SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Full Year Financial Statement and Dividend Announcement for the Year Ended 31/12/2010

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

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

	Group		
	2010	**2009**	**Increase/ (decrease)**
	Rp'million	**Rp'million**	**%**
Revenue	2,205,480	2,796,975	-21%
Cost of sales	(1,984,805)	(2,706,563)	-27%
Gross profit	220,675	90,412	144%
Other items of income			
Interest income	1,765	3,095	-43%
Other income	70,772	279,957	-75%
Other items of expenses			
Selling expenses	(88,137)	(131,825)	-33%
General & administrative expenses	(138,137)	(193,358)	-29%
Financial expenses	(58,897)	(173,339)	-66%
Other expenses	(85,943)	(680,492)	-87%
Share of result of an associate	(140,610)	-	n.m
Loss before tax	(218,512)	(805,550)	-73%
Tax expenses	(9,513)	(187,871)	-95%
Net loss for the year	(228,025)	(993,421)	-77%
Other comprehensive income	-	-	-
Total comprehensive income for the year - loss	**(228,025)**	**(993,421)**	**-77%**
Loss attributable to:			
Owners of the Company	(224,980)	(824,786)	-73%
Non-controlling interests	(3,045)	(168,635)	-98%
	(228,025)	**(993,421)**	**-77%**
Total comprehensive income attributable to:			
Owners of the Company	(224,980)	(824,786)	-73%
Non-controlling interests	(3,045)	(168,635)	-98%
	(228,025)	**(993,421)**	**-77%**

n.m : not meaningful

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

	Group		
	2010	2009	Increase/ (decrease)
	Rp'million	Rp'million	%
Gain on foreign exchange, net	43,025	255,212	-83%
Insurance claim	21,443	-	n.m
Property, plant and equipment written-off due to fire incident	(2,961)	-	n.m
Inventories written-off due to fire incident	(18,720)	-	n.m
Gain on change in fair value of biological asset	5,503	1,919	187%
Gain on sale of land use right	704	9,406	-93%
Gain on sale of property, plant and equipment	97	8,567	-99%
Allowance for bad debts	(414)	(467)	-11%
Amortisation of intangible assets	(456)	(1,636)	-72%
Employee termination benefits paid	(1,459)	(4,247)	-66%
Amortisation of land use rights	(4,940)	(8,302)	-40%
Provision for inventories	(6,804)	(13,065)	-48%
Impairment of property, plant and equipment	(39,210)	(200,915)	-80%
Impairment of investment in an associate	(108,226)	-	n.m
Depreciation of property, plant and equipment	(132,557)	(240,715)	-45%
Impairment of goodwill	-	(425,021)	-100%
Gain on sale of a subsidiary	-	4,853	-100%
Amortisation of deferred loss on sales-and-leasedback transactions	-	(3,452)	-100%

n.m : not meaningful

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	
	2010	**2009**	**2010**	**2009**
	Rp'million	**Rp'million**	**Rp'million**	**Rp'million**
Non-current assets				
Property, plant and equipment	**649,418**	1,843,458	**517**	928
Intangible assets	**-**	47,946	**-**	-
Goodwill	**-**	194,971	**-**	-
Investment in subsidiary companies	**-**	-	**587,234**	1,356
Investment in an associate	**-**	-	**-**	-
Biological assets	**2,450**	216,714	**-**	-
Land use rights	**62,682**	93,465	**-**	-
Deferred tax assets	**5,476**	16,940	**-**	-
Other non-current assets	**14,419**	61,603	**188**	188
	734,445	2,475,097	**587,939**	2,472
Current assets				
Inventories	**167,910**	395,497	**-**	933
Trade and other receivables	**72,005**	263,681	**61,070**	631,588
Prepaid operating expenses	**27,453**	74,270	**107**	1,389
Advances to suppliers	**90,301**	113,359	**-**	-
Cash and cash equivalents	**74,945**	110,868	**23,852**	3,605
Restricted time deposits	**20,499**	115,462	**-**	94,946
	453,113	1,073,137	**85,029**	732,461
Current liabilities				
Trade and other payables*	**166,742**	419,394	**27**	96,753
Other liabilities	**56,630**	210,854	**2,221**	4,686
Advance from customers	**64,535**	190,589	**-**	-
Provision for taxation	**12,398**	28,133	**-**	-
Short term bank borrowings	**23,284**	334,308	**-**	47,000
Long term borrowings (current portion)	**158,276**	597,701	**-**	93,637
	481,865	1,780,979	**2,248**	242,076
Net current assets/ (liabilities)	**(28,752)**	(707,842)	**82,781**	490,385
Non-current liabilities				
Long term borrowings	**185,008**	827,698	**-**	-
Post-employment benefits	**53,116**	65,972	**-**	-
Deferred tax liabilities	**6,318**	68,284	**-**	-
Other liability	**-**	202,860	**-**	-
	244,442	1,164,814	**-**	-
Net assets	**461,251**	602,441	**670,720**	492,857
Equity attributable to owners of the Company				
Share capital	**2,134,271**	1,943,866	**2,134,271**	1,943,866
Reserves	**(1,676,112)**	(1,451,132)	**(1,463,551)**	(1,451,009)
	458,159	492,734	**670,720**	492,857
Non-controlling interests	**3,092**	109,707	**-**	-
	461,251	602,441	**670,720**	492,857

