

## **SAMKO TIMBER LIMITED**

(the **Company**)

(Registration No. 200517815M)

(a company with limited liability incorporated under the laws of Singapore on 26 December 2005)

### **PROPOSED RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE TO RAISE GROSS PROCEEDS OF APPROXIMATELY S\$29.2 MILLION**

#### **RECEIPT OF IN-PRINCIPLE APPROVAL AND NOTICE OF BOOKS CLOSURE DATE**

#### **1. Introduction**

The Board of Directors of Samko Timber Limited (the "**Directors**") wishes to announce that the Company is proposing a renounceable underwritten rights issue (the "**Rights Issue**") of 449,081,281 new shares in the capital of the Company (each ordinary share in the capital of the Company, a "**Share**" and each new share to be issued pursuant to the Rights Issue, a "**Rights Share**") at an issue price of S\$0.065 (the "**Issue Price**") on the basis of one (1) Rights Share for every two (2) existing Shares held by shareholders of the Company (the "**Shareholders**") as at 5.00 p.m. on a books closure date to be determined and announced by the Directors (the "**Books Closure Date**"), fractional entitlements to be disregarded.

UOB Kay Hian Private Limited has been appointed as the Underwriter (the "**Underwriter**") in relation to the Rights Issue.

As an indication of its strong support and commitment for the Company, Sampoerna Forestry Limited ("**Sampoerna Forestry**"), SGSS Forest Products Pte. Ltd. ("**SGSS**") and Mr. Aris Sunarko @ Ko Tji Kim (together with Sampoerna Forestry and SGSS, the "**Undertaking Shareholders**") who hold directly 731,149,562 Shares representing approximately 81.41% of the issued share capital of the Company as at the date hereof, have provided irrevocable undertakings to the Company that they will, *inter alia*, subscribe and/or procure the subscription for the Committed Rights Shares (as defined herein) under the Rights Issue in full (the "**Irrevocable Undertakings**"), representing in aggregate approximately 68.58% of the total number of Rights Shares.

The total number of Rights Shares less the Committed Rights Shares (the "**Underwritten Rights Shares**") will be fully underwritten by the Underwriter, further details of which are set out in paragraph 5 below.

#### **2. Rational of the Rights Issue and Use of Proceeds**

The Group had in its Unaudited Third Quarter Financial Statements and Dividend Announcement for the period ended 30 September 2009 stated that various fund raising options were being studied by the management.

The Company intends to raise gross proceeds from the Rights Issue of approximately S\$29.2 million or approximately US\$21.0 million<sup>1</sup>.

The Company intends to utilise the net proceeds of the Rights Issue in the following manner:

- (i) approximately S\$21.0 million for the repayment of (a) the outstanding loan amount of US\$10.0 million of a US\$35.0 million term loan from Credit Suisse, Singapore Branch ("**Credit Suisse**") obtained by the Company in August 2007 (the "**CS Term Loan**") and (b) a US\$5 million credit facility from Credit Suisse obtained by the Company in October 2008 (the "**CS Facility**", together with the CS Term Loan, the "**CS Loans**");

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<sup>1</sup> Based on an exchange rate of approximately S\$1.39 to US\$1.00 as at the date of this announcement.

- (ii) subject to obtaining a waiver from the Standard Chartered Bank ("**Standard Chartered**") as described below, approximately S\$1.1 million for the part repayment of Standard Chartered Loan (as defined herein); and
- (iii) the balance to be used for general corporate and working capital purposes.

Pending the deployment of the net proceeds from the Right Issue for the abovementioned uses, the net proceeds may be deposited with banks and/or financial institutions, invest in short-term money markets and/or marketable securities, used to discharge, reduce or retire any indebtedness and/or used for any other purposes on a short-term basis as the Directors may deem appropriate in the interests of the Group.

