

SAMKO TIMBER LTD

Company Registration No. 200517815M
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF 100% INTEREST IN BIOFOREST PRIVATE LIMITED (“PROPOSED ACQUISITION”)

1. Introduction

Further to the Board of Directors (the “**Board**”) of Samko Timber Ltd (“**Company**”)’s previous announcement dated 23 May 2011, the Board wishes to announce that it has entered into a conditional sale and purchase agreement (“**Agreement**”) on 31 March 2012 to acquire 100% shareholding interest in Bioforest Private Limited from its shareholder, Temasek Life Sciences Ventures Private Limited (“**Vendor**”).

2. Information About Bioforest Private Limited

- 2.1 Bioforest Private Limited (“**Bioforest**”) has one subsidiary, PT Bioforest Indonesia, which operates in Indonesia. Bioforest owns 99% shares in PT Bioforest Indonesia.
- 2.2 The primary business of Bioforest (including its subsidiary) is producing tree seedlings for the plantation industry, and is able to genetically duplicate elite tree candidate, thereby producing seedlings that will have the same desirable characteristics as the mother tree. Bioforest (through its subsidiary) has planted trees on 527 hectares of land at South Sulawesi.
- 2.3 Bioforest has an issued and fully paid-up share capital of S\$3,206,000 consisting of 3,206,000 ordinary shares of \$1.00 (the “**Sale Shares**”).
- 2.4 The Vendor will be the sole shareholder of Bioforest at completion of the Proposed Acquisition. The Vendor is in the process of acquiring 65% of the shareholding interest in Bioforest from Kim Hong Seng Regional Pte. Ltd., a company owned by Mr Aris Sunarko@Ko Tji Kim (the Chief Executive Officer of the Company), his brother Mr Koh Tji Kiong@Amir Sunarko (an Executive Director of the Company) and their respective associates (collectively, the “**Sunarko Family**”). The Sunarko Family currently holds (directly and indirectly) 38.56% interest in the Company. The consideration for the Proposed Acquisition attributable to the 65% shareholding interest would not exceed 5% of the Group’s latest consolidated audited net tangible assets (“**NTA**”), therefore the Proposed Acquisition is not subject to the approval of the shareholders under Chapter 9 of the Listing Manual.

3. **Salient terms of the Proposed Acquisition**

3.1 Consideration

The consideration for the Proposed Acquisition is S\$7,382,261. The transaction was negotiated and entered into on a willing seller and willing buyer basis, taking into account among others, additional cash injection by the Vendor into Bioforest upon completion of the Proposed Acquisition, the state of technical knowhow of Bioforest in producing tree seedlings, the conditions of its biological assets, future performance and various relevant factors

The consideration of the Proposed Acquisition will be fully paid and made by the issuance of 54,201,621 new ordinary shares in the capital of the Company to the Vendor at the issuance price of S\$0.1362 per share.

3.2 Other salient terms

The Proposed Acquisition is subject to various conditions, including:

- (a) the receipt by the Company of approval from its shareholders approving the purchase of the Sale Shares by the Company (if required by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") or the Listing Manual of the SGX-ST (the "**Listing Manual**"));
- (b) the Vendor having procured certain filings required with the Indonesian Minister of Manpower in connection with the acquisition;
- (c) the Vendor having procured the execution of a technology transfer agreement to transfer and assign certain know-how to Bioforest; and
- (d) Bioforest not having any liabilities of any kind on completion (other than for certain liabilities agreed between the parties).

4. **Compliance with Chapter 10 of the Listing Manual**

4.1 The relative figures for the Proposed Acquisition, computed on the bases set out in Rule 1006 (b) and (c) of the Listing Manual, are as follows:

1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits	<p style="text-align: center;">-12.11%</p> <p>The asset acquired is loss making (Rp 6,266 million for the financial year ended 31 December 2011), and the percentage of the net loss attributable to the assets acquired compared to the net profit of the group (comprising the Company and its subsidiaries, the "Group") for the financial year ended 31 December 2011 Rp 51,752 million</p>
1006 (c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalization	<p style="text-align: center;">4.02%</p> <p>Based on the aggregate value of the consideration given S\$7,859,235 (based on share price of S\$0.145 as at 30 March 2012) and market capitalization of the Company on the market day preceding the date of the Conditional Sale and Purchase Agreement (30 March 2012) approximately S\$195,350,357.</p>
1006 (d)	Number of equity securities issued by the Company as Consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue.	<p style="text-align: center;">4.02%</p> <p>Based on number of shares to be issued by the Company in relation to the Proposed Acquisition (54,201,621 shares) and the number of shares of the Company that have been issued prior to the Proposed Acquisition (1,347,243,843 shares).</p>

4.2 The relative figures for the Proposed Acquisition, was computed on the bases set out in Rule 1003 (3) of the Listing Manual (i.e. the value of the consideration is determined to

the market value of such shares or the net asset value represented by such shares, whichever is higher).

