ (loss)	67,179	(9,248)	n.m	136,584	9,828	1290%
Other items of income						
Finance income	236	472	-50%	1,010	1,025	-1%
Other income	21,699	236,598	-91%	76,271	144,489	-47%
Other items of expenses						
Selling expenses	(20,251)	(29,986)	-32%	(49,867)	(64,404)	-23%
General & administrative expenses	(30,992)	(47,919)	-35%	(73,891)	(98,573)	-25%
Financial expense	(8,490)	(27,955)	-70%	(40,670)	(66,552)	-39%
Other expenses	(26,016)	(3,474)	649%	(27,948)	(19,977)	40%
Share of result from an associate	(114,138)	-	n.m	(114,138)	-	n.m
(Loss)/ income before tax	(110,773)	118,488	n.m	(92,649)	(94,164)	-2%
Tax expenses	(4,236)	(92,618)	-95%	(11,688)	(81,139)	-86%
Net (loss)/ income for the period	(115,009)	25,870	n.m	(104,337)	(175,303)	-40%
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	(115,009)	25,870	n.m	(104,337)	(175,303)	-40%
(Loss)/ income attributable to:						
Owner of the Company	(114,921)	36,328	n.m	(103,180)	(107,001)	-4%
Minority interests	(88)	(10,458)	-99%	(1,157)	(68,302)	-98%
	(115,009)	25,870	n.m	(104,337)	(175,303)	-40%
Total comprehensive income attributable to:						
Owner of the Company	(114,921)	36,328	n.m	(103,180)	(107,001)	-4%
Minority interests	(88)	(10,458)	-99%	(1,157)	(68,302)	-98%
	(115,009)	25,870	n.m	(104,337)	(175,303)	-40%

n.m : not meaningful

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The following items have been included in arriving at income/ (loss) before tax:

Group						
2nd Qtr 1 Apr 2010 to 30 Jun 2010	2nd Qtr 1 Apr 2009 to 30 Jun 2009	Increase/ (decrease)	1 Jan 2010 to 30 Jun 2010	1 Jan 2009 to 30 Jun 2009	Increase/ (decrease)	
Rp'million	Rp'million	%	Rp'million	Rp'million	%	
Estimated claim income	20,275	-	n.m	20,275	-	n.m
Gain on foreign exchange, net	1,258	225,161	-99%	50,620	122,641	-59%
Gain on sales of fixed assets	166	238	-30%	90	6,197	-99%
Amortisation of land use rights	(1,087)	(1,747)	-38%	(2,812)	(4,871)	-42%
Property, plant and equipment written-off due to fire incident	(2,883)	-	n.m	(2,883)	-	n.m
Inventory written-off due to fire incident	(18,720)	-	n.m	(18,720)	-	n.m
Depreciation of property, plant and equipment	(23,731)	(56,081)	-58%	(84,542)	(108,653)	-22%
Impairment of investment in an associate	(96,969)	-	-	(96,969)	-	-
Gain on foreign derivative	-	11,199	-100%	-	6,245	-100%
Changes in fair value of biological asset	-	(101)	-100%	5,286	(5,071)	n.m
Gain on sale of land use right	-	-	-	-	9,406	-100%
Amortisation of intangible assets	-	(462)	-100%	(456)	(843)	-46%
Employee termination expenses	-	-	-	-	(4,192)	-100%