*) As at 31 December 2009, the trade and other payables include 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.

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

Amount repayable in one year or less, or on demand

As at 31December 2010		As At 31 December 2009	
Secured Rp million	**Unsecured** Rp million	**Secured** Rp million	**Unsecured** Rp million
181,560	-	929,141	2,868

Amount repayable after one year

As at 31 December 2010		As At 31 December 2009	
Secured Rp million	**Unsecured** Rp million	**Secured** Rp million	**Unsecured** Rp million
185,008	-	827,698	-

Details of any collateral

As at 31 December 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.

During the year ended 31 December 2010, a subsidiary of the group has reported that certain conditions (financial ratio covenants) as set out in its lending contracts with one of its lenders, have not been complied with. Management is in discussion with the lender to rectify the matters. The lender has continued to support the subsidiary. The subsidiary has been servicing the repayment of the principal and interest of the said loans as and when they fall due.

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	(218,512)	(805,550)
Adjustments:		
Depreciation of property, plant and equipment	132,557	240,715
Share of result of an associate	140,610	-
Interest expense & financial charges	58,897	173,339
Impairment of property, plant and equipment	39,210	200,915
Inventories written-off due to fire incident	18,720	-
Post employment benefits expense	14,785	19,338
Provision for inventories	6,804	13,065
Amortisation of land use rights	4,940	8,302
Amortisation of intangible assets	456	1,636
Property, plant and equipment written-off	2,961	-
Allowance for bad debts	414	467
Gain on sales of property, plant and equipment	(97)	(8,567)
Gain on sales of land use rights	(704)	(9,406)
Interest income	(1,765)	(3,095)
Gain on change in fair value of biological assets	(5,503)	(1,919)
Foreign exchange gain	(48,838)	(221,807)
Impairment of goodwill	-	425,021
Amortisation of deferred losses on sales and leaseback	-	3,452
Gain on disposal of a subsidiary	-	(4,853)
Operating cash flow before changes in working capital	144,935	31,053
Changes in working capital		
Inventories	(27,951)	130,736
Trade and other receivables	36,160	60,605
Prepaid operating expenses	34,798	(27,402)
Advance to suppliers	(10,807)	43,764
Trade and other payable	26,635	(17,658)
Other liabilities	(24,393)	39,529
Advance from customers	(6,969)	9,940
Other non-current assets	(12,010)	9,866
Cash flow provided by operations	160,398	280,433
Income tax paid	(14,814)	(11,804)
Net cash provided by operating activities	145,584	268,629
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	2,486	23,713
Interest received	1,765	3,095
Proceeds from disposal of land use rights	789	9,565
Additions of biological assets	(753)	(3,261)
Addition of intangible assets	(1,072)	(7,842)
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	(33,463)	(89,243)
Additions to land use rights	(1,768)	(301)
Disposal of a subsidiary, net of cash disposed	-	7,198
Net cash used in investing activities	(61,867)	(57,076)