To assist the Company to maintain certain of its loan covenants under the CS Loans, Sampoerna Forestry had from September 2008 to December 2008, through a related entity, deposited a total of approximately US\$15 million with Credit Suisse ("**Cash Deposit**"), of which approximately US\$10 million was deposited into the Company's account with Credit Suisse ("**Company's Bank Account**"), and approximately US\$5 million was deposited into an interest bearing account (under the name of a related entity of Sampoerna Forestry) with Credit Suisse ("**Sampoerna's Bank Account**"). Other than the interest earned on amounts deposited in the Sampoerna's Bank Account (being interest earned in the ordinary course of business), neither Sampoerna Forestry nor any of its related entities obtained any benefit, financial or otherwise, from the Company or Credit Suisse in connection with the Cash Deposit. Upon the full repayment of the CS Loans, Credit Suisse has agreed to release approximately US\$5 million of the Cash Deposit directly to Sampoerna Forestry and approximately US\$10 million of the Cash Deposit to the Company which will in turn release approximately US\$10 million to Sampoerna Forestry.

The Company has agreed with Standard Chartered that Standard Chartered will be entitled to 15% of the excess proceeds from the Rights Issue (after deducting expenses incurred in connection with the Rights Issue and the proceeds used for the repayment of the CS Loans), which is approximately S\$1.1 million. The Company is currently in negotiations with Standard Chartered to waive the repayment of S\$1.1 million. In the event that Standard Chartered agrees to waive this requirement, the Company will reallocate S\$1.1 million of the net proceeds for general corporate and working capital purposes.

**The Company wishes to highlight that the current working capital available to the Company and its subsidiaries (the "Group") is insufficient for present requirements. Therefore, the Rights Issue is an important step to address in part such insufficiency and provide short term liquidity to the Group. The majority of the net proceeds raised from the Rights Issue will be used to repay certain bank loans and the balance of the net proceeds will not be sufficient for present working capital requirements.**

### **3. Board Approval for the Rights Issue**

**The Lead Independent Director of the Company, Mr. Ng Cher Yan, had objected to the portion of the Rights Issue proceeds being used for the repayment of the CS Loans. Under the proposed Rights Issue structure, approximately 71.9% of the Rights Issue gross proceeds will be used for the repayment of the CS Loans. Mr Ng. indicated that he would not have objected to the use of the proceeds if not more than 67% of the Rights Issue gross proceeds were used to repay the CS Loans. Notwithstanding his objection to the use of proceeds, Mr Ng had, in the board resolution, voted in favour of the Rights Issue.**

**The rest of the board of Directors of the Company understands the objection stated above to be Mr Ng's only objection to the Rights Issue. Having considered Mr Ng's views, they have decided it is in the best interests of, and of corporate benefit to the Company, for the proceeds to be used as stated above as the CS Loans are repayable by January 2010.**

#### 4. Principal Terms of the Rights Issue

Pursuant to the Rights Issue, 449,081,281 Rights Shares will be offered at the Issue Price at the ratio of one (1) Rights Share for every two (2) existing Shares held by Shareholders as at the Books Closure Date.

The Rights Issue is structured to give all Shareholders the opportunity to subscribe for the Right Shares on a *pro rata* basis. The Rights Shares are priced at an Issue Price of S\$0.065 which represents a discount of:

- (i) approximately 27.78% to the closing price of S\$0.090 per Share on the SGX-ST on 11 December 2009, being the last trading day of the Shares on the SGX-ST prior to this announcement; and
- (ii) approximately 20.73% to the theoretical ex-rights trading price of S\$0.082 per Share, computed based on the closing price of S\$0.090 per Share on the SGX-ST on 11 December 2009, being the last trading day of the Shares on the SGX-ST prior to this announcement, and the total number of Shares following the completion of the Rights Issue.