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

	Group		Company	
	30 Jun 2010 Rp'million	31 Dec 2009 Rp'million	30 Jun 2010 Rp'million	31 Dec 2009 Rp'million
Non-current assets				
Property, plant and equipment	720,698	1,843,458	723	928
Intangible assets	-	47,946	-	-
Goodwill	-	194,971	-	-
Investment in subsidiary companies	-	-	1,356	1,356
Investment in an associate	26,472	-	-	-
Biological assets	2,233	216,714	-	-
Land use rights	63,127	93,465	-	-
Deferred tax assets	4,207	16,940	-	-
Other non-current assets	18,698	61,603	188	188
	835,435	2,475,097	2,267	2,472
Current assets				
Inventories	219,732	395,497	-	933
Trade and other receivables	111,886	263,681	659,827	631,588
Prepaid operating expenses	35,251	74,270	369	1,389
Advances to suppliers	122,428	113,359	-	-
Cash and cash equivalents	87,742	110,868	16,826	3,605
Restricted time deposit	20,233	115,462	-	94,946
	597,272	1,073,137	677,022	732,461
Current liabilities				
Trade and other payable*	160,803	419,394	29	96,753
Other liabilities	76,168	210,854	1,913	4,686
Advance from customers	126,922	190,589	-	-
Provision for taxation	6,713	28,133	-	-
Short term bank borrowings	23,284	334,308	-	47,000
Long term borrowings (current portion)	126,402	597,701	-	93,637
	520,292	1,780,979	1,942	242,076
Net current assets/ (liabilities)	76,980	(707,842)	675,080	490,385
Non-current liabilities				
Long term borrowings	268,230	827,698	-	-
Post-employment benefits	47,488	65,972	-	-
Deferred tax liabilities	11,893	68,284	-	-
Other liability	-	202,860	-	-
	327,611	1,164,814	-	-
Net assets	584,804	602,441	677,347	492,857
Equity attributable to equity holders of the parent				
Share capital	2,134,136	1,943,866	2,134,136	1,943,866
Reserves	(1,554,312)	(1,451,132)	(1,456,789)	(1,451,009)
	579,824	492,734	677,347	492,857
Minority interest	4,980	109,707	-	-
	584,804	602,441	677,347	492,857

*) As at 31 December 2009, the trade and other payable includes an amount of USD10 million due to a company related to our substantial shareholder. The related party balance was fully repaid during the quarter ended 31 March 2010.

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

Amount repayable in one year or less, or on demand

As at 30 June 2010		As At 31 Dec 2009	
Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
149,686	-	929,141	2,868

Amount repayable after one year

As at 30 June 2010		As At 31 Dec 2009	
Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
268,230	-	827,698	-

Details of any collateral

As at 30 June 2010, our bank borrowings are secured and guaranteed by the following:

- (1) Short term working capital facilities: time deposits, accounts receivable and inventories of subsidiaries; and a deposit and personal guarantee from a director;
- (2) Long term bank borrowings: corporate guarantee from certain subsidiaries, land use rights, buildings, machinery, inventories, accounts receivable, time deposit, and shares of certain subsidiaries and an associate company; and
- (3) All assets acquired under finance leases are secured against the assets under lease.

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

	Group	
	2010	2009
	Rp'million	Rp'million
Cash flows from operating activities		
Loss before tax	(92,649)	(94,164)
Adjustments:		
Share of result from an associate	114,138	-
Depreciation of property, plant and equipment	84,542	108,653
Interest expense	40,670	66,552
Inventories written-off	18,720	-
Post employment benefits expense	9,427	7,120
Property, plant and equipment written-off	2,883	-
Amortisation of land use rights	2,812	4,871
Amortisation of intangible assets	456	843
Gain on sales of property, plant and equipment	(90)	(6,197)
Interest income	(1,010)	(1,025)
(Gain)/loss on change in fair value of biological assets	(5,286)	5,071
Foreign exchange gain	(46,958)	(107,273)
Gain on sales of land use rights	-	(9,406)
	<u>127,655</u>	<u>(24,955)</u>
Operating cash flow before changes in working capital		
Changes in working capital		
Inventories	(72,969)	125,514
Trade and other receivables	(3,307)	39,735
Prepaid operating expenses	27,000	1,050
Advance to suppliers	(43,336)	16,375
Trade and other payable	20,696	(12,891)
Other liabilities	(4,610)	1,310
Advance from customers	55,418	(7,329)
Other non-current assets	(12,289)	(1,515)
	<u>94,258</u>	<u>137,294</u>
Cash flow provided by operations		
Income tax paid	(15,829)	(18,246)
	<u>78,429</u>	<u>119,048</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	2,700	7,788
Interest received	1,010	1,025
Additions of biological assets	(753)	(3,297)
Addition of intangible assets	(1,072)	-
Subscription of associate company's rights issue	(12,814)	-
Net cash outflows arising from the dilution of a subsidiary	(17,037)	-
Purchase of property, plant, and equipment	(21,234)	(43,863)
Proceeds from disposal of land use rights	-	9,566
Additions to land use rights	-	(255)
	<u>(49,200)</u>	<u>(29,036)</u>
Net cash used in investing activities		

