

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Third Quarter Financial Statements and Dividend Announcement for the Period Ended 30 September 2018

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 2018	30 Sept 2017	Change	30 Sept 2018	30 Sept 2017	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	1,256,072	927,299	35	3,234,824	2,484,466	30
Cost of sales	(1,027,662)	(764,921)	34	(2,653,543)	(2,100,266)	26
Gross profit	228,410	162,378	41	581,281	384,200	51
Other items of income						
Interest income	131	105	25	418	337	24
Other income	1,977	2,483	(20)	30,435	1,210	2,415
Other items of expenses						
Selling expenses	(29,249)	(27,555)	6	(89,409)	(71,969)	24
General and administrative expenses	(102,368)	(77,162)	33	(298,068)	(240,036)	24
Finance expenses	(24,820)	(23,179)	7	(66,108)	(65,486)	1
Other expenses	(19,444)	(3,850)	405	(45,180)	(20,584)	119
Profit (loss) before tax	54,637	33,220	64	113,369	(12,328)	n.m
Taxation	(22,864)	(8,269)	177	(38,030)	(10,218)	272
Net profit (loss) for the period	31,773	24,951	27	75,339	(22,546)	n.m
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Net actuarial loss on post-employment benefits	(1,259)	(1,057)	19	(3,731)	(3,155)	18
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation gain (loss)	1,894	(2,762)	n.m	4,453	(2,791)	n.m
Total comprehensive income for the period	32,408	21,132	53	76,061	(28,492)	n.m
Net loss attributable to:						
Owners of the Company	31,722	25,430	25	76,094	(19,215)	n.m
Non-controlling interests	51	(479)	n.m	(755)	(3,331)	(77)
	31,773	24,951	27	75,339	(22,546)	n.m
Total comprehensive income attributable to:						
Owners of the Company	32,333	21,621	50	76,877	(25,139)	n.m
Non-controlling interests	75	(489)	n.m	(816)	(3,353)	(76)
	32,408	21,132	53	76,061	(28,492)	n.m

n.m : not meaningful

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

	3-month ended			9-month ended		
	30 Sept 2018	30 Sept 2017	Change	30 Sept 2018	30 Sept 2017	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%	<i>Rp'million</i>	<i>Rp'million</i>	%
Depreciation of property, plant and equipment	(24,478)	(15,956)	53	(69,340)	(68,291)	2
Interest expenses	(22,873)	(21,431)	7	(60,219)	(60,326)	(0)
Post-employment benefits expense	(11,744)	(11,150)	5	(35,520)	(33,454)	6
Net foreign exchange (loss) gain	(8,904)	(1,800)	395	(23,727)	817	n.m
Tax penalties	(4,319)	(86)	4,922	(5,368)	(1,444)	272
Grant of equity-settled share options to employees	(2,929)	-	n.m	(2,929)	-	n.m
Allowance for doubtful receivables	(2,149)	(978)	120	(6,637)	(2,330)	185
Workers separation expenses	(1,999)	(81)	2,368	(3,492)	(2,797)	25
(Allowance for) recovery of advance to suppliers	(1,109)	616	n.m	(1,493)	393	n.m
Amortisation of land use rights	(874)	(905)	(3)	(2,624)	(2,643)	(1)
Gain on sale of land use rights	113	-	n.m	113	-	n.m
Interest income	131	105	25	418	337	24
Net gain (loss) on disposal of property, plant and equipment	7	-	n.m	308	(8)	n.m
Gain on disposal of assets held for sale	-	-	-	30,014	-	n.m
Expense for the Group's re-organisation exercise *)	-	-	-	-	(15,534)	(100)

*) Included in "Other expenses"

