

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Third Quarter Financial Statement and Dividend Announcement for the Period Ended 30/09/2010

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF THIRD QUARTER RESULTS

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

	Group					
	3rd Qtr 1 Jul 2010 to 30 Sep 2010	3rd Qtr 1 Jul 2009 to 30 Sep 2009	Increase/ (decrease)	1 Jan 2010 to 30 Sep 2010	1 Jan 2009 to 30 Sep 2009	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	449,022	642,283	-30%	1,645,818	1,900,568	-13%
Cost of sales	(406,770)	(649,599)	-37%	(1,466,982)	(1,898,056)	-23%
Gross profit/ (loss)	42,252	(7,316)	n.m	178,836	2,512	n.m
Other items of income						
Interest income	234	772	-70%	1,244	1,797	-31%
Other income	5,580	84,885	-93%	81,852	228,206	-64%
Other items of expenses						
Selling expenses	(17,651)	(28,188)	-37%	(67,517)	(92,592)	-27%
General & administrative expenses	(34,823)	(48,482)	-28%	(108,714)	(147,055)	-26%
Financial expenses	(9,285)	(24,096)	-61%	(49,956)	(90,648)	-45%
Other expenses	(6,056)	(453,284)	-99%	(34,004)	(472,093)	-93%
Share of result from an associate	(15,215)	-	n.m	(129,353)	-	n.m
Loss before tax	(34,964)	(475,709)	-93%	(127,612)	(569,873)	-78%
Tax expenses	(1,504)	(87,139)	-98%	(13,192)	(168,278)	-92%
Net loss for the period	(36,468)	(562,848)	-94%	(140,804)	(738,151)	-81%
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	(36,468)	(562,848)	-94%	(140,804)	(738,151)	-81%
Loss attributable to:						
Owners of the Company	(36,167)	(496,632)	-93%	(139,349)	(603,633)	-77%
Non-controlling interests	(301)	(66,216)	-100%	(1,455)	(134,518)	-99%
	(36,468)	(562,848)	-94%	(140,804)	(738,151)	-81%
Total comprehensive income attributable to:						
Owners of the Company	(36,167)	(496,632)	-93%	(139,349)	(603,633)	-77%
Non-controlling interests	(301)	(66,216)	-100%	(1,455)	(134,518)	-99%
	(36,468)	(562,848)	-94%	(140,804)	(738,151)	-81%

n.m : not meaningful

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The following items have been included in arriving at income/ (loss) before tax:

Group						
	3rd Qtr 1 Jul 2010 to 30 Sep 2010	3rd Qtr 1 Jul 2009 to 30 Sep 2009	Increase/ (decrease)	1 Jan 2010 to 30 Sep 2010	1 Jan 2009 to 30 Sep 2009	Increase/ (decrease)
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Gain on foreign exchange, net	4,090	83,351	-95%	54,709	205,991	-73%
Insurance claim	1,168	-	n.m	21,443	-	n.m
Gain on sale of property, plant and equipment	323	365	-12%	413	6,564	-94%
Property, plant and equipment written-off due to fire incident	(78)	-	n.m	(2,961)	-	n.m
Amortisation of land use rights	(1,064)	(1,750)	-39%	(3,877)	(6,621)	-41%
Interest expenses	(8,954)	(23,260)	-62%	(48,238)	(89,154)	-46%
Depreciation of property, plant and equipment	(23,905)	(59,405)	-60%	(108,447)	(168,058)	-35%
Gain/(loss) on change in fair value of biological asset	-	1,169	-100%	5,286	(3,902)	n.m
Employee termination benefits paid	-	(55)	-100%	-	(4,247)	-100%
Amortisation of intangible assets	-	(348)	-100%	(456)	(1,191)	-62%
Written-down value in respect of assets held for sale	-	(4,648)	-100%	-	(4,648)	-100%
Provision for inventories	-	(7,518)	-100%	-	(7,914)	-100%
Impairment of property, plant and equipment	-	(191,854)	-100%	-	(191,854)	-100%
Impairment of goodwill	-	(245,585)	-100%	-	(245,585)	-100%
Inventory written-off due to fire incident	-	-	-	(18,720)	-	n.m
Impairment of investment in associate company	-	-	-	(96,969)	-	n.m
Gain on foreign derivative	-	-	-	-	6,245	-100%
Gain on sale of land use right	-	-	-	-	9,406	-100%