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Consolidated Statement of Cash Flows For the financial year ended 30 June 2010 (cont'd)

	Group	
	2010	2009
	Rp'million	Rp'million
Cash flows from financing activities		
Proceeds from issuance of ordinary shares, net	190,270	-
Withdrawal of restricted deposits	94,744	-
Repayment of short term borrowing from a company related to a substantial shareholder	(94,744)	-
Drown down of short term bank borrowings	71,098	135,305
Repayment of short term bank borrowings	(122,233)	(148,364)
Repayments of long-term borrowings	(161,616)	(32,993)
Interest expense paid	(29,874)	(51,442)
Net cash used in financing activities	(52,355)	(97,494)
Net decrease in cash and cash equivalents	(23,126)	(7,482)
Cash and cash equivalents at beginning of period	110,868	132,770
Cash and cash equivalents at end of period	87,742	125,288

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As mentioned in point 8, the financial statements of PT Sumalindo Lestari Jaya Tbk ("Sumalindo") were deconsolidated on 30 March 2010. The following are the carrying value of the identifiable assets and liabilities that were deconsolidated:

	<u>Rp'million</u>
Non-current assets	
Property, plant and equipment	1,057,339
Intangible assets	48,562
Goodwill	194,971
Biological assets	220,520
Land use rights	27,526
Deferred tax assets	6,048
Other non-current assets	<u>54,662</u>
	<u>1,609,628</u>
Current assets	
Inventories	230,014
Trade and other receivables	155,102
Prepaid operating expenses	12,019
Advances to suppliers	31,182
Cash and cash equivalents	<u>17,037</u>
	<u>445,354</u>
Current liabilities	
Trade and other payable	184,543
Other liabilities	140,873
Advances from customers	119,085
Income tax payable	11,250
Short term bank borrowings	254,051
Long term borrowings - current portion	<u>293,388</u>
	<u>1,003,190</u>
Non-current liabilities	
Long term borrowings - non-current portion	534,453
Post-employment benefits	27,379
Deferred tax liabilities	55,734
Other liability	202,860
Minority Interests of Sumalindo's subsidiaries	<u>50,810</u>
	<u>871,236</u>
Net assets	180,556
Less: Minority interests of Sumalindo	<u>(52,760)</u>
Effective net assets deconsolidated	127,796
Net assets of Sumalindo classified as investment in an associate company	<u>(127,796)</u>
	<u><u>-</u></u>
Cash flow on dilution:	
Net cash disposed upon dilution	<u><u>17,037</u></u>

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

Group

	Attributable to owners of the Company					Minority interests
	Equity, total	Share capital	Accumulated losses	Restructuring reserves	Total	
	Rp million	Rp million	Rp million	Rp million	Rp million	
Balance at 1 Jan 2010	602,441	1,943,866	(1,760,182)	309,050	492,734	109,707
Issuance of ordinary shares, net	190,270	190,270	-	-	190,270	-
Effect of deconsolidated a subsidiary	(103,570)	-	-	-	-	(103,570)
Total comprehensive income for the period	(104,337)	-	(103,180)	-	(103,180)	(1,157)
Balance at 30 Jun 2010	584,804	2,134,136	(1,863,362)	309,050	579,824	4,980
Balance at 1 Jan 2009	1,597,428	1,943,866	(935,396)	309,050	1,317,520	279,908
Total comprehensive income for the period	(175,303)	-	(107,001)	-	(107,001)	(68,302)
Balance at 30 Jun 2009	1,422,125	1,943,866	(1,042,397)	309,050	1,210,519	211,606