Entitlements to subscribe for the Rights Shares (the "**Rights**") will be renounceable and are expected to be tradable on the Main Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") over a period to be determined by the Board in compliance with the rules of the SGX-ST Listing Manual. The Rights Shares will, when issued and fully paid, rank *pari passu* in all respects with the then existing Shares, except that they will not rank for any dividends or other distributions the record date for which falls on or before the date of issue of the Rights Shares.

The Rights Shares are to be issued pursuant to the share issue mandate, being the authority to issue Shares, granted by Shareholders to the Directors pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore which was obtained at the annual general meeting of the Company held on 25 April 2009.

Fractional entitlements to the Rights Shares will be disregarded in arriving at the Shareholders' entitlements and will, together with the Rights Shares represented by the provisional allotments of (i) Entitled Shareholders (as defined below) who decline, do not accept, or elect not to renounce or trade their provisional allotment of Rights Shares under the Rights Issue (during the Rights trading period prescribed by the SGX-ST); and/or (ii) Foreign Shareholders (as defined below), be aggregated and used to satisfy excess Rights Shares applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of excess Rights Shares, preference will be given for the rounding of odd lots and substantial Shareholders and the Directors will rank last in priority.

Full details of the terms and conditions of the Rights Issue will be set out in an offer information statement (the "**OIS**") to be lodged by the Company with the Monetary Authority of Singapore (the "**MAS**") in connection with the Rights Issue and to be despatched to Entitled Shareholders (as defined below).

#### 5. Underwriting

The Underwriter will underwrite the Underwritten Rights Shares on the terms and subject to the conditions of an underwriting agreement dated 11 December 2009 entered into between the Company and the Underwriter (the "**Underwriting Agreement**").

The obligation of the Underwriter under the Underwriting Agreement is conditional upon certain matters including the Irrevocable Undertakings being in full force and effect and each of the Undertaking Shareholders having performed all their obligations under their respective Irrevocable Undertakings.

It should be noted that the Underwriting Agreement may be terminated upon the occurrence of certain events, including those of a *force majeure* nature, but the Underwriter is not entitled to rely on

*force majeure* to terminate the Underwriting Agreement on or after the date on which ex-Rights trading commences.

## 6. Irrevocable Undertakings

As at the date of this announcement, Sampoerna Forestry holds directly 355,974,870 Shares representing approximately 39.63% of the Company's issued share capital, SGSS holds directly 367,174,692 Shares representing approximately 40.88% of the Company's issued share capital and Mr Aris Sunarko @ Ko Tji Kim holds directly 8,000,000 Shares representing approximately 0.89% of the Company's issued share capital.

Sampoerna Forestry has irrevocably undertaken with the Company and the Underwriter that *inter alia* it will, directly and/or through one or more of its wholly-owned subsidiaries, subscribe and pay in full for 177,987,435 Rights Shares based on its direct interest in 355,974,870 Shares representing approximately 39.63% of the Company's share capital as at 11 December 2009 (the "**Sampoerna Forestry Pro Rata Shares**").

Mr Aris Sunarko @ Ko Tji Kim has irrevocably undertaken with the Company and the Underwriter that *inter alia* he will subscribe and pay in full for 4,000,000 Rights Shares based on his direct interest in 8,000,000 Shares representing approximately 0.89% of the Company's share capital as at 11 December 2009 ("**Sunarko Pro Rata Shares**").

SGSS has irrevocably undertaken with the Company and the Underwriter that *inter alia*:

- (i) it will, directly and/or through one or more of its wholly-owned subsidiaries, subscribe and pay in full for an aggregate of 126,000,000 Rights Shares (out of SGSS' total provisional allotment of 183,587,346 Rights Shares based on its direct interest in 367,174,692 Shares representing approximately 40.88% of the Company's share capital as at 11 December 2009) ("**SGSS Committed Rights Shares**", together with the Sampoerna Forestry Pro Rata Shares and the Sunarko Pro Rata Shares, the "**Committed Rights Shares**"); and
- (ii) without prejudice to the paragraph (i) above, it may procure (a) Mr Aris Sunarko @ Ko Tji Kim to subscribe and pay in full for 27,225,000 Rights Shares of the SGSS Committed Rights Shares, (b) Noah Shipping Pte Ltd to subscribe and pay in full for 15,380,000 Rights Shares of the SGSS Committed Rights Shares, (c) Mr. Koh Boon Hong to subscribe and pay in full for 12,750,000 Rights Shares of the SGSS Committed Rights Shares and (d) Ms See Kim Hua to subscribe and pay in full for 4,400,000 Rights Shares of the SGSS Committed Rights Shares,