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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	
	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009
	Rp'million	Rp'million	Rp'million	Rp'million
Non-current assets				
Property, plant and equipment	700,713	1,843,458	620	928
Intangible assets	-	47,946	-	-
Goodwill	-	194,971	-	-
Investment in subsidiary companies	-	-	1,356	1,356
Investment in an associate	11,257	-	-	-
Biological assets	2,233	216,714	-	-
Land use rights	62,062	93,465	-	-
Deferred tax assets	2,183	16,940	-	-
Other non-current assets	17,817	61,603	188	188
	796,265	2,475,097	2,164	2,472
Current assets				
Inventories	200,224	395,497	-	933
Trade and other receivables	88,465	263,681	658,510	631,588
Prepaid operating expenses	22,987	74,270	283	1,389
Advances to suppliers	97,136	113,359	-	-
Cash and cash equivalents	67,367	110,868	16,408	3,605
Restricted time deposit	20,092	115,462	-	94,946
	496,271	1,073,137	675,201	732,461
Current liabilities				
Trade and other payables*	129,873	419,394	28	96,753
Other liabilities	50,698	210,854	3,059	4,686
Advance from customers	106,367	190,589	-	-
Provision for taxation	5,952	28,133	-	-
Short term bank borrowings	23,284	334,308	-	47,000
Long term borrowings (current portion)	135,491	597,701	-	93,637
	451,665	1,780,979	3,087	242,076
Net current assets/ (liabilities)	44,606	(707,842)	672,114	490,385
Non-current liabilities				
Long term borrowings	229,637	827,698	-	-
Post-employment benefits	51,176	65,972	-	-
Deferred tax liabilities	11,721	68,284	-	-
Other liability	-	202,860	-	-
	292,534	1,164,814	-	-
Net assets	548,337	602,441	674,278	492,857
Equity attributable to owners of the Company				
Share capital	2,134,136	1,943,866	2,134,136	1,943,866
Reserves	(1,590,481)	(1,451,132)	(1,459,858)	(1,451,009)
	543,655	492,734	674,278	492,857
Non-controlling interests	4,682	109,707	-	-
	548,337	602,441	674,278	492,857

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- *) 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 30 Sep 2010		As At 31 Dec 2009	
Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
158,775	-	929,141	2,868

Amount repayable after one year

As at 30 Sep 2010		As At 31 Dec 2009	
Secured Rp million	Unsecured Rp million	Secured Rp million	Unsecured Rp million
229,637	-	827,698	-

Details of any collateral

As at 30 September 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 quarter ended 30 September 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. Based on the discussion, management believes that the non compliance is technical in nature and the lender will continue 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.

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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	
	1 Jan 2010 to 30 Sep 2010	1 Jan 2009 to 30 Sep 2009
	Rp'million	Rp'million
Cash flows from operating activities		
Loss before tax	(127,612)	(569,873)
Adjustments:		
Share of result from an associate	129,353	-
Depreciation of property, plant and equipment	108,447	168,058
Interest expense	49,956	90,648
Inventories written-off	18,720	-
Post employment benefits expense	13,425	11,701
Amortisation of land use rights	3,877	6,621
Property, plant and equipment written-off	2,961	-
Amortisation of intangible assets	456	1,191
Gain on sales of property, plant and equipment	(413)	(6,564)
Interest income	(1,244)	(1,797)
(Gain)/loss on change in fair value of biological assets	(5,286)	3,902
Gain on foreign exchange, net	(51,078)	(175,607)
Impairment of goodwill	-	245,585
Impairment of property, plant and equipment	-	191,854
Provision for inventories	-	7,914
Written-down value in respect of assets held for sale	-	4,648
Gain on sales of land use rights	-	(9,406)
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Operating cash flow before changes in working capital	141,562	(31,125)
Changes in working capital		
Inventories	(53,461)	136,012
Trade and other receivables	20,114	38,062
Prepaid operating expenses	39,264	2,031
Advances to suppliers	(18,044)	31,056
Trade and other payables	(10,234)	(19,558)
Other liabilities	(30,325)	129,498
Advance from customers	34,863	(82,213)
Other non-current assets	(11,718)	227
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Cash flow provided by operations	112,021	203,990
Income tax paid	(16,243)	(19,612)
	<hr/>	<hr/>
Net cash provided by operating activities	95,778	184,378
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	3,121	12,646
Interest received	1,244	1,797
Additions of biological assets	(753)	(2,726)
Addition of intangible assets	(1,072)	-
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	(25,141)	(64,321)
Proceeds from disposal of land use rights	-	9,566
Additions to land use rights	-	(301)
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Net cash used in investing activities	(52,452)	(43,339)
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Consolidated Statement of Cash Flows For the financial year ended 30 September 2010 (cont'd)