Company

	Attributable to owners of the Company		
	Share capital	Accumulated losses	Total
	Rp million	Rp million	Rp million
Balance at 1 Jan 2010	1,943,866	(1,451,009)	492,857
Issuance of ordinary shares	190,270	-	190,270
Total comprehensive income for the period	-	(5,780)	(5,780)
Balance at 30 Jun 2010	2,134,136	(1,456,789)	677,347
Balance at 1 Jan 2009	1,943,866	(764,112)	1,179,754
Total comprehensive income for the period	-	(12,461)	(12,461)
Balance at 30 Jun 2009	1,943,866	(776,573)	1,167,293

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

Save as disclosed below, there is no change in the Company's shares during the period ended 30 June 2010.

In January 2010, the Company completed its rights issue of 449,081,281 new shares at an issue price of S\$0.065 for each rights share, on the basis of one right share for every two existing shares held by shareholders. Following the rights issue exercise, the number of shares increased from 898,162,562 shares to 1,347,243,843 shares.

Out of the net proceeds from the rights issue above of approximately S\$28.42 million:

- (i) approximately S\$21.0 million has been used for the repayment of the Credit Suisse Term Loan and the Credit Suisse Facility, and
- (ii) approximately S\$7.4 million has been used for the Group's general corporate and working capital purposes.

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

	Group and Company
	Number of shares
At 1 Jan 2010	898,162,562
Additional rights issue of shares	449,081,281
At 30 Jun 2010	1,347,243,843

There were no shares held as treasury shares as at 30 June 2010 and 31 December 2009.

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

Not applicable, as there were no shares held as treasury shares as at 30 June 2010 and 31 December 2009.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2009, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning 1 July 2009. The adoption of these standards has no material impact on the financial statements of the Group and the Company for the period ended 30 June 2010.

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

Please refer to point 4.

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

	Group			
	2nd Qtr 1 Apr 2010 to 30 Jun 2010	2nd Qtr 1 Apr 2009 to 30 Jun 2009	1 Jan 2010 to 30 Jun 2010	1 Jan 2009 to 30 Jun 2009
Weighted average number of ordinary shares for basic earnings per share computation	1,347,243,843	965,399,597	1,289,169,226	965,399,597
Weighted average number of ordinary shares for diluted earnings per share computation	1,347,243,843	965,399,597	1,289,169,226	965,399,597
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
(Loss)/ income per share attributable to owners of the Company				
Basic	(85)	38	(80)	(111)
Diluted	(85)	38	(80)	(111)

Basic and diluted earnings per share for both periods were computed based on the weighted average number of shares after adjusting for effect of Company's rights issue in January 2010.

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

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

	Group		Company	
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
Net assets for the period attributable to owners of the Company used in computation of net asset value per share (Rp/million)	579,824	492,734	677,347	492,857
Number of ordinary shares at the end of period	1,347,243,843	898,162,562	1,347,243,843	898,162,562
Net asset value per ordinary share (Rp full amount)	430	549	503	549

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

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

As mentioned in our last quarter's announcement, the financial statements of PT Sumalindo Lestari Jaya Tbk ("Sumalindo") were deconsolidated on 30 March 2010. Since then, the company accounted for its investment in Sumalindo as associate. For the current quarter, the result of Sumalindo is equity accounted whereas its result was consolidated in the last quarter.

In the second quarter ended 30 June 2010, we reported loss of Rp115 billion as compared to profit of Rp26 billion in the corresponding period of last year. For the half year ended 30 June 2010, our performance improved by Rp71 billion as compared to the corresponding period of last year. Our loss reduced from Rp175 billion in first half 2009 to Rp104 billion in the period reported.

