

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## Unaudited Third Quarter Financial Statements and Dividend Announcement for the Period Ended 30 September 2019

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF THIRD QUARTER RESULTS

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

	3-month ended			9-month ended		
	30 Sept 2019	30 Sept 2018	Change	30 Sept 2019	30 Sept 2018	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	1,138,168	1,256,072	(9)	3,192,103	3,234,824	(1)
Cost of sales	(961,387)	(1,027,662)	(6)	(2,692,504)	(2,653,543)	1
<b>Gross profit</b>	<b>176,781</b>	<b>228,410</b>	<b>(23)</b>	<b>499,599</b>	<b>581,281</b>	<b>(14)</b>
<b>Other items of income</b>						
Interest income	62	131	(53)	226	418	(46)
Other income	4,261	1,977	116	10,508	30,435	(65)
<b>Other items of expenses</b>						
Selling expenses	(46,493)	(32,270)	44	(118,396)	(98,167)	21
General and administrative expenses	(90,119)	(99,347)	(9)	(269,299)	(289,310)	(7)
Finance expenses	(27,902)	(24,820)	12	(78,830)	(66,108)	19
Other expenses	(6,905)	(19,444)	(64)	(11,369)	(45,180)	(75)
<b>Profit before tax</b>	<b>9,685</b>	<b>54,637</b>	<b>(82)</b>	<b>32,439</b>	<b>113,369</b>	<b>(71)</b>
<b>Taxation</b>	<b>(10,781)</b>	<b>(22,864)</b>	<b>(53)</b>	<b>(25,524)</b>	<b>(38,030)</b>	<b>(33)</b>
<b>Net profit (loss) for the period</b>	<b>(1,096)</b>	<b>31,773</b>	<b>n.m</b>	<b>6,915</b>	<b>75,339</b>	<b>(91)</b>
<b>Other comprehensive income:</b>						
<b>Items that will not be reclassified to profit or loss:</b>						
Net actuarial loss on post-employment benefits	(1,028)	(1,259)	(18)	(3,081)	(3,731)	(17)
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Foreign currency translation gain (loss)	(508)	1,894	n.m	6,295	4,453	41
<b>Total comprehensive income for the period</b>	<b>(2,632)</b>	<b>32,408</b>	<b>n.m</b>	<b>10,129</b>	<b>76,061</b>	<b>(87)</b>
<b>Net profit (loss) attributable to:</b>						
Owners of the Company	(1,625)	31,722	n.m	5,975	76,094	(92)
Non-controlling interests	529	51	937	940	(755)	n.m
	<b>(1,096)</b>	<b>31,773</b>	<b>n.m</b>	<b>6,915</b>	<b>75,339</b>	<b>(91)</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	(3,149)	32,333	n.m	9,203	76,877	(88)
Non-controlling interests	517	75	589	926	(816)	n.m
	<b>(2,632)</b>	<b>32,408</b>	<b>n.m</b>	<b>10,129</b>	<b>76,061</b>	<b>(87)</b>

n.m : not meaningful

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

The following items have been included in arriving at profit before tax:

	3-month ended			9-month ended		
	30 Sept 2019	30 Sept 2018	Change	30 Sept 2019	30 Sept 2018	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Depreciation:						
- property, plant and equipment	(25,666)	(24,478)	5	(76,435)	(69,340)	10
- right-of-use assets	(1,727)	-	n.m	(2,631)	-	n.m
Interest expenses:						
- loans and borrowings	(25,726)	(22,873)	12	(72,839)	(60,219)	21
- lease liabilities	(453)	-	n.m	(1,091)	-	n.m
Post-employment benefits expense	(10,006)	(11,744)	(15)	(40,019)	(35,520)	13
Net foreign exchange gain (loss)	(3,064)	(8,904)	(66)	4,109	(23,727)	n.m
Workers separation expenses	(2,016)	(1,999)	1	(6,401)	(3,492)	83
Grant of equity-settled performance share plan	(1,178)	(2,327)	(49)	(3,063)	(2,327)	32
Amortisation of land use rights	(915)	(874)	5	(2,665)	(2,624)	2
Tax penalties	(586)	(4,319)	(86)	(1,162)	(5,368)	(78)
Allowance for advance to suppliers	(218)	(1,109)	(80)	(620)	(1,493)	(58)
Allowance for doubtful receivables	(94)	(2,149)	(96)	(510)	(6,637)	(92)
Income from insurance claim	3,219	-	n.m	3,219	-	n.m
Net gain on disposal of property, plant and equipment	281	7	3,914	635	308	106
Interest income	62	131	(53)	226	418	(46)
Gain on disposal of assets held for sale	-	-	-	-	30,014	(100)
Gain on sale of land use rights	-	113	(100)	-	113	(100)