- 4.3 As the relative figures computed on the above basis of assessment in Rule 1006(b) of the Listing Manual is negative or involves negative figures, Chapter 10 of the Listing Manual may still be applicable to the Proposed Acquisition at the discretion of the SGX-ST. The SGX-ST will be consulted on the matter and an appropriate announcement will be made in due course, and the Proposed Acquisition may be subject to the approval of the shareholders at an extraordinary general meeting to be convened..

5. **Rationale for the Proposed Acquisition**

- 5.1 Bioforest is a bio-technology company established in 2006 to develop micropropagation systems to enable mass production of tree seedling for the plantation industry. Bioforest has developed technology to genetically duplicate elite tree candidates, thereby producing seedlings that have the same desirable characteristics as the mother tree. Bioforest has developed this technology for the systems for certain tree species, which are popular trees used in the plywood industry in Indonesia.
- 5.2 As the activities of Bioforest has synergies with the Company's operations, the Proposed Acquisition will support the Company's long term strategy to move upstream into tree planting. The transaction will transform the Company into a fully integrated timber product player. It is expected that Bioforest's seedling technology will enable the Company to secure sufficient quality seedlings to support its plantation program, and at a cheaper price compared to open market purchases. Management believe that compared with the alternative of developing the technology independently by working with third party research institutions where there is no certainty of success (as with all research and development activities) and which may require significant time to success, the Proposed Acquisition of Bioforest and its subsidiary would complement the Company's long term strategy.
- 5.3 As part of the terms negotiated, it is proposed as a condition precedent that the Vendor procures that Bioforest maintains a cash position of approximately S\$2.8 million which represents funds allocated for Bioforest's activities of seedling and planting of trees. This sum of approximately S\$2.8 million represents a cash injection by the Vendor to Bioforest. The injection of the S\$2.8 million cash from the Vendor will ensure that Bioforest will have additional cash for financing its activities such as to fund the seedling and planting of the trees activities based on the estimated projection (which based on 30 June 2011 preliminary management accounts of Bioforest) assuming that the Proposed Acquisition is closed. The rationale for having the cash injection prior to the completion of the Proposed Acquisition is to ensure that the activities of Bioforest will not create additional financial burden to the Group's cash flow.
- 5.4 The Board is therefore of the opinion that the Proposed Acquisition would add value to the Group's businesses. Mr Koh Boon Hong, Mr Aris Sunarko @ Ko Tji Kim and Mr Koh Tji Kiong @ Amir Sunarko have abstained from voting on board resolutions relating to the Proposed Acquisition.

6. **Financial Effects**

For illustrative purposes only, the pro forma financial effects of the Proposed Acquisition on the Group, which have been prepared using the audited consolidated financial statements of the Group for the financial year ended 31 December 2011 and the

unaudited financial statements of Bioforest for the financial year ended 31 December 2011 are set out below.

(a) Share Capital

The number of issued shares and issued share capital of the Company will be increased with the new issuance of 54,201,621 shares. The number of shares of the Company prior to the Proposed Acquisition is 1,347,243,843 shares and after the Proposed Acquisition will be 1,401,445,464 shares.

(b) Earnings

	Before Acquisition	After Acquisition
Net profit after tax and minority interest (in million Rupiah).	51,235	44,969
Earning per share (Rupiah)	38	32

(c) Net Tangible Assets

The following NTA numbers are based on the book value of the assets as of December 31, 2011 which is calculated using the formula of Net Asset (book value) minus Intangible Assets.

	Before Acquisition	After Acquisition
NTA (in million Rupiah)	513,448	527,969
NTA per share (cents)	381	377

7. **Total Value Of Interested Person Transactions**

As at 31 December 2011, the total value of all interested person transactions with the Sunarko Family (excluding the value of the Proposed Acquisition) since the beginning of the 2011 financial year is Rp51,608 million while the total value of all interested person transactions (excluding the value of the Proposed Acquisition) since the beginning of the 2011 financial year is Rp.54,329 million.

8. **Audit Committee's Statement**

The Company's Audit Committee members, being, Mr Ng Cher Yan, Mr Sim Idrus Munandar and Mr Wee Ewe Lay Laurence John are of the view that the Proposed Acquisition is on normal commercial terms, and is not prejudicial to the interests of the issuer and its minority shareholders.

9. **Interests of Directors, Controlling Shareholders and Substantial Shareholders**

Save as disclosed above, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

10. **Others**

A copy of the Agreement will be available for inspection during normal business hours at the Company's registered office at 7500A Beach Road, #14-308/312, The Plaza, Singapore 199591, for a period of three (3) months from the date of this announcement.

By Order of the Board

Aris Sunarko @ Ko Tji Kim
Chief Executive Officer
2 April 2012