As a result of lower exchange gain reported in this quarter (2010: Rp1 billion Vs 2009: Rp236 billion), provision for impairment in an associate amounted to Rp97 billion (due to deteriorating performance) and share of losses in the associate amounted to Rp17 billion reported in this quarter, our performance for this quarter was not favourable as compared to the corresponding period of last year. For the half year ended 30 June 2010, our performance improved mainly due to the effect of deconsolidation of Sumalindo (which has an adverse performance in 2009), better gross profit attained and lower expenses incurred during the first half of 2010.

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Revenue

	Group					
	2nd Qtr 1 Apr 2010 to 30 Jun 2010	2nd Qtr 1 Apr 2009 to 30 Jun 2009	Increase/ (decrease)	1 Jan 2010 to 30 Jun 2010	1 Jan 2009 to 30 Jun 2009	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Domestic sales	450,437	491,423	-8%	1,001,292	959,433	4%
Export sales	72,110	128,754	-44%	195,503	298,852	-35%
Total	522,547	620,177	-16%	1,196,795	1,258,285	-5%

Our second quarter revenue decreased by 16% as compared to the corresponding period of last year. For the same period ended, both our domestic and export sales dropped by 8% and 44% respectively. The decrease was mainly due to the effect of deconsolidation of Sumalindo (the previous period's revenue included the revenue of Sumalindo whereas its revenue ceased to be consolidated in this quarter). Taking into account of the effect of excluding the financial statements of Sumalindo (deconsolidation effect), our revenue was in fact increased by Rp21 billion or 4%. This was contributed mainly by better domestic sales volume.

Our revenue for the first half 2010 decreased by 5% compared to 2009. This was mainly due to the effect of deconsolidation of Sumalindo, our weaker export sales in 2010 offset by better domestic sales by 16% in 2010 (contributed mainly by both better volume and pricing).

Cost of Sales

	Group					
	2nd Qtr 1 Apr 2010 to 30 Jun 2010	2nd Qtr 1 Apr 2009 to 30 Jun 2009	Increase/ (Decrease)	1 Jan 2010 to 30 Jun 2010	1 Jan 2009 to 30 Jun 2009	Increase/ (Decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Raw materials used	210,821	325,565	-35%	520,059	614,189	-15%
Labour costs	78,838	89,596	-12%	182,109	180,147	1%
Factory overhead	110,228	178,562	-38%	311,820	358,905	-13%
Movement in finished goods	55,481	35,702	55%	46,224	95,216	-51%
Total	455,368	629,425	-28%	1,060,212	1,248,457	-15%

For the second quarter ended 30 June 2010, our cost of sales decreased by 28% as compared to that of 2009. On quarter to quarter (2010) basis, our cost of sales decreased by 25%. For the half year ended 30 June 2010, our cost of sales dropped by 15% to Rp1,060 billion. The decrease (as reported in the respective periods) was mainly due to the effect of deconsolidation effect of Sumalindo and lower unit production cost as our production volume increased.

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Raw materials used, labor costs and factory overheads

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

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

Gross Profit

Taking into account the effect of the deconsolidation of Sumalindo, our gross profit for second quarter and half year increased by 77% and 101% respectively.

We reported better gross profit and margin as compared to the respective periods in 2009 mainly due to lower unit cost of production.

Other Income

Our other income in second quarter decreased to Rp22 billion as compared to Rp237 billion in 2009. The decrease was mainly due to lower exchange gain recognised and the effect of deconsolidation of Sumalindo in this quarter. For the half year ended 30 June 2010, lower income was reported as compared to that of 2009 mainly due to lower exchange gain and the effect of deconsolidation of Sumalindo.

Selling Expenses

Our selling expenses have declined throughout the periods reported mainly due to lower freight cost incurred (particularly for export sales) and the deconsolidation effect of Sumalindo.

General and Administration (“G&A”) Expenses

Our G&A expenses for the reporting periods have generally declined. This was mainly due to our group’s cost cutting measures (besides the deconsolidation effect of Sumalindo) which has resulted in lower operating costs incurred, such as professionals and staff expenses.

Finance Expense

Our finance expenses generally decreased in second quarter and the half year ended 2010 mainly because of the deconsolidation effect of Sumalindo and repayment of borrowings.

