

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Second Quarter Financial Statements and Dividend Announcement for the Period Ended 30 June 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF SECOND 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			6-month ended		
	30 Jun 2019	30 Jun 2018	Change	30 Jun 2019	30 Jun 2018	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	922,652	954,099	(3)	2,053,935	1,978,752	4
Cost of sales	(779,168)	(816,640)	(5)	(1,731,118)	(1,625,880)	6
Gross profit	143,484	137,459	4	322,817	352,872	(9)
Other items of income						
Interest income	89	121	(26)	164	287	(43)
Other income	1,714	30,316	(94)	9,311	30,315	(69)
Other items of expenses						
Selling expenses	(30,628)	(31,380)	(2)	(71,902)	(65,897)	9
General and administrative expenses	(89,848)	(78,767)	14	(179,181)	(189,962)	(6)
Finance expenses	(25,766)	(21,449)	20	(50,928)	(41,288)	23
Other expenses	(3,146)	(23,687)	(87)	(7,528)	(27,594)	(73)
Profit (loss) before tax	(4,101)	12,613	n.m	22,753	58,733	(61)
Taxation	(6,591)	659	n.m	(14,743)	(15,165)	(3)
Net profit (loss) for the period	(10,692)	13,272	n.m	8,010	43,568	(82)
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Net actuarial loss on post-employment benefits	(1,028)	(1,234)	(17)	(2,053)	(2,472)	(17)
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation gain	2,283	5,442	(58)	6,803	2,541	168
Total comprehensive income for the period	(9,437)	17,480	n.m	12,760	43,637	(71)
Net profit (loss) attributable to:						
Owners of the Company	(10,923)	13,283	n.m	7,599	44,373	(83)
Non-controlling interests	231	(11)	n.m	411	(805)	n.m
	(10,692)	13,272	n.m	8,010	43,568	(82)
Total comprehensive income attributable to:						
Owners of the Company	(9,664)	17,501	n.m	12,351	44,479	(72)
Non-controlling interests	227	(21)	n.m	409	(842)	n.m
	(9,437)	17,480	n.m	12,760	43,637	(71)

n.m : not meaningful

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

	3-month ended			6-month ended		
	30 Jun 2019	30 Jun 2018	Change	30 Jun 2019	30 Jun 2018	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%	<i>Rp'million</i>	<i>Rp'million</i>	%
Depreciation of property, plant and equipment	(24,763)	(23,215)	7	(51,673)	(44,862)	15
Interest expenses	(23,922)	(18,958)	26	(47,751)	(37,346)	28
Post-employment benefits expense	(15,000)	(11,930)	26	(30,013)	(23,776)	26
Workers separation expenses	(845)	(1,024)	(17)	(4,385)	(1,493)	194
Grant of equity-settled performance share plan	(940)	-	n.m	(1,885)	-	n.m
Amortisation of land use rights	(875)	(875)	-	(1,749)	(1,750)	(0)
Allowance for doubtful receivables	(416)	(3,838)	(89)	(416)	(4,489)	(91)
Allowance for advance to suppliers	(401)	(384)	4	(401)	(384)	4
Net foreign exchange gain (loss)	1,714	(12,749)	n.m	7,174	(14,824)	n.m
Net (loss) gain on disposal of property, plant and equipment	(2)	302	n.m	354	302	17
Interest income	89	121	(26)	164	287	(43)
Gain on disposal of assets held for sale	-	30,014	(100)	-	30,014	(100)

n.m : not meaningful

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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 period.

	Group		Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Non-current assets				
Property, plant and equipment	539,393	506,869	-	-
Investment in subsidiary companies	-	-	824,998	824,998
Biological assets	45,034	44,294	-	-
Land use rights	52,728	54,379	-	-
Deferred tax assets	63,929	62,025	-	-
Other non-current assets	61,104	45,854	-	-
	762,188	713,421	824,998	824,998
Current assets				
Inventories	888,018	740,995	-	-
Trade and other receivables	501,758	348,603	92,636	21,621
Prepaid operating expenses	88,958	58,856	646	397
Advances to suppliers	115,280	171,395	999	-
Restricted deposits	8	16,138	-	-
Cash and cash equivalents	31,812	29,806	1,287	2,097
	1,625,834	1,365,793	95,568	24,115
Current liabilities				
Trade and other payables	502,871	363,116	84,303	18,929
Other liabilities	49,681	73,006	2,181	3,640
Advances from customers	7,480	7,736	780	-
Provision for taxation	15,470	14,495	-	-
Loans and borrowings	1,223,959	1,030,081	-	-
	1,799,461	1,488,434	87,264	22,569
Net current (liabilities) assets	(173,627)	(122,641)	8,304	1,546
Non-current liabilities				
Loans and borrowings	111,605	146,415	-	-
Post-employment benefits	236,130	218,500	-	-
Deferred tax liabilities	407	91	-	-
Other liabilities	19,674	19,674	280,930	278,492
	367,816	384,680	280,930	278,492
Net assets	220,745	206,100	552,372	548,052
Equity attributable to owners of the Company				
Share capital	2,502,305	2,502,305	2,502,305	2,502,305
Accumulated losses	(2,634,828)	(2,640,392)	(1,968,798)	(1,964,702)
Other reserves	349,177	340,505	18,865	10,449
	216,654	202,418	552,372	548,052
Non-controlling interests	4,091	3,682	-	-
	220,745	206,100	552,372	548,052