Consolidated Statement of Cash Flows
For the financial year ended 31 December 2010 (cont'd)

	Group	
	2010	2009
	Rp'million	Rp'million
Cash flows from financing activities		
Proceeds from issuance of ordinary shares, net	190,405	-
Withdrawal of restricted deposits	94,744	-
Repayment of short term borrowing from a company related to a substantial shareholder	(94,744)	-
Drawdown of short term bank borrowings	140,949	-
Repayment of short term bank borrowings	(192,085)	(59,897)
Repayments of long-term borrowings	(210,704)	(80,313)
Interest expense paid	(47,855)	(104,149)
Placement of restricted deposits	(350)	(12,055)
Net cash used in financing activities	(119,640)	(256,414)
Net decrease in cash and cash equivalents	(35,923)	(44,861)
Cash and cash equivalents at beginning of year	110,868	155,729
Cash and cash equivalents at end of year	74,945	110,868

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:

	Rp'million
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	54,662
	1,609,628
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	17,037
	445,354
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	293,388
	1,003,190
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	50,810
	871,236
Net assets	180,556
Less: Minority interests of Sumalindo	(52,760)
Effective net assets deconsolidated	127,796
Net assets of Sumalindo classified as investment in an associate company	(127,796)
	-
Cash flow on dillution:	
Net cash disposed upon dilution	17,037

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				
	Equity, total	Share capital	Accumulated losses	Restructuring reserves	Total	Non-controlling interests
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Balance at 1 January 2010	602,441	1,943,866	(1,760,182)	309,050	492,734	109,707
Issuance of ordinary shares, net	190,405	190,405	-	-	190,405	-
Effect of deconsolidation of a subsidiary	(103,570)	-		-	-	(103,570)
Total comprehensive income during the year - loss	(228,025)	-	(224,980)	-	(224,980)	(3,045)
Balance at 31 December 2010	**461,251**	**2,134,271**	**(1,985,162)**	**309,050**	**458,159**	**3,092**
Balance at 1 January 2009	1,597,428	1,943,866	(935,396)	309,050	1,317,520	279,908
Total comprehensive income during the year - loss	(993,421)	-	(824,786)	-	(824,786)	(168,635)
Disposal of subsidiaries	(1,566)	-		-	-	(1,566)
Balance at 31 December 2009	**602,441**	**1,943,866**	**(1,760,182)**	**309,050**	**492,734**	**109,707**

Company

	Attributable to owners of the Company		
	Share capital	Accumulated losses	Total
	Rp million	Rp million	Rp million
Balance at 1 January 2010	1,943,866	(1,451,009)	492,857
Issuance of ordinary shares	190,405	-	190,405
Total comprehensive income during the year - loss	-	(12,542)	(12,542)
Balance at 31 December 2010	**2,134,271**	**(1,463,551)**	**670,720**
Balance at 1 January 2009	1,943,866	(764,112)	1,179,754
Total comprehensive income during the year - loss	-	(686,897)	(686,897)
Balance at 31 December 2009	**1,943,866**	**(1,451,009)**	**492,857**

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 year ended 31 December 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 January 2010	898,162,562
Additional rights issue of shares	449,081,281
At 31 December 2010	1,347,243,843

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

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 2009, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning on or after 1 July 2009. The adoption of these standards has no material impact on the financial statements of the Group and the Company for the year ended 31 December 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.

Plese 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	
	2010	**2009**
Weighted average number of ordinary shares for basic earnings per share computation	1,318,445,197	965,399,597
Weighted average number of ordinary shares for diluted earnings per share computation	1,318,445,197	965,399,597
	Rp (full amount)	Rp (full amount)
Loss per share attributable to owners of the Company		
Basic	(171)	(854)
Diluted	(171)	(854)

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.

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	
	2010	2009	2010	2009
Net assets for the year attributable to owners of the Company used in computation of net asset valuer per share (Rp'million)	458,159	492,734	670,720	492,857
Number of ordinary shares at the end of the year	1,347,243,843	898,162,562	1,347,243,843	898,162,562
Net asset value per ordinary share (Rp full amount)	340	549	498	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

For the year ended 31 December 2010, our loss reduced from Rp993 billion in 2009 to Rp228 billion.The improvement was due mainly to better gross profit achieved and lower expenses incurred in 2010 and, the effect of deconsolidation of PT Sumalindo Lestari Jaya Tbk ("Sumalindo") (Sumalindo reported lower losses this year and our share of its results also reduced from 51.62% to 31.25% - following our dilution of interest in Sumalindo on 30 March 2010).