n.m : not meaningful

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## 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 period.

	Group		Company	
	30 Sept 2019	31 Dec 2018	30 Sept 2019	31 Dec 2018
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
<b>Non-current assets</b>				
Property, plant and equipment	516,519	506,869	-	-
Investment in subsidiary companies	-	-	827,279	824,998
Biological assets	45,585	44,294	-	-
Land use rights	52,750	54,379	-	-
Deferred tax assets	68,855	62,025	-	-
Other non-current assets	55,190	45,854	-	-
Right-of-use assets	45,134	-	-	-
	<b>784,033</b>	<b>713,421</b>	<b>827,279</b>	<b>824,998</b>
<b>Current assets</b>				
Inventories	881,908	740,995	-	-
Trade and other receivables	578,634	348,603	50,167	21,621
Prepaid operating expenses	69,486	58,856	545	397
Advances to suppliers	134,928	171,395	775	-
Restricted deposits	75	16,138	-	-
Cash and cash equivalents	26,178	29,806	3,630	2,097
	<b>1,691,209</b>	<b>1,365,793</b>	<b>55,117</b>	<b>24,115</b>
<b>Current liabilities</b>				
Trade and other payables	664,288	363,116	37,432	18,929
Other liabilities	89,997	73,006	1,916	3,640
Advances from customers	6,858	7,736	773	-
Provision for taxation	22,397	14,495	-	-
Loans and borrowings	1,084,946	1,030,081	-	-
Lease liabilities	33,971	-	-	-
	<b>1,902,457</b>	<b>1,488,434</b>	<b>40,121</b>	<b>22,569</b>
<b>Net current (liabilities) assets</b>	<b>(211,248)</b>	<b>(122,641)</b>	<b>14,996</b>	<b>1,546</b>
<b>Non-current liabilities</b>				
Loans and borrowings	46,041	146,415	-	-
Post-employment benefits	248,502	218,500	-	-
Deferred tax liabilities	658	91	-	-
Other liabilities	19,674	19,674	283,561	278,492
Lease liabilities	38,618	-	-	-
	<b>353,493</b>	<b>384,680</b>	<b>283,561</b>	<b>278,492</b>
<b>Net assets</b>	<b>219,292</b>	<b>206,100</b>	<b>558,714</b>	<b>548,052</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	2,502,305	2,502,305	2,502,305	2,502,305
Accumulated losses	(2,637,470)	(2,640,392)	(1,963,004)	(1,964,702)
Other reserves	349,849	340,505	19,413	10,449
	<b>214,684</b>	<b>202,418</b>	<b>558,714</b>	<b>548,052</b>
<b>Non-controlling interests</b>	<b>4,608</b>	<b>3,682</b>	<b>-</b>	<b>-</b>
	<b>219,292</b>	<b>206,100</b>	<b>558,714</b>	<b>548,052</b>

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## (b)(ii) Aggregate amount of group's borrowings and debt securities.