and any subscription and payment by Mr Aris Sunarko @ Ko Tji Kim, Noah Shipping Pte Ltd, Mr. Koh Boon Hong and Ms See Kim Hua of the Committed Rights Shares shall reduce the obligation of SGSS to subscribe and pay in full for the Committed Rights Shares under paragraph (i) above by a similar amount.

## 7. Listing Approval

The SGX-ST has today given its in-principle approval for the listing and quotation of all the Rights Shares on the Main Board of the SGX-ST. Such approval should not be taken as indication of the merits of the Rights Issue or the Company.

The SGX-ST's in-principle approval is subject to, *inter alia*, the following conditions:

- (i) compliance with the SGX-ST's listing requirements;
- (ii) prominent disclosure of the following statement:

"The current working capital available to the Group is insufficient for present requirements. Therefore, the Rights Issue is an important step to address in part such insufficiency and provide short term liquidity to the Group. The majority of the net proceeds raised from the

Rights Issue will be used to repay certain bank loans and the balance of the net proceeds will not be sufficient for present working capital requirements.”;

- (iii) prominent disclosure of Mr Ng Cher Yan’s objections to the allocation of the Rights Issue proceeds and reasons for his objection in the Rights Issue on working capital as disclosed in paragraph 3 above; and
- (iv) preference being given to the rounding of odd lots in the allotment of any excess Rights Shares. Directors and substantial shareholders will rank last in priority in the allotment of any excess Rights Shares.

## 8. Notice of Books Closure Date

Notice is hereby given that the Register of Members and the Transfer Books of the Company will be closed at 5.00 p.m. (Singapore time) on 28 December 2009, for the purpose of determining the provisional Rights Shares entitlements of Shareholders under the Rights Issue.

## 9. Indicative Timeline

An indicative timeline for the Rights Issue is set out below (all references below are to Singapore dates and time).

Shares trade ex-Rights	:	23 December 2009
Books Closure Date	:	28 December 2009
Lodgement of OIS with MAS	:	29 December 2009
Despatch of the OIS (together with acceptance and application forms) to Entitled Shareholders	:	31 December 2009
Last date and time for trading of nil-paid Rights	:	11 January 2010 at 5.00 p.m.
Last date and time for acceptance and payment for Rights Shares	:	15 January 2010 at 5.00 p.m.(9.30 p.m. for electronic applications)
Last date and time for renunciation of and payment for Rights Shares	:	15 January 2010 at 5.00 p.m.
Last date and time for application and payment for excess Rights Shares	:	15 January 2010 at 5.00 p.m.(9.30 p.m. for electronic applications)
Expected date for issuance of Rights Shares	:	25 January 2010
Expected date for commencement of trading of Rights Shares	:	26 January 2010

## 10. Eligibility to Participate in the Rights Issue

### Entitled Shareholders

Shareholders whose securities accounts with The Central Depository (Pte) Limited (“CDP”) are credited with Shares as at 5.00 p.m. (Singapore time) on the Books Closure Date will be provisionally allotted Rights Shares entitlements on the basis of the number of Shares standing to the credit of their securities accounts with CDP as at the Books Closure Date.