Other Expenses

Our other expenses increased throughout the periods reported. This was mainly due to write off of certain fixed assets and inventories amounted to Rp22 billion in this quarter (due to a fire incident as announced previously).

We have submitted our insurance claim following the fire incident (as mentioned above) but have yet to receive the response from the insurance company.

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Share of result from an associate

Our share of result from an associate comprises of the following:

Group						
2nd Qtr 1 Apr 2010 to 30 Jun 2010	2nd Qtr 1 Apr 2009 to 30 Jun 2009	Increase/ (decrease)	1 Jan 2010 to 30 Jun 2010	1 Jan 2009 to 30 Jun 2009	Increase/ (decrease)	
Rp'million	Rp'million	%	Rp'million	Rp'million	%	
Share of associate's current period loss	(17,169)	-	n.m	(17,169)	-	n.m
Impairment of investment	(96,969)	-	n.m	(96,969)	-	n.m
Total	<u>(114,138)</u>	-	<u>n.m</u>	<u>(114,138)</u>	-	<u>n.m</u>

Taxation

Our tax expenses consisted of the following:

Group						
2nd Qtr 1 Apr 2010 to 30 Jun 2010	2nd Qtr 1 Apr 2009 to 30 Jun 2009	Increase/ (decrease)	1 Jan 2010 to 30 Jun 2010	1 Jan 2009 to 30 Jun 2009	Increase/ (decrease)	
Rp'million	Rp'million	%	Rp'million	Rp'million	%	
Current income tax	(1,266)	(4,482)	-72%	(5,166)	(6,799)	-24%
Deferred income tax Under provision of prior years taxes	(2,476)	(77,978)	-97%	(6,028)	(64,094)	-91%
	(494)	(10,158)	-95%	(493)	(10,246)	-95%
Total	<u>(4,236)</u>	<u>(92,618)</u>	<u>-95%</u>	<u>(11,687)</u>	<u>(81,139)</u>	<u>-86%</u>

Indonesia adopts individual company income tax system. Our effective tax rate is higher due to the absence of provision of deferred tax benefits on the tax losses incurred by certain subsidiaries. We did not account for it mainly because the utilisation of such tax losses is uncertain.

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

Statement of Financial Position

Our non-current assets as at 30 June 2010 decreased by Rp1,640 billion to Rp835 billion compared to 2009 of Rp2,475 billion. The decrease was mainly caused by deconsolidation of Sumalindo and provision for impairment of investment in Sumalindo (associate) in this quarter amounted to Rp97 billion.

The changes in the current assets position mainly due to deconsolidation effect of Sumalindo. Had Sumalindo's current assets excluded in 2009, our current assets would be decreased by Rp10 billion compared to 2009. The decrease was mainly due to the withdrawal of restricted deposits of Rp95 billion, offset by net increase in cash and cash equivalents of Rp15 billion and net positive changes in the working capital of Rp70 billion.

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Our current liabilities decreased by Rp1,261 billion to Rp520 billion in 2010. The decrease was mainly due to deconsolidation of Sumalindo and repayments of borrowings.

We were in net current assets position of Rp77 billion as compared to net current liabilities position of Rp708 billion in 2009. This was mainly due to the deconsolidation effect of Sumalindo, repayments of borrowings and increase in our working capital from our rights issue.

Our non-current portion of long term borrowings decreased by Rp559 billion to Rp268 billion in 2010. This attributed mainly due to the deconsolidation of Sumalindo, repayments of borrowings, and stronger Rupiah exchange rate versus US Dollar.

Statement of Cash Flow

Our net cash provided by operating activities decreased by 34% to Rp78 billion in 2010 from Rp119 billion in 2009. This was mainly due to realisation of inventories into cash as a result of lower production output during the first half of 2009.

Our net cash used in investing activities increased to Rp49 billion as compared to Rp29 billion in 2009. In 2010, our cash outflows were mainly for subscription of Sumalindo's rights issues, payment for Sumalindo's infrastructure costs in first quarter and cash outflows arising from the dilution of Sumalindo.