### Amount repayable in one year or less, or on demand

As at 30 Sept 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
1,118,917	-	1,003,895	26,186

### Amount repayable after one year

As at 30 Sept 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
84,659	-	146,415	-

### Details of collaterals

As at 30 September 2019, our bank borrowings are secured by the following:

- (1) Land use rights, buildings, machinery and equipment, inventories, account receivables, and bank balances of a subsidiary. All other assets of the subsidiaries are on negative pledge to the financial institution and some restriction on dividend payment is imposed; and
- (2) All assets acquired under finance leases are secured against the assets under lease.

As at 30 September 2019, a subsidiary of the Company has not met certain financial covenant ratios requirement as set out in the loan agreement with one of its lenders, and the lender has granted the subsidiary a waiver of having to comply with such covenant ratios and continued to support the subsidiary as there is no loans repayment default and the breach is technical in nature. The subsidiary has been servicing the repayments of the loan principal and its interest as and when they fall due and the utilization of the borrowing facilities continued as usual as of the date of this announcement.

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

**1(c) Consolidated statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial period.**

	9-month ended	
	30 Sep 19	30 Sep 18
	<i>Rp'million</i>	<i>Rp'million</i>
<b>Cash flows from operating activities</b>		
Profit before tax	32,439	113,369
Adjustments:		
Depreciation of property, plant and equipment	76,435	69,340
Interest expenses from loans and borrowings	72,839	60,219
Post-employment benefits expense	40,019	35,520
Grant of equity-settled performance share plan	3,063	2,327
Amortisation of land use rights	2,665	2,624
Depreciation of right-of-use assets	2,631	-
Interest expenses from lease liabilities	1,091	-
Allowance for advance to suppliers	620	1,493
Allowance for doubtful receivables	510	6,637
Inventories written-down	11	-
Interest income	(226)	(418)
Net gain on disposal of property, plant and equipment	(635)	(308)
Net foreign exchange (gain) loss	(2,808)	24,697
Gain on disposal of assets held for sale	-	(30,014)
Gain on sales of land use rights	-	(113)
<b>Operating cash flow before changes in working capital</b>	<b>228,654</b>	<b>285,373</b>
<b>Changes in working capital :</b>		
Inventories	(140,924)	(121,794)
Trade and other receivables	(210,138)	(131,673)
Prepaid operating expenses	(36,803)	(21,486)
Advances to suppliers	15,595	(107,860)
Trade and other payable	275,057	196,861
Other liabilities	44,646	(43,230)
Advance from customers	(878)	(66,139)
Other non-current assets	(10,582)	(3,182)
<b>Cash flow provided by (used in) operations</b>	<b>164,627</b>	<b>(13,130)</b>
Income tax paid	(19,492)	(5,276)
Post-employment benefits paid	(14,072)	(252)
<b>Net cash flows provided by (used in) operating activities</b>	<b>131,063</b>	<b>(18,658)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(86,916)	(56,631)
Proceeds from disposal of property, plant and equipment	334	391
Additions of biological assets	(1,442)	(289)
Interest received	226	418
Additions of land use rights	(1,037)	-
Proceeds from disposal of land use rights	-	136
Proceeds from disposal of assets held for sale	-	63,637
<b>Net cash flows (used in) provided by investing activities</b>	<b>(88,835)</b>	<b>7,662</b>

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

	9-month ended	
	30 Sep 19	30 Sep 18
	<i>Rp'million</i>	<i>Rp'million</i>
<b>Cash flows from financing activities</b>		
Drawdown of loans and borrowings	3,187,701	1,961,464
Repayment of loans and borrowings	(3,155,100)	(1,861,697)
Interest paid for loans and borrowings	(66,226)	(53,537)
Interest paid for lease liabilities	(1,091)	-
Repayment of lease liabilities	(26,751)	-
Withdrawal (placement) of restricted deposits	15,863	(3,542)
	<hr/>	<hr/>
<b>Net cash flows (used in) provided by financing activities</b>	(45,604)	42,688
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(3,376)	31,692
Effect of exchange rate changes on cash and cash equivalents	(252)	1,015
Cash and cash equivalents at beginning of period	29,806	33,905
	<hr/>	<hr/>
Cash and cash equivalents at end of period	26,178	66,612
	<hr/> <hr/>	<hr/> <hr/>