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 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Non-current assets				
Property, plant and equipment	470,244	502,306	-	-
Investment in subsidiary companies ⁽¹⁾	-	-	527,000	437,486
Biological assets	50,821	51,454	-	-
Land use rights	55,251	57,877	-	-
Deferred tax assets	85,446	111,318	-	-
Other non-current assets	34,167	17,194	-	-
	695,929	740,149	527,000	437,486
Current assets				
Inventories	618,603	496,809	-	-
Trade and other receivables	462,882	269,131	81,714	35,624
Prepaid operating expenses	73,407	35,176	465	394
Advances to suppliers	163,247	58,246	-	-
Restricted deposits	17,405	12,987	-	-
Cash and cash equivalents	71,852	33,905	1,323	2,597
	1,407,396	906,254	83,502	38,615
Sub-total	1,407,396	906,254	83,502	38,615
Assets classified as held for sale	-	29,840	-	-
	1,407,396	936,094	83,502	38,615
Current liabilities				
Trade and other payables	479,692	283,433	67,830	20,766
Other liabilities	106,743	124,239	2,815	3,294
Advances from customers	19,911	86,050	-	-
Provision for taxation	14,964	13,442	-	-
Loans and borrowings	868,249	647,122	-	-
	1,489,559	1,154,286	70,645	24,060
Net current (liabilities) assets	(82,163)	(218,192)	12,857	14,555
Non-current liabilities				
Loans and borrowings	162,612	181,062	-	-
Post-employment benefits	286,147	254,324	-	-
Deferred tax liabilities	19	-	-	-
	448,778	435,386	-	-
Net assets	164,988	86,571	539,857	452,041
Equity attributable to owners of the Company				
Share capital	2,502,321	2,501,056	2,502,321	2,501,056
Accumulated losses	(2,667,408)	(2,739,797)	(1,964,926)	(2,049,117)
Other reserves	326,074	320,495	2,462	102
	160,987	81,754	539,857	452,041
Non-controlling interests	4,001	4,817	-	-
	164,988	86,571	539,857	452,041

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Notes:

- (1) Included in the Company's balance is a quasi capital loan granted to a subsidiary amounted to Rp89 billion. This loan has been capitalised into the share capital of the subsidiary in 3Q 2018.

(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 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
863,009	5,240	633,716	13,406

Amount repayable after one year

As at 30 Sept 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
162,612	-	181,062	-

Details of collaterals

As at 30 September 2018, 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.

In July 2018, PT SGS has obtained new additional loan facilities from existing lenders to expand its working capital. The facilities increased by a Rp140 billion loan facility granted by PT Bank OCBC NISP Tbk and a US\$25 million loan facility granted by OCBC Ltd Singapore. The loan facilities are secured by existing collaterals as mentioned above.

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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.

	9-month ended	
	30 Sep 18	30 Sep 17
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from operating activities		
Profit (loss) before tax	113,369	(12,328)
Adjustments:		
Depreciation of property, plant and equipment	69,340	68,291
Interest expenses	60,219	60,326
Post-employment benefits expense	35,520	33,454
Net foreign exchange loss (gain)	24,697	(958)
Allowance for doubtful receivables	6,637	2,330
Grant of equity-settled share options to employees	2,929	-
Amortisation of land use rights	2,624	2,643
Allowance for (recovery of) advance to suppliers	1,493	(393)
Gain on sales of land use rights	(113)	-
Net (gain) loss on disposal of property, plant and equipment	(308)	8
Interest income	(418)	(337)
Gain on disposal of assets held for sale	(30,014)	-
Operating cash flow before changes in working capital	285,975	153,036
Changes in working capital :		
Inventories	(121,794)	36,384
Trade and other receivables	(131,673)	(109,438)
Prepaid operating expenses	(21,486)	7,420
Advances to suppliers	(107,860)	(27,388)
Trade and other payable	196,259	(47,910)
Other liabilities	(43,230)	(16,101)
Advance from customers	(66,139)	21,843
Other non-current assets	(3,182)	95
Cash flow (used in) provided by operations	(13,130)	17,941
Income tax paid	(5,276)	(7,931)
Post-employment benefits paid	(252)	(8,450)
Net cash flows (used in) provided by operating activities	(18,658)	1,560
Cash flows from investing activities		
Purchase of property, plant and equipment	(56,631)	(21,174)
Proceeds from disposal of property, plant and equipment	391	439
Proceeds from disposal of assets held for sale	63,637	-
Additions of biological assets	(289)	(134)
Interest received	418	337
Proceeds from disposal of land use rights	136	-
Net cash flows provided by (used in) investing activities	7,662	(20,532)

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	9-month ended	
	30 Sep 18	30 Sep 17
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from financing activities		
Drawdown of loans and borrowings	1,961,464	1,517,979
Repayment of loans and borrowings	(1,861,697)	(1,494,830)
Interest paid	(53,537)	(53,842)
Placement of restricted deposits	(3,542)	(495)
Net cash flows provided by (used in) financing activities	42,688	(31,188)
Net increase (decrease) in cash and cash equivalents	31,692	(50,160)
Effect of exchange rate changes on cash and cash equivalents	1,015	192
Cash and cash equivalents at beginning of period	33,905	58,724
Cash and cash equivalents at end of period	66,612	8,756

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

Cash and cash equivalents	71,852	68,477
Less: Bank overdraft	(5,240)	(59,721)
	66,612	8,756