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

Amount repayable in one year or less, or on demand

As at 30 Jun 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>
1,164,089	59,870	1,003,895	26,186

Amount repayable after one year

As at 30 Jun 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>
111,605	-	146,415	-

Details of collaterals

As at 30 June 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.

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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 period.

	6-month ended	
	30 Jun 19	30 Jun 18
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from operating activities		
Profit before tax	22,753	58,734
Adjustments:		
Depreciation of property, plant and equipment	51,673	44,862
Interest expenses	45,237	37,346
Post-employment benefits expense	30,013	23,776
Grant of equity-settled performance share plan	1,885	-
Amortisation of land use rights	1,749	1,750
Allowance for doubtful receivables	416	4,489
Allowance for advance to suppliers	401	384
Interest income	(164)	(287)
Net gain on disposal of property, plant and equipment	(354)	(302)
Net foreign exchange (gain) loss	(4,289)	14,891
Gain on disposal of assets held for sale	-	(30,014)
Operating cash flow before changes in working capital	149,320	155,629
Changes in working capital :		
Inventories	(147,023)	(107,441)
Trade and other receivables	(133,228)	(77,540)
Prepaid operating expenses	(48,949)	(24,724)
Advances to suppliers	56,602	(14,550)
Trade and other payable	129,574	142,483
Other liabilities	(5,191)	(20,886)
Advance from customers	(256)	(67,237)
Other non-current assets	(3,147)	(3,309)
Cash flow used in operations	(2,298)	(17,575)
Income tax paid	(14,600)	(4,793)
Post-employment benefits paid	(15,072)	(267)
Net cash flows used in operating activities	(31,970)	(22,635)
Cash flows from investing activities		
Purchase of property, plant and equipment	(82,526)	(23,223)
Proceeds from disposal of assets held for sale	-	63,637
Proceeds from disposal of property, plant and equipment	366	376
Additions of biological assets	(891)	(45)
Interest received	164	287
Additions of land use rights	(100)	-
Net cash flows (used in) provided by investing activities	(82,987)	41,032

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	6-month ended	
	30 Jun 19	30 Jun 18
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from financing activities		
Drawdown of loans and borrowings	2,122,935	1,105,590
Repayment of loans and borrowings	(2,041,496)	(1,140,771)
Interest paid	(40,043)	(35,200)
Withdrawal (placement) of restricted deposits	15,945	(3,852)
	<hr/>	<hr/>
Net cash flows provided by (used in) financing activities	57,341	(74,233)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(57,616)	(55,836)
Effect of exchange rate changes on cash and cash equivalents	(248)	629
Cash and cash equivalents at beginning of period	29,806	33,905
	<hr/>	<hr/>
Cash and cash equivalents at end of period	(28,058)	(21,302)
	<hr/> <hr/>	<hr/> <hr/>
<p>For the purpose of presenting the consolidated statement of cash flow, the consolidated cash and cash equivalent comprise the followings:</p>		
Cash and cash equivalents	31,812	36,892
Less: Bank overdraft	(59,870)	(58,194)
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	(28,058)	(21,302)
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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 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	Rp'million	
Balance at 1 Jan 2019	2,502,305	(2,640,392)	309,050	(3,037)	1,078	33,414	202,418	3,682	206,100
Profit for the period	-	7,599	-	-	-	-	7,599	411	8,010
Other comprehensive income for the period:									
- Net actuarial loss on post-employment benefits	-	(2,035)	-	-	-	-	(2,035)	(18)	(2,053)
- Foreign currency translation gain	-	-	-	-	-	6,787	6,787	16	6,803
Other comprehensive income for the period, net of tax	-	(2,035)	-	-	-	6,787	4,752	(2)	4,750
Total comprehensive income for the period	-	5,564	-	-	-	6,787	12,351	409	12,760
Contribution by and distribution to owners:									
- Grant of equity-settled performance share plan	-	-	-	-	1,885	-	1,885	-	1,885
Total contribution by and distribution to owners	-	-	-	-	1,885	-	1,885	-	1,885
Balance at 30 Jun 2019	2,502,305	(2,634,828)	309,050	(3,037)	2,963	40,201	216,654	4,091	220,745
Balance at 1 Jan 2018	2,501,056	(2,739,797)	309,050	(3,037)	-	14,482	81,754	4,817	86,571
Profit (loss) for the period	-	44,373	-	-	-	-	44,373	(805)	43,568
Other comprehensive income for the period:									
- Net actuarial loss on post-employment benefits	-	(2,458)	-	-	-	-	(2,458)	(14)	(2,472)
- Foreign currency translation gain (loss)	-	-	-	-	-	2,564	2,564	(23)	2,541
Other comprehensive income for the period, net of tax	-	(2,458)	-	-	-	2,564	106	(37)	69
Total comprehensive income for the period	-	41,915	-	-	-	2,564	44,479	(842)	43,637
Balance at 30 Jun 2018	2,501,056	(2,697,882)	309,050	(3,037)	-	17,046	126,233	3,975	130,208