For the purpose of presenting the consolidated statement of cash flow, the consolidated cash and cash equivalent comprise the followings:

Cash and cash equivalents	26,178	71,852
Less: Bank overdraft	-	(5,240)
	<hr/>	<hr/>
	26,178	66,612
	<hr/> <hr/>	<hr/> <hr/>

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

**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 period.**

Group	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Accumulated losses	Restructuring reserves	Premium paid on acquisition of non-controlling interest	Performance share plan reserve	Foreign currency translation reserves	Total		
				Rp million					
	Rp'million	Rp'million	Rp'million	Rp million	Rp million	Rp'million	Rp'million	Rp'million	
<b>Balance at 1 Jan 2019</b>	2,502,305	(2,640,392)	309,050	(3,037)	1,078	33,414	202,418	3,682	206,100
Profit for the period	-	5,975	-	-	-	-	5,975	940	6,915
Other comprehensive income for the period:									
- Net actuarial loss on post-employment benefits	-	(3,053)	-	-	-	-	(3,053)	(28)	(3,081)
- Foreign currency translation gain	-	-	-	-	-	6,281	6,281	14	6,295
Other comprehensive income for the period, net of tax	-	(3,053)	-	-	-	6,281	3,228	(14)	3,214
Total comprehensive income for the period	-	2,922	-	-	-	6,281	9,203	926	10,129
Contribution by and distribution to owners:									
- Grant of equity-settled performance share plan	-	-	-	-	3,063	-	3,063	-	3,063
Total contribution by and distribution to owners	-	-	-	-	3,063	-	3,063	-	3,063
<b>Balance at 30 Sept 2019</b>	<b>2,502,305</b>	<b>(2,637,470)</b>	<b>309,050</b>	<b>(3,037)</b>	<b>4,141</b>	<b>39,695</b>	<b>214,684</b>	<b>4,608</b>	<b>219,292</b>
<b>Balance at 1 Jan 2018</b>	2,501,056	(2,739,797)	309,050	(3,037)	-	14,482	81,754	4,817	86,571
Profit (loss) for the period	-	76,094	-	-	-	-	76,094	(755)	75,339
Other comprehensive income for the period:									
- Net actuarial loss on post-employment benefits	-	(3,705)	-	-	-	-	(3,705)	(26)	(3,731)
- Foreign currency translation gain (loss)	-	-	-	-	-	4,488	4,488	(35)	4,453
Other comprehensive income for the period, net of tax	-	(3,705)	-	-	-	4,488	783	(61)	722
Total comprehensive income for the period	-	72,389	-	-	-	4,488	76,877	(816)	76,061
Contribution by and distribution to owners:									
- Issuance of shares under performance share plan	1,249	-	-	-	(1,249)	-	-	-	-
- Grant of equity-settled share options to employees	-	-	-	-	2,327	-	2,327	-	2,327
Total contribution by and distribution to owners	1,249	-	-	-	1,078	-	2,327	-	2,327
<b>Balance at 30 Sept 2018</b>	<b>2,502,305</b>	<b>(2,667,408)</b>	<b>309,050</b>	<b>(3,037)</b>	<b>1,078</b>	<b>18,970</b>	<b>160,958</b>	<b>4,001</b>	<b>164,959</b>