	Group	
	1 Jan 2010 to 30 Sep 2010	1 Jan 2009 to 30 Sep 2009
	Rp'million	Rp'million
Cash flows from financing activities		
Proceeds from issuance of ordinary shares, net	190,270	-
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	94,382	208,189
Repayment of short term bank borrowings	(145,517)	(222,959)
Repayments of long-term borrowings	(187,048)	(60,773)
Interest expense paid	(38,914)	(84,075)
Net cash used in financing activities	(86,827)	(159,618)
Net decrease in cash and cash equivalents	(43,501)	(18,579)
Cash and cash equivalents at beginning of period	110,868	132,800
Cash and cash equivalents at end of period	67,367	114,221

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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:

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

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- 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						Minority interests
	Equity, total	Share capital	Accumulated losses	Restructuring reserves	Reserve relating to assets held for sale	Total	
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	
Balance at 1 Jan 2010	602,441	1,943,866	(1,760,182)	309,050	-	492,734	109,707
Issuance of ordinary shares, net	190,270	190,270	-	-	-	190,270	-
Effect of deconsolidated a subsidiary	(103,570)	-	-	-	-	-	(103,570)
Total comprehensive income for the period	(140,804)	-	(139,349)	-	-	(139,349)	(1,455)
Balance at 30 Sep 2010	548,337	2,134,136	(1,899,531)	309,050	-	543,655	4,682
Balance at 1 Jan 2009	1,597,428	1,943,866	(935,396)	309,050	-	1,317,520	279,908
Total comprehensive income for the period	(738,151)	-	(603,633)	-	-	(603,633)	(134,518)
Amount accumulated in equity relating to assets held for sale	-	-	(2,400)	-	2,400	-	-
Balance at 30 Sep 2009	859,277	1,943,866	(1,541,429)	309,050	2,400	713,887	145,390

Company

	Attributable to owners of the Company		
	Share capital	Accumulated losses	Total
	Rp million	Rp million	Rp million
Balance at 1 Jan 2010	1,943,866	(1,451,009)	492,857
Issuance of ordinary shares	190,270	-	190,270
Total comprehensive income for the period	-	(8,849)	(8,849)
Balance at 30 Sep 2010	2,134,136	(1,459,858)	674,278
Balance at 1 Jan 2009	1,943,866	(764,112)	1,179,754
Total comprehensive income for the period	-	(269,178)	(269,178)
Balance at 30 Sep 2009	1,943,866	(1,033,290)	910,576

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- 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 period ended 30 September 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 30 September 2010	1,347,243,843

There were no shares held as treasury shares as at 30 September 2010 and 31 December 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 30 September 2010 and 31 December 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.

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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 31 December 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 period ended 30 September 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.**

Please 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			
	3rd Qtr 1 Jul 2010 to 30 Sep 2010	3rd Qtr 1 Jul 2009 to 30 Sep 2009	1 Jan 2010 to 30 Sep 2010	1 Jan 2009 to 30 Sep 2009
Weighted average number of ordinary shares for basic earnings per share computation	1,347,243,843	965,399,597	1,308,740,159	965,399,597
Weighted average number of ordinary shares for diluted earnings per share computation	1,347,243,843	965,399,597	1,308,740,159	965,399,597
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
Loss per share attributable to owners of the Company				
Basic	(27)	(514)	(106)	(625)
Diluted	(27)	(514)	(106)	(625)

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.