Revenue

	Group		
	2010	2009	Increase/ (decrease)
	Rp'million	Rp'million	%
Domestic sales	1,842,756	2,139,215	-14%
Export sales	362,724	657,760	-45%
Total	2,205,480	2,796,975	-21%

Our revenue decreased by 21% as compared to that of 2009. The domestic and export sales dropped by 14% and 45% respectively. The decrease was due mainly to the effect of deconsolidation of Sumalindo (previous year's revenue included the revenue of Sumalindo whereas its revenue ceased to be consolidated from April 2010).

Had we excluded the revenue of Sumalindo, our revenue would have been decreased by Rp68 billion or 3% of which, domestic sales contributed Rp56 billion and the remaining balance of Rp12 billion was from our export sales. In 2010, we faced stronger competition in the domestic market, particularly in the last two quarters of the year. As a result, our annual domestic sales volume dropped 3% albeit a comparable 2009 average selling price.

For the same year ended, our export sales also reported a slight decrease. This was due mainly to different product mix in which the prices of these products were generally lower as compared to that of 2009 and lower sales volume. However, our export sales volume improved on quarter to quarter basis in 2010 and during the last quarter, our export sales volume improved by 13% as compared to that of the 3rd quarter of 2010 and it reported the highest quarterly export sales volume in 2010.

Cost of sales

	Group		
	2010	**2009**	**Increase/ (decrease)**
	Rp'million	**Rp'million**	**%**
Raw material used	1,019,749	1,287,283	-21%
Labour costs	337,276	368,827	-9%
Factory overhead	521,176	854,485	-39%
Movement in finished goods	106,604	195,968	-46%
Total	**1,984,805**	**2,706,563**	**-27%**

For the year ended 31 December 2010, our cost of sales decreased by 27% as compared to that of 2009. If the performance of Sumalindo was excluded, our cost of sales dropped 5% as compared to that of 2009. The decrease is proportionately higher than that of the decrease in the revenue was mainly due to lower unit production cost in 2010.

Raw materials used, labor costs and factory overheads

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

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

Year on year basis, after account for the effect of the deconsolidation of Sumalindo, our gross profit improved by 13%. This was due mainly to lower unit production costs as compared to that of 2009.

Other income

For the year ended 31 December 2010, our other income decreased to Rp71 billion as compared to Rp280 billion in 2009. The decrease was mainly due to lower exchange gain (stronger Rupiah exchange rate versus US dollar) recognised and the effect of deconsolidation of Sumalindo.

Included in other income for 2010 was an insurance award in respect of fire incident in Balaraja plant's amounted to Rp21 billion.

Selling expenses

Our selling expenses have declined by 33% as compared to that of 2009. This was due mainly to the deconsolidation effect of Sumalindo and lower freight cost incurred due to lower export sales volume.

General and administration ("G&A") Expenses

Our G&A expenses have declined by 29% as compared to that of 2009. This was due mainly to the 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 expenses

Our finance expenses have decreased as compared to that of 2009. This was due mainly to the deconsolidation effect of Sumalindo and repayment of borrowings in 2010.

Other expenses

Our other expenses decreased by 87% as compared to that of 2009. This was due mainly to impairment in goodwill and property plant and equipment made in 2009 amounted to Rp626 billion, while in 2010, the impairment was only provided for property, plant and equipment amounted to Rp39 billion.

Share of result from an associate

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

	Group		
	2010	2009	Increase/ (decrease)
	Rp'million	Rp'million	%
Share of associate's current year loss	(32,384)	-	n.m
Impairment of investment	(108,226)	-	n.m
Total	(140,610)	-	n.m

Taxation

Our tax expenses consisted of the following:

	Group		
	2010	**2009**	**Increase/ (decrease)**
	Rp'million	**Rp'million**	**%**
Current income tax	(9,647)	(6,055)	59%
Deferred income tax	816	(170,413)	-100%
Under provision of prior years taxes	(682)	(11,403)	-94%
Total	(9,513)	(187,871)	-95%

Indonesia adopts individual company income tax system.