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Company	Attributable to owners of the Company				
	Share capital	Accumulated losses	Performance share plan reserve	Foreign currency translation reserves	Total
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Balance at 1 Jan 2019	2,502,305	(1,964,702)	1,078	9,371	548,052
Total comprehensive income for the period	-	(3,974)	-	5,901	1,927
Dividend income for the year	-	5,672	-	-	5,672
Grant of equity-settled performance share plan	-	-	3,063	-	3,063
<b>Balance at 30 Sept 2019</b>	<b>2,502,305</b>	<b>(1,963,004)</b>	<b>4,141</b>	<b>15,272</b>	<b>558,714</b>
Balance at 1 Jan 2018	2,501,056	(2,049,117)	-	102	452,041
Total comprehensive income for the period	-	(5,323)	-	1,269	(4,054)
Dividend income for the period	-	89,514	-	-	89,514
Issuance of shares under performance share plan	1,249	-	(1,249)	-	-
Grant of equity-settled performance share plan	-	-	2,327	-	2,327
<b>Balance at 30 Sept 2018</b>	<b>2,502,305</b>	<b>(1,964,926)</b>	<b>1,078</b>	<b>1,371</b>	<b>539,828</b>



# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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 period. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 period.**

There was no change in the Company’s issued capital during the period from 30 June 2019 to 30 September 2019. Please see point 1(d)(iii) below.

## **Samko Timber Performance Share Plan (the “Samko PSP”)**

As at 29 August 2018 and 13 September 2019, the Company has granted 21,653,058 and 12,467,532 share awards (“**Shares Awards**”) to an Executive Director of the Company pursuant to the Samko PSP.

Share Awards granted, vested and released during the financial year of 2019 and 2018, and Share Awards outstanding as at 30 September 2019 and 30 September 2018, were set out as follows:-

<b>Total Number of Issued Shares Excluding Treasury Shares and Subsidiary Holdings</b>			
<b>No. of Shares</b>		<b>No. of Shares</b>	
As at 1 Jan 2019	2,377,150,505	As at 1 Jan 2018	2,374,050,505
Add: Issuance of shares	-	Add: Issuance of shares	3,100,000
As at 30 Sept 2019	2,377,150,505	As at 30 Sept 2018	2,377,150,505

<b>Shares Awards Granted, Issued and Outstanding Share Awards</b>			
<b>No. of Shares Awards</b>		<b>No. of Shares Awards</b>	
As at 1 Jan 2019	18,553,058	As at 1 Jan 2018	-
Add: Shares Awards Granted	12,467,532	Add: Shares Awards Granted	21,653,058
Less: Shares Awards Issued	-	Less: Shares Awards Issued	(3,100,000)
As at 30 Sept 2019	31,020,590	As at 30 Sept 2018	18,553,058

As at 30 September 2019, there were 31,020,590 outstanding Share Awards under the Samko PSP that may be vested and released into 31,020,590 new shares, which representing 1.3% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, in the capital of the Company (30 September 2018: Nil).

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Save as disclosed above, the Company did not have any treasury shares, subsidiary holdings or other convertibles as at 30 September 2019 and 30 September 2018.

**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 period.**

	<u>Group and Company</u>
	<u>Number of shares</u>
As at 30 September 2019 and 31 December 2018	<u>2,377,150,505</u>

**1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

**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.

**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.**

Except as disclosed in point 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the year ended 31 December 2018.

Consistent with the prior year's accounting policy, the Group appraises the fair value of its biological assets only at the end of the financial year.

**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.**

The Group has adopted new Singapore Financial Reporting Standards (International) (SFRS(I)) for the financial period beginning 1 January 2019 as follows:

SFRS(I) 16 Leases

SFRS(I) 16 is effective for annual financial period beginning on or after 1 January 2019.

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

SFRS(I) 16 has resulted in almost all leases being recognised in the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased term) and a financial liability to pay rentals are recognised. The only exceptions are short term leases and leases of low value assets. The accounting for lessor has not changed significantly.

Right of use assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities, lease payments made and any reassessment or lease modifications.

The adoption of SFRS(I) 16 did not have any material effect on the Group's and Company's financial statements and, therefore, will not restate comparative amounts for the year prior to first adoption.