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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	
	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009
Net assets for the period attributable to owners of the Company used in computation of net asset value per share (Rp'million)	543,655	492,734	674,278	492,857
Number of ordinary shares at the end of period	1,347,243,843	898,162,562	1,347,243,843	898,162,562
Net asset value per ordinary share (Rp full amount)	404	549	500	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**

As mentioned in our first quarter's announcement, the financial statements of PT Sumalindo Lestari Jaya Tbk ("Sumalindo") were deconsolidated on 30 March 2010. Since then, the company accounted its investment in Sumalindo as associate. For the current quarter, the result of Sumalindo was equity accounted whereas its result was consolidated in the third quarter of 2009.

In the current quarter, we reported loss of Rp36 billion as compared to loss of Rp563 billion in the corresponding quarter of 2009. For the nine months ended 30 September 2010, our loss reduced from Rp738 billion to Rp141 billion.

Our performance was better in this quarter as compared to third quarter of 2009 was mainly due to impairment of goodwill and property, plant and equipment made in 2009 which amounted to Rp437 billion (we did not have such provision in this quarter). In addition, our share of losses in Sumalindo was lower in this quarter as compared to corresponding quarter of 2009 following lower losses incurred by Sumalindo as well as our dilution of interest in Sumalindo from 51.62% to 31.25% in 2010. For the nine month ended 30 September 2010, our performance improved mainly due to the effect of deconsolidation of Sumalindo (which has an adverse performance in 2009), better gross profit attained and lower expenses incurred during the nine months ended 30 September 2010.

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Revenue

Group						
3rd Qtr 1 Jul 2010 to 30 Sep 2010	3rd Qtr 1 Jul 2009 to 30 Sep 2009	Increase/ (decrease)	1 Jan 2010 to 30 Sep 2010	1 Jan 2009 to 30 Sep 2009	Increase/ (decrease)	
Rp'million	Rp'million	%	Rp'million	Rp'million	%	
Domestic sales	367,248	497,165	-26%	1,368,541	1,456,598	-6%
Export sales	81,774	145,118	-44%	277,277	443,970	-38%
Total	449,022	642,283	-30%	1,645,818	1,900,568	-13%

Our third quarter revenue decreased by 30% as compared to the corresponding quarter of 2009. For the same period ended, both our domestic and export sales dropped by 26% and 44% respectively. The decrease was mainly due to the effect of deconsolidation of Sumalindo (the previous period's revenue included the revenue of Sumalindo whereas its revenue ceased to be consolidated in this quarter). Taking into account the effect of excluding the financial statements of Sumalindo (deconsolidation effect), our revenue decreased by Rp59 billion or 12%. This was contributed mainly by the stronger competition in the domestic market. For the same period ended, our export sales increased by Rp14 billion or 21%. On 2010 quarter to quarter basis, our export sales improved by 13%.

Our revenue for the nine months ended 30 September 2010 decreased by 13% as compared to 2009. This was mainly due to the effect of deconsolidation of Sumalindo and weaker export sales, offset by better domestic sales achieved in 2010 (contributed mainly by both better volume and pricing). Although on nine months basis our export sales was lower compared to 2009, our export sales momentum has in fact picked up on 2010 quarter to quarter basis and comparable third quarter (2009 vs 2010) basis.

Cost of Sales

Group						
3rd Qtr 1 Jul 2010 to 30 Sep 2010	3rd Qtr 1 Jul 2009 to 30 Sep 2009	Increase/ (decrease)	1 Jan 2010 to 30 Sep 2010	1 Jan 2009 to 30 Sep 2009	Increase/ (decrease)	
Rp'million	Rp'million	%	Rp'million	Rp'million	%	
Raw material used	190,895	321,456	-41%	725,802	935,645	-22%
Labour costs	73,562	98,930	-26%	256,021	279,077	-8%
Factory overhead	96,167	188,289	-49%	406,917	547,194	-26%
Movement in Finished goods	46,146	40,924	13%	78,242	136,140	-43%
Total	406,770	649,599	-37%	1,466,982	1,898,056	-23%

For the third quarter ended 30 September 2010, our cost of sales decreased by 37% as compared to that of 2009. For the nine months ended 30 September 2010, our cost of sales dropped by 23% to Rp1,467 billion. The decrease for the nine months ended was mainly due to the effect of deconsolidation of Sumalindo and lower unit production cost as our production volume increased. On quarter to quarter basis, the decrease was mainly due to the effect of deconsolidation of Sumalindo while our unit production cost remains relatively unchanged.