Our net cash used in financing activities was Rp52 billion as compared to a net cash outflow of Rp97 billion in 2009. The decrease was mainly due to proceeds from the issuance of new shares offset by repayments of borrowings as compared to 2009.

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

Not applicable.

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

We expect our Group's results in the next six to twelve months will be affected by the following factors:-

- 1) Exchange rate risk remains high in 2010. Our Group's borrowings are mostly in US\$ and for 2010, our export revenue is expected to remain soft. The risk of foreign exchange ("FX") fluctuation remains high. Any currency risk which materialises may materially affect our Company's books (positively or negatively depending on, *inter alia*, the direction of the fluctuation) and hence profitability in the form of foreign exchange translation gain or loss.

The impact of the FX movements on our profitability is dependent on, *inter alia*, the sensitivity of our loans denominated in US\$. As at the date of this report, we have hedged US\$13 million of our loan against our functional currency, Rupiah. Taken this into consideration, assuming all other variables held constant and tax rate of 25%, the following table illustrates the sensitivity impact of our US\$ borrowings to our net profit arising from the possible change in the US\$ exchange rate:

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Exchange rate 1 US\$ is equal to:	Group 2010 Rp'million
Actual	Loss after tax for the period ended 30 June attributable to owner of the Company
9,083	(103,180)
Test rate	(Increase)/ Decrease
9,600	(11,396)
9,400	(6,987)
9,200	(2,579)
9,000	1,830
8,800	6,238
8,600	10,647

Note:

- Exchange rate of Indonesian Rupiah ("Rp") to 1US\$ at 30 June 2010 was Rp9,083
- Exchange rate of Rp to 1US\$ at 31 December 2009 was Rp9,400
- Exchange rate of Rp to 1US\$ at 13 August 2010 was Rp9,007
- Our US\$ loans as of 30 June 2010 amounts to US\$29 million.

- 2) Generally, our domestic sales are improving as compared to previous periods although in second quarter of 2010, we faced a more competitive market. Taking into account of the effect of Ramadhan in August and September 2010 and some competition in the domestic market, we are cautious of the outlook of our domestic sales. Our export sales remain slow and soft and it may also be affected by the strengthening of Rupiah. To overcome the challenges, we will continue to focus on domestic and regional markets where we have competitive advantages, improve on our production efficiency and to expand into upstream and downstream segments to enhance our margins when appropriate.
- 3) As mentioned in point 8 above, the financial statements of Sumalindo were deconsolidated. In the previous periods, the adverse performance of Sumalindo had affected our financial position and performance.

Although we have made a provision for impairment of the investment in Sumanlindo in this quarter, we remain cautious on the performance of Sumalindo in which any further adverse performance of Sumanlindo will have an impact to our result as we continue to equity account its performance.

As mentioned in our previous announcements, the Indonesian Tax Office ("ITO") has revised Sumalindo's tax assessment to Rp73 billion. As of the date of this report, Sumalindo has appealed to tax court and the outcome has yet to be determined.

- 4) Other than as disclosed in section 1(d)(ii) above, the group will continue to explore various funds raising options as and when required.

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11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend for financial period ended 30 June 2010 has been declared.

13. Interested persons transactions.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	1 Jan 2010 to 30 June 2010	
	Rp Million	Rp Million
PT Pelayaran Nelly Dwi Putri <ul style="list-style-type: none">Time charter of tug and barges; and Freight expense	11,694	-

During the financial year ended 30 June 2010, our Group has made downpayment of Rp2,436 million for the purchase of trees from PT Bioforest Indonesia.

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14. Statement by Directors pursuant to rule 705(5) of the SGX Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Directors which may render the unaudited financial statements for the second quarter ended 30 June 2010 to be false or misleading in any material respects.

BY ORDER OF THE BOARD

Aris Sunarko @ Ko Tji Kim
Chief Executive Officer
13 August 2010