## 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.

	3-month ended		9-month ended	
	30 Sept 2019	30 Sept 2018	30 Sept 2019	30 Sept 2018
Weighted average number of ordinary shares for basic earnings per share computation	2,377,150,505	2,374,050,505	2,377,150,505	2,374,050,505
Effect of new shares:				
Issuance of shares under performance share plan	-	364,706	-	364,706
Weighted average number of ordinary shares for basic earnings per share computation	2,377,150,505	2,374,415,211	2,377,150,505	2,374,415,211
Weighted average number of ordinary shares for basic earnings per share computation	2,395,703,563	2,374,050,505	2,395,703,563	2,374,050,505
Effect of dilution:				
Grant of equity-settled performance share plan	779,221	2,547,419	779,221	2,547,419
Weighted average number of ordinary shares for diluted earnings per share computation	2,396,482,784	2,376,597,924	2,396,482,784	2,376,597,924
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
<b>Earnings per share attributable to owners of the Company</b>				
Basic	(1)	13	3	32
Diluted	(1)	13	2	32

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

**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 period.**

	Group		Company	
	30 Sept 2019	31 Dec 2018	30 Sept 2019	31 Dec 2018
Net assets for the period attributable to owners of the Company used in computation of net asset value per share (Rp'million)	214,684	202,418	558,714	548,052
Number of ordinary shares at the end of the period	2,377,150,505	2,377,150,505	2,377,150,505	2,377,150,505
Net asset value per ordinary share (Rp full amount)	90	85	235	231

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## 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

Certain comparative figures in 9M and 3Q 2018 have been reclassified to conform with the presentation adopted in the current period.

Our Group reported a sluggish 3Q 2019 with a net loss of Rp1 billion, as compared to a net profit of Rp32 billion in 3Q 2018, however, cumulatively as of 9M 2019, the Group still managed to record a modest net profit of Rp7 billion compared to Rp75 billion in 9M 2018.

The 9M 2019 result decreased mainly due to lower gross profit attained as a result of lower sales revenue, higher selling and finance expenses, and also the absence of gain on disposal of assets held for sale (land and building) in 9M 2019, offset by lower staff related costs and professional fees, and higher exchange gain earned during the period.

### Revenue

	3-month ended			9-month ended		
	30 Sept 2019	30 Sept 2018	Change	30 Sept 2019	30 Sept 2018	Change
	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>
Domestic sales	659,480	628,300	5	1,751,884	1,585,526	10
Export sales	478,688	627,772	(24)	1,440,219	1,649,298	(13)
Total	<u>1,138,168</u>	<u>1,256,072</u>	<u>(9)</u>	<u>3,192,103</u>	<u>3,234,824</u>	<u>(1)</u>

In line with the result above, our sales revenue was weaker by 9% in 3Q 2019 than 3Q 2018, and cumulatively as of 9M 2019, our total sales decreased by 1% compare to that in 9M 2018.

The improvement in the sales volume for domestic sales was insufficient to cushion the decrease in the sales volume for export markets amid a slowdown in export demand over the 9 month period, which brought volume down by 8% and 4% in 3Q and 9M 2019, respectively. Lower sales was also caused by lower average selling price by 17% and 9% in 3Q and 9M 2019 as compared to 3Q and 9M 2018, respectively.

Our sales volume for domestic markets increased by 11% and 10% in 3Q and 9M 2019 as compared to 3Q and 9M 2018, respectively, despite the parliamentary and presidential elections in the 9M 2019 slowing down the local business activities as a whole.

The composition of our domestic sales to overall sales increase from 50% and 49% in 3Q and 9M 2018 to 58% and 55% in 3Q and 9M 2019, respectively.

### Gross profit

Our gross profit dropped by 23% and 14% in 3Q and 9M 2019 due mainly to lower sales revenue from export products (as mentioned above) since export sales generally have higher margin, followed by higher production costs incurred owing mainly to higher log prices in 9M 2019 over 9M 2018, and increase in labor costs.

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## Other Income

In 9M 2019, other income of Rp10 billion came mainly from the foreign exchange gain of Rp4 billion, income from insurance claim of Rp3 billion, and sales of scrap of Rp2 billion, respectively, while in 3Q 2019, mainly derived from income from insurance claim of Rp3 billion. The weakening of US Dollar has resulted in unrealized foreign exchange gain due to translation of our US Dollar denominated loans.

