

SAMKO TIMBER LTD

Registration No. 200517815M

RESPONSE TO SGX QUERY ON THE UNAUDITED HALF YEAR FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2009

The Board wishes to make the following clarification with regards to the SGX queries dated 15 August 2009:

- 1. We note from page 9 of the results announcement that the Company's subsidiary Sumalindo Lestari Jaya was the worst affected by the slowdown in the export market, recording a 55% decline in export sales compared to the previous year's corresponding period. Please provide more details on how the nature of Sumalindo's business differs from the rest of the Group and why it is worst affected by the slow down in the export market.**

Sumalindo Lestari Jaya ("Sumalindo") is one of the Group's subsidiaries producing higher value plywood and Medium Density Fibreboard ("MDF"). The difference in the nature of Sumalindo's business and the business of the other subsidiaries of the Group, and hence their relative financial performance, is explained as follows:-

- i. Sumalindo operates two major plants – namely plywood mills and MDF. Its plywood plant's configuration is designed for the production of export-grade plywood catering mostly to the export markets while the MDF plant is more flexible catering to both the domestic and the export markets. The rest of the Group mainly operates plywood plants producing domestic-grade commodity plywood catering for the domestic markets.
- ii. Given its plant setup, Sumalindo uses mostly natural forest logs to make plywood while the rest of the group uses more plantation logs. This difference in the use of raw material has resulted in a different cost structure and range of products being produced by each company. For MDF production, Sumalindo uses 100% plantation woods.
- iii. For Sumalindo to sell its plywood into the domestic market, its plant location in East Kalimantan is not suitable for serving the domestic market given the high logistic cost it has to incur to bring the products to Java where most of the demand is located.
- iv. Sumalindo exports most of its plywood and sell most of its MDF into domestic market. During the economic crisis both plywood and MDF sales were badly impacted as
 - a. Low demand for plywood from our buyers overseas as their country's economies were badly effected. For Sumalindo, switching the sales into serving the local market is difficult given the constraints explained in (iii) above.

and

 - b. Although Sumalindo has a significant domestic sales on its MDF, the bulk of the products were used by the buyers for the production of furniture for the export markets. As demand from export market declined, their orders also reduced contributing to the drop of the domestic sales.

By order of the Board

Aris Sunarko @ Ko Tji Kim
Chief Executive Officer
18 August 2009

Credit Suisse (Singapore) Limited is the Sole Global Coordinator, Book Runner, Issue Manager and Underwriter for the initial public offering of shares in Samko Timber Limited.