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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	-	(4,096)	-	6,531	2,435
Grant of equity-settled performance share plan	-	-	1,885	-	1,885
Balance at 30 Jun 2019	2,502,305	(1,968,798)	2,963	15,902	552,372
Balance at 1 Jan 2018	2,501,056	(2,049,117)	-	102	452,041
Total comprehensive income for the period	-	(1,748)	-	816	(932)
Balance at 30 Jun 2018	2,501,056	(2,050,865)	-	918	451,109

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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 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 31 March 2019 to 30 June 2019. Please see point 1(d)(iii) below.

Samko Timber Performance Share Plan (the "Samko PSP")

As at 29 August 2018, the Company has granted 21,653,058 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 June 2019 and 30 June 2018, were set out as follows:-

Total Number of Issued Shares Excluding Treasury Shares and Subsidiary Holdings			
No. of Shares		No. of Shares	
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	-
As at 30 Jun 2019	2,377,150,505	As at 30 Jun 2018	2,374,050,505

Shares Award Granted and Outstanding Share Awards			
No. of Shares Awards		No. of Shares Awards	
As at 1 Jan 2019	18,553,058	As at 1 Jan 2018	-
Less: Shares Awards	-	Less: Shares Awards	-
As at 30 Jun 2019	18,553,058	As at 30 Jun 2018	-

As at 30 June 2019, there were 18,553,058 outstanding Share Awards under the Samko PSP that may be vested and released into 18,553,058 new shares, which representing 0.78% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, in the capital of the Company (30 June 2018: Nil).

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

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- 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 June 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.

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.

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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		6-month ended	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 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
Weighted average number of ordinary shares for diluted earnings per share computation	2,395,703,563	2,374,050,505	2,395,703,563	2,374,050,505
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
Earnings per share attributable to owners of the Company				
Basic	(5)	6	3	19
Diluted	(5)	6	3	19

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 Jun 2019	31 Dec 2018	30 Jun 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)	216,654	202,418	552,372	548,052
Number of ordinary shares at the end of the period	2,377,150,505	2,374,050,505	2,377,150,505	2,374,050,505
Net asset value per ordinary share (Rp full amount)	91	85	232	231

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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 1H and 2Q 2018 have been reclassified to conform with the presentation adopted in the current period.

Our Group reported a sluggish 2Q 2019 with a net loss of Rp11 billion, as compared to a net profit of Rp13 billion in 2Q 2018, however, cumulatively as of 1H 2019, the Group still managed to record a modest net profit of Rp8 billion compared to Rp44 billion in 1H 2018.

The 1H 2019 result decreased mainly due to lower gross profit attained as a result of higher production costs, higher selling and finance expenses, and also the absence of gain on disposal of assets held for sale (land and building) in 1H 2019, offset by lower staff related costs and professional fees, and higher exchange gain earned during the period.

Revenue

	3-month ended			6-month ended		
	30 Jun 2019	30 Jun 2018	Change	30 Jun 2019	30 Jun 2018	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%	<i>Rp'million</i>	<i>Rp'million</i>	%
Domestic sales	480,590	431,552	11	1,092,404	957,226	14
Export sales	442,062	522,547	(15)	961,531	1,021,526	(6)
Total	922,652	954,099	(3)	2,053,935	1,978,752	4

In line with the result above, our sales revenue was weaker by 3% in 2Q 2019 than 2Q 2018, but cumulatively as of 1H 2019, our total sales still increased by 4% compare to that in 1H 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 6 month period, which brought volume down by 7% and 2% in 2Q and 1H 2019, respectively. Lower sales was also caused by lower average selling price by 9% and 4% in 2Q and 1H 2019 as compared to 2Q and 1H 2018, respectively.

Our sales volume for domestic markets increased by 11% and 9% in 2Q and 1H 2019 as compared to 2Q and 1H 2018, respectively, despite the parliamentary and presidential elections in this quarter slowing down the local business activities as a whole.

