

**SAMKO TIMBER LIMITED**

(Company Registration No.: 200517815M)  
(Incorporated in Singapore)

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**RESPONSE TO SGX-ST QUERIES ON FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011 (“2Q2011”)**

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In response to the Singapore Exchange Securities Trading Limited's (“SGX-ST”) queries on 16 August 2011 regarding the Company’s 2Q2011 Results announcement released on 10 August 2011, the Board of Directors (the “Board”) wishes to provide the following information:-

**SGX-ST Query 1:** “We note that Prepaid Operating Expenses increased 34.4% from Rp 27,453m as at 31 December 2010 to Rp 36,899m as at 30 June 2011. Please disclose reasons for the increase.”

**The Company’s Response:**

The increase of 34.4% or Rp9,446 million in Prepaid Operating Expenses was mainly due to the following:

- increase in prepayment for freight by Rp4,385 million. The prepayment relates mainly to freight costs for the purchase of logs for which it will be included in inventories costs when the logs are received. The increase was mainly due to the delay in the delivery of the logs purchased; and
- increase in the value added tax receivable by Rp2,499 million as a result of the increase in the export sales.

**SGX-ST Query 2:** “We note that Other Liabilities increased from Rp 56,630m as at 31 December 2010 to Rp 102,120m as at 30 June 2011. Please provide a breakdown of the items comprised in the Other Liabilities balance as at 30 June 2011 and disclose reasons for the increase.”

**The Company’s Response:**

The increase of Rp45,490 million in Other Liabilities was mainly due to the following:

- increase in the accruals of employees related expenses by Rp16,909 million. The increase in these expenses was mainly due to higher accrual for staff’s “Hari Raya” allowance. The accrual for the allowance was higher in 2011 compared to 2010 was mainly due to increase in salaries and head count as well as higher proportion of monthly allowance accrual (proportion 9 months accrual as at June 2011 versus proportion 3 months accrual as at December 2010). The allowance will be paid in August 2011;
- increase in value added tax payable by Rp24,842 million as a result of timing differences in the payment; and
- third party trade financing of Rp8,734 million obtained in 2011. The Group did not have such financing in 2010.

A breakdown of Other Liabilities account as of 30 June 2011 was as follows:

	<b>Rp'million</b>
Value added tax payable	37,420
Accruals of employee salaries, wages & welfare	31,386
Accruals freight costs	10,675
Third party trade financing	8,734
Accruals of other operating expenses	<u>13,905</u>
	<u><u>102,120</u></u>

Accruals of other operating expenses comprise professional fees, interests and miscellaneous expenses.

**SGX-ST Query 3:** “We note on Pg 4 of the Company’s results announcement that a subsidiary of the Group did not comply with certain financial ratio covenants as set out in the lending contracts with a lender. The lender has yet to issue a waiver to the subsidiary for the breach of loan covenants. We’ll like to highlight to the Company that it should ensure that timely announcements on this matter are made.”

**The Company’s Response:**

The Company has previously announced this breach in its 3Q2010 results announcement and the current breach is a continuation of the previously announced breach. The subsidiary has received the waiver of compliance for the breach for the financial year ended 31 December 2010 and has requested for a similar waiver for year 2011 and the bank has verbally indicated that they will issue it in due course. The Board and Management also believe the breach of the loan covenants would not result in the Company facing a cash flow problem as the subsidiary has been able to service the principal and interest of the said loans as and when they fall due.

**SGX-ST Query 4:** “With reference to Pg 16 of the Company’s results announcement, it is mentioned that the Interested Person Transactions with PT Bioforest Indonesia has been approved by shareholders. Please clarify to us, when this shareholders’ approval was obtained. If shareholders’ approval has not been obtained, please make the necessary clarification announcement.”

**The Company’s Response:**

The transaction with PT Bioforest Indonesia was disclosed in pages 134 and 135 of the Company’s Initial Public Offering (IPO) prospectus dated 18 February 2008. The transaction was entered into between parties prior to the IPO of the Company’s shares.

**BY ORDER OF THE BOARD**

Aris Sunarko @ Ko Tji Kim  
Chief Executive Officer  
17 August 2011