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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, reforestation 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

Taking into account the effect of the deconsolidation of Sumalindo, our gross profit for the third quarter and nine months decreased by 19% and increased by 48% respectively. The drop in gross profit (quarter to quarter) was mainly due to stronger competition in the domestic market while the increase in gross profit (nine months) was mainly due to slightly better performances in overall pricing, sales volume and production cost.

Other Income

Our other income in third quarter decreased to Rp6 billion as compared to Rp85 billion in 2009. For the nine months ended 30 September 2010, our other income decrease from Rp228 billion to Rp82 billion. The decrease in other income for both period was mainly due to lower exchange gain recognised and the effect of deconsolidation of Sumalindo.

Included in other income for the nine months ended 30 September 2010 was an insurance award in respect of fire incident in Balaraja plant's which amounted to Rp21 billion. The claim was finalised in the current quarter.

Selling Expenses

Our selling expenses have declined throughout the periods reported mainly due the deconsolidation effect of Sumalindo and lower freight cost incurred.

General and Administration ("G&A") Expenses

Our G&A expenses for the reporting periods have generally declined. This was mainly due to our 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 generally decreased in third quarter and nine months ended 30 September 2010 mainly because of the deconsolidation effect of Sumalindo and repayment of borrowings.

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Other Expenses

Our other expenses decreased throughout the periods reported. The higher 2009 figure was mainly due to impairment in goodwill and property plant and equipment amounted to Rp437 billion.

Share of result from an associate

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

Group						
3rd Qtr 1 Jul 2010 to 30 Sep 2010	3rd Qtr 1 Jul 2009 to 30 Sep 2009	Increase/ (decrease)	1 Jan 2010 to 30 Sep 2010	1 Jan 2009 to 30 Sep 2009	Increase/ (decrease)	
Rp'million	Rp'million	%	Rp'million	Rp'million	%	
Share of associate's current period loss	(15,215)	-	n.m	(32,384)	-	n.m
Impairment of investment	-	-	n.m	(96,969)	-	n.m
Total	(15,215)	-	n.m	(129,353)	-	n.m

Taxation

Our tax expenses consisted of the following:

Group						
3rd Qtr 1 Jul 2010 to 30 Sep 2010	3rd Qtr 1 Jul 2009 to 30 Sep 2009	Increase/ (decrease)	1 Jan 2010 to 30 Sep 2010	1 Jan 2009 to 30 Sep 2009	Increase/ (decrease)	
Rp'million	Rp'million	%	Rp'million	Rp'million	%	
Current income tax	347	170	104%	(4,819)	(6,629)	-27%
Deferred income tax	(1,852)	(85,903)	-98%	(7,880)	(149,998)	-95%
Under provision of prior years taxes	-	(1,406)	-100%	(493)	(11,651)	-96%
Total	(1,505)	(87,139)	-98%	(13,192)	(168,278)	-92%

Indonesia adopts individual company income tax system.

Despite our group reported loss before tax, we incurred tax expenses for both periods. This was mainly due to losses incurred by certain entities in the group which were 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

Our non-current assets as at 30 September 2010 decreased by Rp1,679 billion to Rp796 billion compared to 2009 of Rp2,475 billion. The decrease was mainly caused by deconsolidation of Sumalindo and share of losses in Sumalindo (including provision for impairment).

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The changes in the current assets position were mainly due to deconsolidation effect of Sumalindo. Had Sumalindo's current assets been excluded in 2009, our current assets would have decreased by Rp111 billion compared to 2009. The decrease was mainly due to the withdrawal of restricted deposits of Rp95 billion.