To be “Entitled Shareholders”, Shareholders must have registered addresses in Singapore with CDP as at the Books Closure Date or if they have registered addresses outside Singapore must

provide CDP, at 4 Shenton Way, #02-01 SGX Centre 2, Singapore 068807, with a registered address in Singapore no later than 5.00 p.m. (Singapore time) on the date being three market days prior to the Books Closure Date, in order to receive his provisional allotment of Rights Shares entitlements.

Notwithstanding the foregoing, investors should note that the offer and sale of, or exercise or acceptance of, or subscription for, Rights and Rights Shares to or by persons located or resident in jurisdictions other than Singapore may be restricted or prohibited by the laws of the relevant jurisdiction. Crediting of Rights to any securities account with CDP, the receipt of any Rights, or receipt of the OIS and/or any of its accompanying documents, will not constitute an offer or sale in those jurisdictions in which it will be illegal to make such offer or sale, or where such offer or sale will otherwise violate the securities laws of such jurisdictions or be prohibited. The Company reserves absolute discretion in determining whether any Shareholder located or resident outside Singapore may participate in the Rights Issue.

### **Foreign Shareholders**

For practical reasons and in order to avoid violating applicable securities laws outside Singapore, the Rights Shares will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not at least three market days prior thereto provided CDP or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices or documents in accordance with the foregoing ("**Foreign Shareholders**").

To the extent it is practicable to do so, arrangements may, at the absolute discretion of the Company, be made for the provisional allotments of Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders to be sold nil-paid on the SGX-ST as soon as practicable after commencement of trading of nil-paid Rights. The net proceeds of such sales (after deducting any applicable brokerage, commissions and expenses, including goods and services tax) will be aggregated and paid to Foreign Shareholders in proportion to their respective shareholdings as at the Books Closure Date, save that no payment will be made of amounts of less than S\$10 to a single or joint Foreign Shareholder, which amounts will be aggregated and will ultimately accrue to the benefit of the Company.

## **11. Interests of Directors and Substantial Shareholders**

Save as disclosed in paragraph 2 above, none of the directors of the Company or the substantial Shareholders of the Company has an interest, direct or indirect, in the Rights Issue other than through their respective shareholding interests, direct or indirect, in the Company.

By Order Of The Board

Aris Sunarko @ Ko Tji Kim  
Chief Executive Officer  
11 December 2009

## Important Notice

This Announcement is for information purposes only and does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, any Rights or Rights Shares or to take up any entitlements to Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. No person should acquire any Rights or Rights Shares except on the basis of the information contained in the OIS. The information contained in this Announcement is not for release, publication or distribution to persons in the United States and should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of applicable securities laws or regulations. The issue, exercise or sale of rights and the acquisition or purchase of the Rights Shares are subject to specific legal or regulatory restrictions in certain jurisdictions. The Company assumes no responsibility in the event there is a violation by any person of such restrictions.

The distribution of this Announcement, the OIS, the provisional allotment letters and/or the application forms for Rights Shares and excess Rights Shares into jurisdictions other than Singapore may be restricted by law. Persons into whose possession this Announcement and such other documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this Announcement.

This Announcement contains or incorporates by reference "forward-looking statements" regarding the belief or current expectations of the Company, the Board and other members of its senior management about the Group's businesses and the transactions described in this Announcement. Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such risks and uncertainties include the effects of continued or increasing volatility in international financial markets, economic conditions both internationally and in individual markets in which the Group operates, and other factors affecting the level of the Group's business activities and the costs and availability of financing for the Group's activities. Any forward-looking statement contained in this Announcement based on past or current trends and/or activities of the Group should not be taken as a representation that such trends or activities will continue in the future. No statement in this Announcement is intended to be a profit forecast or to imply that the earnings of the Company for the current year or future years will necessarily match or exceed the historical or published earnings of the Company. In light of the ongoing turmoil in the global financial markets and its contagion effect on the economy, any forward-looking statement contained in this Announcement must be considered with significant caution and reservation. Each forward-looking statement speaks only as of the date of the particular statement. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.