

## **SAMKO TIMBER LTD**

(The "Company")

(Company Registration No. 200517815M)

### **PROFIT WARNING**

Based on the review of the management accounts of the Company and its subsidiaries (the "Group") for the three months ended 30 September 2008 ("Third Quarter 2008"), the Board of Directors (the "Board") of the Company deems it appropriate to announce that the Group expects to incur substantial losses for the Third Quarter 2008, due mainly to the following reasons:

- 1) The weakening of the Rupiah against the USD in September has increased the unrealised foreign exchange ("FX") translation loss in the Group's balance sheet arising from the Group's USD borrowings. The expected FX loss for the Third Quarter 2008 is Rp.42 billion (approximately US\$4.2 million). As at 24 October 2008, this loss has worsen as the Rupiah exchange rate is Rp9,963 per US\$1 against Rp9,378 per US\$1 as at 30 September 2008. The Board does not expect to see any strengthening of the Rupiah in the near future and expects higher FX losses in the fourth quarter of 2008.
- 2) Management also anticipates that some asset impairment losses will be incurred in view of:-
  - (a) The significant decline of the share price of a subsidiary. As at 30 September 2008, the subsidiary's share price was Rp570, as compared to Rp1,380 on 30 June 2008. Management is currently assessing the amount of the impairment provision for goodwill relating to this subsidiary with the Group's auditors.
  - (b) As the export market of some of our subsidiaries continues to remain soft, this may result in the write-off of some of the deferred tax assets not being realised.
  - (c) With the low utilisation of PT Putra Sumber Utama Timber ("PSUT")'s machineries due to the soft export market, Management expects to write off machineries of approximately Rp100 billion (US\$10 million).

The Board also wishes to highlight that the liquidity of the Group has been affected in the recent months owing to:

- (a) The tightening of liquidity in the financial market globally as well as in Indonesia especially in the recent 1-2 months. This has affected the Group's working capital funding.
- (b) As part of the restructuring of PSUT, PSUT's trade finance working capital facility of approximately Rp60 billion (or US\$6 million), which was repaid, was supposed to be reavailed to other subsidiaries within the Group so as to optimise the overall liquidity management. However, to-date this facility has not been made available to the other subsidiaries.
- (c) The Group's liquidity is further squeezed as the Group's cash reserves (approximately US\$7 million) have to be allocated to reduce the loan facility secured by the shares of a subsidiary listed on the Jakarta Stock Exchange, given that its' underlying share price has significantly dropped on the Jakarta Stock Exchange.

The Board is currently reviewing potential fund raising alternatives to strengthen the Group's liquidity, which are subject to regulatory approvals and are expected to be completed by year end. The Company will release further announcements to update Shareholders should there be further developments.

Further details of the Group's financial performance will be disclosed when the Company finalises and announces its unaudited consolidated financial results for the Third Quarter 2008 by mid November 2008.

By Order of the Board

Aris Sunarko @ Ko Tji Kim  
Chief Executive Officer  
28th October 2008