

SAMKO TIMBER LTD

Company Registration No. 200517815M
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF 100% INTEREST IN PT ESSAM TIMBER ("Proposed Acquisition")

1. Introduction

The Board of Directors (the "**Board**") of Samko Timber Ltd ("**Company**") wishes to announce that its subsidiary companies, PT Sumalindo Lestari Jaya ("**Suli**") and PT Kalimantan Powerindo ("**KP**") have entered into a conditional sale and purchase agreement ("**Agreement**") on 22 April 2008 to acquire 100% shareholding interest in an Indonesian company, PT Essam Timber ("**Essam**") from the shareholders of Essam, PT Bina Nusa Lestari, Koperasi Perumahan Wanabakti Nusantara and Yayasan Adi Upaya ("**Vendors**").

2. Information About Essam

- 2.1 Essam is a limited liability company established under the laws of the Republic of Indonesia and not related to the Company or any of its shareholders, directors and key executives.
- 2.2 Essam has no subsidiaries.
- 2.3 The primary business of Essam is engaged in forestry. Essam holds natural forest concession rights (IUPHHK–Hutan Alam) with a total area of 355,800 hectares, located in East Kalimantan, Indonesia. This area location is in the vicinity of Suli's natural forest concession (267,600 hectares) in West Kutai Regency and Melinau Regency, East Kalimantan ("**SLJ Unit II**") which is currently part of the whole 450,000 natural forest concession rights of Suli.
- 2.4 Essam has an issued and paid-up share capital of Rp. 25 billion (S\$3,69 million).
- 2.5 The Vendors are shareholders of Essam and their respective shareholdings are as follows:

| Name | No of Shares | Percentage shareholding (%) |
|--|--------------|-----------------------------|
| PT Bina Nusa Lestari | 15,000,000 | 60% |
| Yayasan Adi Upaya | 5,000,000 | 20% |
| Koperasi Perumahan Wanabakti Nusantara | 5,000,000 | 20% |

3. **Salient terms of the Proposed Acquisition**

3.1 **Consideration**

The consideration for the proposed acquisition of the sale shares (that is subject to adjustment on closing) is Rp. 25 billion (S\$3.7 million). Essam currently owes Rich Link Overseas debts that are recorded in its financial book. The total debts owing to Rich Link Overseas amounts to S\$27.1 million and is made of US\$19.7 million and Rp. 2.9 billion. The total consideration of the transaction (including the total amount of the loans) is S\$30.8 million.

No valuation of the sale shares was undertaken by the Company for purposes of the Proposed Acquisition. However, Suli is engaging an independent valuer to value the sale shares.

The terms of the payments of the Consideration will be conducted in three stages. A refundable down payment of 8.1% will be paid to the Vendors on the execution of the Agreement. The second payment of 3.9% will be paid to the Vendors upon Completion, whilst the balance of the Consideration is to be settled by the refinancing of the debts to Rich Link Overseas.

3.2 **Other salient terms**

The Proposed Acquisition is subject to, inter alia, the following terms and conditions,

- (a) The Vendors and the existing directors of Essam shall settle all of Essam's debts/liabilities (including tax), except debts to Rich Link Overseas as mentioned in paragraph 3.1 above within 14 days after the Vendor receipt the down payment from the purchasers.
- (b) The purchasers being satisfied (to be determined at the absolute discretion of the purchasers) with the result of the due diligence conducted by an independent legal counsels hired by the purchasers.
- (c) The expiry of the 14 (fourteen) days window period required by the Indonesia Company Law, without any objection letters received indicating any objections to the announcement in newspapers regarding Essam's shareholders plan to transfer their shares in Essam to Suli and KP.
- (d) No adverse change in the operations or financial condition of Essam on or before the Completion (as determined by the purchasers in their sole and absolute discretion).
- (e) All approvals, consents, licenses from and registrations with, all relevant regulatory government authority and Suli's creditors (if applicable) required for the Agreement have been obtained.

4. **Compliance with Chapter 10 of the Listing Manual**

4.1 The relative figures for the Proposed Acquisition, computed on the bases set out in Rule 1006 (b) and (c) of the Listing Manual, are as follows:

| | | |
|----------|--|--|
| 1006 (b) | The net profits attributable to the assets acquired or disposed of, compared with the group's net profits | Not Applicable (The asset acquired is loss making, and the percentage of the net profits attributable to the assets acquired compared to the Group's net profit is negative 10.4%) |
| 1006 (c) | The aggregate value of the consideration given or received, compared with the issuer's market capitalization | <p>The aggregate value of the consideration given shall not be more than S\$30.8 million comprising S\$3.7 million in equity and S\$27.1 million in loan(s).</p> <p>The market capitalization of the Company on the market day preceding the date of the Agreement (22 April 2008) is approximately S\$323.3 million</p> <p>The aggregate value of the consideration given compared with the Company's market capitalization is 9.5%</p> |

Exchange Rate: US\$/Rph : 9.194
S\$/Rph : 6.792

5. **Rationale for the Proposed Acquisition**

5.1 As part of the Group's efforts in securing its raw material supply, the Group is continuously seeking for new forest concession areas under its management to enlarge its source of raw materials and continuously developing its products to improve efficiencies in log utilizations. After the Proposed Acquisition, Suli will own over 800,000 hectares of forest concession to support its' business operation.

5.2 One of the considerations for Suli to acquire Essam is the location of the forest concession of Essam ("**Essam Concession**") that is in the vicinity of SLJ Unit II, which has obtained Forest Stewardship Council ("FSC") forest management certification. It will be advantageous for Suli to manage the Essam Concession in the future as Suli intends to obtain FSC certification for the newly acquired area.

5.3 The Board is therefore of the opinion that the acquisition of Essam would add value to the Group's diversification efforts.

6. **Financial Effects**

For illustrative purposes only, the pro forma financial effects of the Proposed Acquisition on the Group, which have been prepared using the audited consolidated financial statements of the Group for the financial year ended 31 December 2007 and the unaudited financial statements of Essam for the financial year ended 31 December 2007 are set out below.

(a) Share Capital

No effects on the number of issued shares and issued share capital.

(b) Earnings

| | Before Acquisition | After Acquisition |
|---|--------------------|-------------------|
| Net profit after tax and minority interest (S\$) in thousand. | 6,937 | 6,220 |
| Earning per share (cents) | 0.8 | 0.7 |

(c) Net Tangible Assets

The valuation of the assets to be acquired is still being finalized by an independent valuer. Therefore, the following NTA numbers are based on the book value of the assets as of December 31, 2007 which is calculated using the formula of Net Asset (book value) minus Intangible Assets.

| | Before Acquisition | After Acquisition |
|-----------------------|--------------------|-------------------|
| NTA (S\$) in thousand | +/- 151,467 | +/- 133,361 |
| NTA per share (cents) | 17 cents | 15 cents |

(d) Gearing

| | Before Acquisition | After Acquisition |
|---|--------------------|-------------------|
| Total borrowings (S\$) in thousand | +/- 285,129 | +/- 313,006 |
| Shareholders' funds (S\$) in thousand | +/- 281,576 | +/- 281,576 |
| Gearing (%) (Note: interest bearing debts divided by shareholders' funds) | 101 | 111 |

7. **Interests of Directors, Controlling Shareholders and Substantial Shareholders**

None of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition. The Board is not aware of any controlling shareholder having any interest, direct or indirect, in the Proposed Acquisition and has not received notifications of any interest in this transaction from any controlling shareholder.

By Order of the Board

Aris Sunarko @ Ko Tji Kim
Chief Executive Officer
April 22, 2008