In 9M 2018, the Group recorded the gain on disposal of assets held for sale (land and building) of Rp30 billion.

## Selling expenses

Our selling expenses increased by 21% in 9M 2019 as compared to 9M 2018, due mainly to higher freight costs because of the changes in the term of delivery from Free on Board (FOB) to Cost and Freight (CNF), resulting in freight costs being paid by the Group, higher spending on marketing and travelling expenses and staff costs associated to our customers in order to stimulate export market demand.

## General and administrative expenses

In 9M and 3Q 2019, the general and administrative expenses have decreased over that of previous period due mainly to lower professional fees.

## Finance Expenses

Our finance expenses relate mainly to interest expense, mainly due to drawdown of additional loans for working capital.

## Other expenses

In 9M 2019, other expenses were derived mainly from workers separation expenses, amortisation of land use rights, and tax penalties, while other expenses in 9M 2018 came mainly from foreign exchange losses mostly on the back of depreciating IDR, allowance for doubtful receivables, workers separation expenses, amortisation of land use rights, and tax penalties.

## Taxation

Our taxation comprise the following:

	3-month ended			9-month ended		
	30 Sept 2019	30 Sept 2018	Change	30 Sept 2019	30 Sept 2018	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%	<i>Rp'million</i>	<i>Rp'million</i>	%
Current income tax	(15,633)	(5,306)	195	(31,287)	(9,941)	215
Deferred income tax (expense)	4,335	(16,693)	n.m	5,246	(27,121)	n.m
Over (under) provision of prior year taxes	517	(865)	n.m	517	(968)	n.m
Total	<u>(10,781)</u>	<u>(22,864)</u>	<u>(53)</u>	<u>(25,524)</u>	<u>(38,030)</u>	<u>(33)</u>

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Indonesia adopts individual company income tax system. Our effective tax rate was not aligned with statutory tax rate due mainly to certain expenses not deductible for tax purposes.

During the period, the Group recognised deferred income tax mainly from recognition of post-employment benefits, offset by deferred tax expense arising from utilisation of tax losses in 1Q 2019.

## **(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 property, plant and equipment increased by Rp10 billion. This was due mainly to the addition of assets amounted to Rp86 billion, primarily for machineries and production facilities (due to increase in production volume), offset by depreciation charges during the period.

Our right-of-use assets increased by Rp45 billion, mainly due to leases of assets primarily for heavy equipment (due to increase in production volume), offset by depreciation charges during the period.

Other non-current assets increased by Rp9 billion. This was mainly due to increase in advance for purchase of property, plant and equipment.

In 9M 2019, our Group's current assets have increased to Rp1,691 billion. The increase was mainly due to:

1. higher inventory level as a result of higher production volume and higher domestic sales volume;
2. increase in trade receivables which is in line with the increase in domestic sales;
3. higher prepaid operating expenses. Prepayments were made in the ordinary course of business, mainly for VAT receivables, insurance, rental, performance bonus, as well as thirteen month bonus; and
4. offset by decrease in advance to suppliers for spare parts, and lower restricted deposits.

As at 30 September 2019, our Group's current and non-current liabilities have increased by Rp383 billion to Rp2,256 billion. This was contributed mainly by:

1. higher trade and other payables of Rp301 billion as a result of higher production and business activities;
2. increase in loans and borrowings and lease liabilities totaling Rp27 billion;
3. increase in provision for post-employment benefits of Rp30 billion; and
4. increase in other liabilities by Rp17 billion mainly due to accruals for insurance.

### ***Statement of Cash Flow***

During the period, the Group generated cash inflow of Rp131 billion from operating activities, and incurred cash outflow of Rp89 billion and Rp45 billion from investing and financing activities, respectively. Net cash decreased by Rp3 billion.

## SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Cash inflow from operating activities is mainly due to higher payables offset by higher receivables and inventories.

Cash outflow from investing activities was mainly due to the addition of property, plant and equipment.

Cash outflow from financing activities was mainly to net drawdown of loans offset by interest payments. The repayments of bank borrowings, lease liabilities, and their interests were in accordance with the repayments schedule.

**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 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.**

- 1) The Group has US dollar borrowings, where the risk of foreign exchange fluctuation may materially affect the Group's results (positively or negatively depending on, *inter alia*, the direction of the fluctuation). Although the risk may be mitigated by our US dollar export sales (thus providing the natural hedging to the foreign currency fluctuation exposure), we illustrate below the sensitivity impact of our US dollar borrowings to our net loss arising from the possible change in the US exchange rate, assuming all other variables are held constant with tax rate of 25% in Indonesia:

Indonesia Rupiah to US Dollar exchange rates	(Weakened) / strengthened	Profit after tax for the period Rp7 billion (Increase)/ decrease
<i>Rp'full amount</i>		<i>Rp'million</i>
15,024	(6%)	(31,989)
14,741	(4%)	(21,326)
14,457	(2%)	(10,663)
13,891	2%	10,663
13,607	4%	21,326
13,324	6%	31,989

Our US\$ loans as at 30 September 2019 was US\$50 million and 31 December 2018 was US\$54 million.

Exchange rate:	<u>Rp/US\$1</u>
- 1 November 2019	Rp14,066
- 30 September 2019	Rp14,174
- 31 December 2018	Rp14,481
- 30 September 2018	Rp14,929



## **SAMKO TIMBER LIMITED**

Company Registration Number: 200517815M

- 2) Uncertainty in global economy has affected our export sales performance thus we are experiencing a slow-down in the demand of our export products. We are caution on the prospect beyond that as keen competition between suppliers to meet the demand has dampen the export pricing. In addition, our export sales income may be affected by the weakening of the US Dollar. We are monitoring the above factors and will do the necessary to mitigate the impact and strive to remain competitive.
- 3) Following the formation of the new government in Indonesia, we expect that this would result in an increase in the demand for our products domestically. We also believe that our domestic sales volume will grow due to our increased market penetration and supported by better Indonesian economic growth and government's continuous spending on infrastructure projects.
- 4) We expect to benefit from lower log prices which we believe, will minimise the impact of rising material costs while maintaining a healthy profit margin. As we are increasing our production volume to meet demand, the Group has taken steps to lower production costs by increasing the productivity and efficiency of our plywood manufacturing process. In addition, the Group is also actively exploring options in securing the log supplies.

### **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 period being reviewed.

#### ***(b) Corresponding Period of the Immediately Preceding Financial Period***

Any dividend declared for the corresponding period of the immediately preceding financial period?

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 and the reason(s) for the decision.**

No dividend for financial period ended 30 September 2019 has been declared because of the accumulated losses.

### **13. Interested person transactions.**

The following is the aggregate value of all transactions with interested persons for the period ended 30 September 2019:

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

<i>Name of interested person</i>	<i>Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</i>	<i>Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</i>
	<i>Rp'million</i>	<i>Rp'million</i>
PT Sampoerna Land <i>Office rental</i>	4,355	-
PT Bank Sahabat Sampoerna <i>Finance expense</i>	4,388	-
PT Sampoerna Agro Tbk <i>Purchase of palm logs</i>	-	-

PT Sampoerna Land and PT Bank Sahabat Sampoerna are controlled by the Sampoerna family, who are substantial shareholders of the Company.

The Company has obtained shareholders' mandates for the above interested party transactions under Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited at the Extraordinary General Meeting on 26 April 2019.

#### 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 2019 to be false or misleading in any material aspect.

#### 15. **Confirmation Pursuant to Rule 720(1) of the Listing Manual**

The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

#### **BY ORDER OF THE BOARD**

Riko Setyabudhy Handoko  
Executive Director and Chief Executive Officer  
1 November 2019