Despite the reported loss before tax, we incurred tax expenses. This was due mainly to losses incurred by certain entities in the group not eligible to offset against the profits of other entities in the group. We did not account for deferred tax benefits for some of these losses 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

As at 31 December 2010, our non-current assets decreased by Rp1,741 billion to Rp734 billion. The decrease was due mainly to deconsolidation of Sumalindo and share of losses in Sumalindo (including provision for impairment made) in 2010.

The changes in the current assets position were due mainly to deconsolidation effect of Sumalindo. Had Sumalindo's current assets been excluded in 2009, our current assets would have been decreased by Rp154 billion as compared to that of 2009. The decrease was due mainly to the withdrawal of restricted deposits of Rp95 billion and some refund of prepaid tax.

Our current liabilities decreased by Rp1,299 billion to Rp482 billion in 2010. The decrease was due mainly to deconsolidation of Sumalindo and repayments of borrowings.

Our net working capital position improved by Rp679 billion (Our net current liabiltiies reduced from Rp708 billion to Rp29 billion). This was due mainly 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 Rp643 billion to Rp185 billion in 2010. This was 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 used for the year was Rp36 billion as compared to Rp45 billion in 2009. During the year, we generated Rp146 million from our operating activities, however, we have incurred net cash outflow of Rp62 million and Rp120 million from our investing and financing activities respectively.

Our cash generated from operating activities was lower as compared to 2009. This was due mainly to the effect of deconsolidation of Sumalindo and higher working capital requirement in 2010 as production increased.

Despite lower capital expenditure incurred during the year, our cash outflow from investment acitivities increased slightly. This was mainly attributable to subcription of Sumalindo's rights issues and we incurred cash outflow from dilution of our interests in Sumalindo in 2010.

Our bank borrowings repayment amount was higher than that of the 2009 but the overall cash outflow for financing activities was lower than that in 2009 as it was partly pay off by proceeds from our rights issue in 2010.

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 to be affected by the following:-

1) Exchange rate risk remains high in 2011 since our Group's borrowings are mostly in US dollar.

   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 the 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 dollar. As at the balance sheet date, we have entered into a currency swap to convert part of our US Dollar loans totalling US$10.2 million to Indonesian Rupiah denomination loan of Rp92 billion based on the exchange rate of Rp9,030 to US$1. 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 dollar borrowings to our net loss arising from the possible change in the US dollar exchange rate:

	Group
Exchange rate 1 US$ is equal to:	2010 Rp'million
Actual	Loss after tax for the year ended 31 December attributable to owners of the Company
8,991	(224,980)
Test rate	(Increase)/ Decrease
9,200	(6,318)
9,100	(4,273)
9,000	(2,229)
8,900	(184)
8,800	1,861
8,700	3,905
8,600	5,950

Note:

- Exchange rate of Indonesian Rupiah ("Rp") to 1US$ at 31 December 2010 was Rp8,991
- Exchange rate of Rp to 1US$ at 31 December 2009 was Rp9,400
- Exchange rate of Rp to 1US$ at 22 February 2011 was Rp8,873
- Our US$ borrowings as of 31 December 2010 amounts to US$27 million (excluded the converted amount as mentioned above).

2) As mentioned in section 8, we faced greater competition domestically, particularly, from the 3rd quarter of 2010. We expect the strong competition to continue for the next twelve months and this will put pressure on the pricing of our products and this may affect our margin. We have started our downstream business (including improving the products mix) and will continue to expand in 2011 as appropriate. We believe that the expansion in downstream will overcome some of these challenges.

   Our export sales have improved quarter to quarter in 2010 and we expect the trend to continue. Although our export sales may be affected by the strengthening of Rupiah, we believe the export momentum will continue to improve. We remains focus on specific export market and barring unforseen cirscumtances, our export sales will be better.

   We will continue to improve on our production efficiency.