Our current liabilities decreased by Rp1,329 billion to Rp452 billion in 2010. The decrease was mainly due to deconsolidation of Sumalindo and repayments of borrowings.

We were in net current assets position of Rp45 billion as compared to net current liabilities position of Rp708 billion in 2009. This was mainly due 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 Rp598 billion to Rp230 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 provided by operating activities decreased by 59% to Rp96 billion in 2010 from Rp184 billion in 2009. This was mainly due to deconsolidation effect of Sumalindo and higher working capital required as a result of increase in production activities in 2010.

Our net cash used in investing activities increased to Rp52 billion as compared to Rp43 billion in 2009. In 2010, our cash outflows were mainly for subscription of Sumalindo's rights issues, payment for Sumalindo's infrastructure costs in first quarter and cash outflows arising from the dilution of Sumalindo.

Our net cash used in financing activities was Rp87 billion as compared to a net cash outflow of Rp160 billion in 2009. The decrease was mainly due to proceeds from the issuance of new shares offset by repayments of borrowings as compared to 2009.

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 in the next six to twelve months will be affected by the following factors:-

- 1) Exchange rate risk remains high in 2010 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 profitability in the form of foreign exchange translation gain or loss.

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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 date of this report, we have hedged US\$11 million of our loan against our functional currency, Rupiah. 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:

Exchange rate 1 US\$ is equal to:	Group
	2010 Rp'million
Actual	Loss after tax for the period ended 30 Sep attributable to owners of the Company
8,924	(139,349)
Test rate	(Increase)/ Decrease
9,200	(5,840)
9,100	(3,724)
9,000	(1,608)
8,900	508
8,800	2,624
8,700	4,740
8,600	6,856

Note:

- Exchange rate of Indonesian Rupiah ("Rp") to 1US\$ at 30 September 2010 was Rp8,924
- Exchange rate of Rp to 1US\$ at 31 December 2009 was Rp9,400
- Exchange rate of Rp to 1US\$ at 12 November 2010 was Rp8,918
- Our US\$ borrowings as of 30 September 2010 amounts to US\$28 million.

- 2) Generally, our domestic sales are stabilising as compared to previous periods although in third quarter of 2010, we faced more competition. We are cautious on the outlook of our domestic sales.

Our export sales have improved slightly over the last few quarters and our 2010 third quarter export sales better than that of the corresponding quarter of 2009. Although our export sales may be affected by the strengthening of Rupiah, we believe the export momentum will continue to improve. We will continue to focus on domestic and specific export markets where we have competitive advantages, improve on our production efficiency and to expand into upstream and downstream segments to enhance our margins when appropriate.

- 3) As mentioned in point 8 above, the financial statements of Sumalindo were deconsolidated. In the previous periods, the adverse performance of Sumalindo had affected our financial position and performance.

Sumalindo continued to incur losses and we remain cautious on the performance of Sumalindo. Any further adverse performance of Sumalindo will have an impact to our result as we continue to equity account its performance.

As mentioned in our previous announcements, the Indonesian Tax Office ("ITO") has revised Sumalindo's tax assessment to Rp73 billion. As of the date of this report, Sumalindo has appealed to tax court and the outcome has yet to be determined.

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- 4) The group will continue to explore various funds raising options including discussing with lenders to refinance or restructure its loans as and when required.

In 2011, the group will have higher amount of bank loan repayment obligations as compared to 2010. In addition, the group may require additional working capital to implement its strategies to generate more revenue following an improved business sentiments. To overcome these challenges, the group will discuss 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.

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 period ended 30 September 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)
	1 Jan 2010 to 30 September 2010	
	Rp Million	Rp Million
PT Pelayaran Nelly Dwi Putri Time charter of tug and barges; and Freight expense	16,076*	-

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

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During the financial period ended 30 September 2010 our Group has:

1. made downpayment of Rp3,655 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. As at 30 September 2010, the transactions have yet to complete.

14. Statement by Directors pursuant to rule 705(5) of the SGX Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Directors which may render the unaudited financial statements for the third quarter ended 30 September 2010 to be false or misleading in any material respects.

BY ORDER OF THE BOARD

Aris Sunarko @ Ko Tji Kim
Chief Executive Officer
12 November 2010