The composition of our domestic sales to overall sales increase from 45% and 48% in 2Q and 1H 2018 to 52% and 53% in 2Q and 1H 2019, respectively.

Gross profit

Our gross profit dropped by 9% in 1H 2019 due mainly to lower sales revenue from export products (as mentioned above) since export sales generally have higher margin, followed by higher unit production costs incurred owing mainly to higher log prices in 1H 2019 over 1H 2018, and increase in labor costs.

Our 2Q 2019 gross profit margin came in higher at 16% mainly due to improvement on overhead costs efficiency help offsetting the weak export sales demand, as compared to 2Q 2018.

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Other Income

In 1H and 2Q 2019, other income of Rp9 billion and Rp2 billion came mainly from the foreign exchange gain of Rp7 billion and Rp2 billion, respectively. In 1H and 2Q 2018 the Group recorded the gain on disposal of assets held for sale (land and building) of Rp30 billion. The weakening of US Dollar has resulted in unrealized foreign exchange gain due to translation of our US Dollar denominated loans.

Selling expenses

Our selling expenses increased by 9% in 1H 2019 as compared to 1H 2018, due mainly to higher spending on marketing and travelling expenses and staff costs associated to our customers in order to stimulate export market demand. Lower selling expenses in 2Q 2019 due mainly to lower freight costs which is in line with slowing export sales activities.

General and administrative expenses

In 1H 2019, the general and administrative expenses have decreased over that of previous period due mainly to lower professional fees, while in the 2Q 2019 compared to 2Q 2018, higher general and administrative expenses came mainly from higher staff related costs as well as the provision for pension costs, offset by 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 1H 2019, other expenses were derived mainly from workers separation expenses, while other expenses in 1H 2018 came mainly from foreign exchange losses mostly on the back of depreciating IDR.

Taxation

Our taxation comprise the following:

	3-month ended			6-month ended		
	30 Jun 2019	30 Jun 2018	Change	30 Jun 2019	30 Jun 2018	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Current income tax	(10,477)	(2,079)	404	(15,654)	(4,633)	238
Deferred income tax (expense)	3,886	2,841	37	911	(10,429)	n.m
Total	<u>(6,591)</u>	<u>659</u>	<u>n.m</u>	<u>(14,743)</u>	<u>(15,165)</u>	<u>(3)</u>

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.

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(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 Rp32 billion. This was due mainly to the addition of assets amounted to Rp82 billion, primarily for machineries and production facilities (due to increase in production volume), offset by depreciation charges during the period.

Other non-current assets increased by Rp15 billion. This was mainly due to increase in advance for purchase of property, plant and equipment.

In 1H 2019, our Group's current assets have increased to Rp1,626 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 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 log and spare parts, and lower restricted deposits.

As at 30 June 2019, our Group's current and non-current liabilities have increased by Rp294 billion to Rp2,167 billion. This was contributed mainly by:

1. higher trade and other payables of Rp140 billion as a result of higher production and business activities;
2. increase in loans and borrowings totaling Rp159 billion;
3. increase in provision for post-employment benefits of Rp18 billion; and
4. offset by lower other liabilities by Rp23 billion mainly due to lower accruals for spare parts, freight and professional fees.

Statement of Cash Flow

During the period, the Group generated cash inflow of Rp57 billion from financing activities, and incurred cash outflow of Rp32 billion and Rp83 billion from operating and investing activities, respectively. Net cash decreased by Rp58 billion.

The Group incurred net cash outflow from operating activities mainly due to lower gross profit attained, and cash used to reinvest in the production of goods and purchase of materials, and to support higher sales and receivables.

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

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

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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 Rp8 billion (Increase)/ decrease
<i>Rp'full amount</i>		<i>Rp'million</i>
15,312	(7.5%)	(44,017)
14,956	(5.0%)	(29,345)
14,600	(2.5%)	(14,672)
13,888	2.5%	14,672
13,532	5.0%	29,345
13,176	7.5%	44,017

Our US\$ loans as at 30 June 2019 and 31 December 2018 were US\$54 million for both periods.

Exchange rate:	<u>Rp/US\$1</u>
- 13 August 2019	Rp14,283
- 30 June 2019	Rp14,141
- 31 December 2018	Rp14,481
- 30 June 2018	Rp14,404

- 2) Uncertainty in the current global economic condition has affected our export sales performance. This uncertainty in global economy, keen competition as a result of trade war and the current US' monetary and fiscal policies will have an impact on the demand of our products overseas. We are monitoring the above mentioned factors and will do the necessary to mitigate the impact and strive to remain competitive.
- 3) The results of the general elections in Indonesia in 2019 are positive in our view and we believe 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.

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- 4) In the near future, 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 June 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 June 2019:

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<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>	2,903	-
PT Bank Sahabat Sampoerna <i>Finance expense</i>	2,427	-
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 second quarter ended 30 June 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
13 August 2019