3) The financial statements of Sumalindo were deconsolidated on March 2010. In the previous periods, the adverse performance of Sumalindo had affected our financial position and performance.

   During 2010, we have made a full provision of impairment of our investment in Sumalindo. Moving forward, any adverse performance of Sumalindo will not have any impact to our result and financial position.

4) The group may need to raise additional funds and the options will include, obtaining new loans, refinance or restructure its existing loans as and when required.

In 2011, the group will have higher amount of bank loan repayment obligations as compared to 2010 (certain loans are maturing in 2011). In addition, the group may require additional working capital to implement its strategies to generate more revenue and improved its margin. To overcome these challenges, the group has started the discussion with lenders to restructure its bank loans so as to conserve cash for its business' working capital needs. The discussion is still preliminary and we will update the shareholders of any material developments in the future. We are also exploring other fund raising options.

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 year ended 31 December 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)
	2010	
	Rp Million	Rp Million
PT Pelayaran Nelly Dwi Putri Time charter of tug and barges; and Freight expense	21,681*	-

*) Included the transactions approved in the EGM on 10 August 2010

During the financial year ended 31 December 2010 our Group has:

1. made downpayment of Rp4,873 million for the purchase of trees from PT Bioforest Indonesia.
2. entered into sales and purchase agreements to acquire certain assets of PT Nelly Jaya Pratama as approved in the EGM on 10 August 2010. The completion date has been extended to June 2012.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

Year ended 31 December 2010	Primary processed timber products	Secondary processed timber products	Chemical glue	Elimination	Total
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Revenue:					
Sales to external customers	2,055,529	140,117	9,834	-	2,205,480
Inter-segment sales	108,739	5,868	32,142	(146,749)	-
Total revenue	**2,164,268**	**145,985**	**41,976**	**(146,749)**	**2,205,480**
Results:					
Segment results	4,908	(11,955)	1,448	-	(5,599)
Other expense	(65,894)	(12,606)	(6,739)	-	(85,239)
Other income	68,580	1,488	-	-	70,068
Finance expense	(56,590)	(2,276)	(31)	-	(58,897)
Finance income	1,759	4	2	-	1,765
Share of results from associate	(140,610)	-	-	-	(140,610)
Loss before tax	**(187,847)**	**(25,345)**	**(5,320)**	**-**	**(218,512)**
Taxation	(12,797)	1,354	1,930	-	(9,513)
Loss for the year	**(200,644)**	**(23,991)**	**(3,390)**	**-**	**(228,025)**

Year ended 31 December 2009	Primary processed timber products	Secondary processed timber products	Chemical glue	Elimination	Total
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Revenue:					
Sales to external customers	2,632,093	159,939	4,943	-	2,796,975
Inter-segment sales	136,183	1,771	28,964	(166,918)	-
Total revenue	**2,768,276**	**161,710**	**33,907**	**(166,918)**	**2,796,975**
Results:					
Segment results	(203,963)	(25,881)	(4,990)	63	(234,771)
Other expense	(661,708)	(17,633)	(1,151)	-	(680,492)
Other income	269,948	12,372	(2,300)	(63)	279,957
Finance expense	(171,135)	(2,181)	(23)	-	(173,339)
Finance income	3,048	41	6	-	3,095
Loss before tax	**(763,810)**	**(33,282)**	**(8,458)**	**-**	**(805,550)**
Taxation	(179,993)	(8,172)	294	-	(187,871)
Loss for the year	**(943,803)**	**(41,454)**	**(8,164)**	**-**	**(993,421)**

Geographical segments

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

Region	**Group** **2010** Rp million	**2009** Rp million
Indonesia	1,795,951	2,135,409
North Asia	229,267	252,549
Middle East	53,540	115,676
Singapore	49,343	8,298
Europe	35,601	107,912
USA	16,366	124,734
Others	25,412	52,397
	2,205,480	2,796,975

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

Primary and secondary sales decreased by more than 22% and 10% respectively, was due mainly to the effect of deconsolidation of Sumalindo as disclosed in point 8 and the slowdown of market demand.

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

No dividend has been declared.

BY ORDER OF THE BOARD

Aris Sunarko @ Ko Tji Kim
Chief Executive Officer
22 February 2011