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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	Employee share option reserve	Foreign currency translation reserves	Total		
	Rp'million	Rp'million	Rp'million	Rp million	Rp million	Rp million	Rp'million	Rp'million	Rp'million
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	-	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:									
- Grant of equity-settled share options to employees	1,265	-	-	-	1,091	-	2,356	-	2,356
Total contribution by and distribution to owners	1,265	-	-	-	1,091	-	2,356	-	2,356
Balance at 30 Sept 2018	2,502,321	(2,667,408)	309,050	(3,037)	1,091	18,970	160,987	4,001	164,988
Balance at 1 Jan 2017	2,501,056	(2,765,786)	309,050	-	-	18,154	62,474	6,756	69,230
Loss for the period	-	(19,215)	-	-	-	-	(19,215)	(3,331)	(22,546)
Other comprehensive income for the period:									
- Net actuarial loss on post-employment benefits	-	(3,134)	-	-	-	-	(3,134)	(21)	(3,155)
- Foreign currency translation loss	-	-	-	-	-	(2,790)	(2,790)	(1)	(2,791)
Other comprehensive income for the period, net of tax	-	(3,134)	-	-	-	(2,790)	(5,924)	(22)	(5,946)
Total comprehensive income for the period	-	(22,349)	-	-	-	(2,790)	(25,139)	(3,353)	(28,492)
Balance at 30 Sept 2017	2,501,056	(2,788,135)	309,050	-	-	15,364	37,335	3,403	40,738

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	Attributable to owners of the Company				
	Share capital	Accumulated losses	Employee share option reserve	Foreign currency translation reserves	Total
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
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
Grant of equity-settled share options to employees	1,265	-	1,091	-	2,356
Balance at 30 Sept 2018	2,502,321	(1,964,926)	1,091	1,371	539,857
Balance at 1 Jan 2017	2,501,056	(2,045,086)	-	-	455,970
Total comprehensive income for the period	-	(2,843)	-	48	(2,795)
Balance at 30 Sept 2017	2,501,056	(2,047,929)	-	48	453,175

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.

Please see point 1(d)(iii) below.

Performance share plan

As at 29 August 2018, the Company has granted 21,653,058 ordinary shares to the employee under the scheme of performance share plan, and during the period, the Company has issued and allotted 3,100,000 ordinary shares in the share capital of the Company.

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.

	Group and Company
	Number of shares
At 31 December 2017	2,374,050,505
Addition:	
Grant of equity-settled share options to employees	3,100,000
At 30 September 2018	2,377,150,505

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The Company did not have any treasury shares, subsidiary holdings or other convertibles as at 30 September 2018 and 2017.

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.

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is equivalent to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore Financial Reporting Standards (International)' ("SFRS(I)") hereinafter.

Subsequent to the last financial year end, as required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and issued its second set of financial information prepared under SFRS(I) for the financial period ended 30 September 2018.

The adoption of new SFRS(I) did not result in significant change to the Group's and Company's accounting policies and did not have material impact on the amounts reported for the current or prior financial years.

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.

Please refer to point 4.

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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 2018	30 Sept 2017	30 Sept 2018	30 Sept 2017
Weighted average number of ordinary shares for basic earnings per share computation	2,374,415,211	2,374,050,505	2,374,415,211	2,374,050,505
Weighted average number of ordinary shares for diluted earnings per share computation	2,374,415,211	2,374,050,505	2,374,415,211	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 and diluted	13	11	32	(8)

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 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017
Net assets for the period attributable to owners of the Company used in computation of net asset value per share (Rp'million)	160,987	81,754	539,857	452,041
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)	68	34	227	190

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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 9M 2017 have been reclassified to conform with the presentation adopted in the current period.

Our Group reported a net profit of Rp75 billion in 9M 2018 as compared to a net loss of Rp22 billion in 9M 2017. This was due mainly to higher sales volume and better overall pricing achieved and the gain on disposal of assets held for sale (land and building), offset by higher exchange loss incurred during the period, while the losses for 9M 2017 included one off expense for the Group's re-organisation exercise.

In the 3Q 2018, the Group registered a net profit of Rp32 billion, compared to a net profit of Rp25 billion in 3Q 2017. The performance was due to mainly the factors as mentioned above.

Revenue

	3-month ended			9-month ended		
	30 Sept 2018	30 Sept 2017	Change	30 Sept 2018	30 Sept 2017	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Domestic sales	628,300	547,720	15	1,585,526	1,495,557	6
Export sales	627,772	379,579	65	1,649,298	988,909	67
Total	1,256,072	927,299	35	3,234,824	2,484,466	30

In 9M and 3Q 2018, our total sales increased by 30% and 35% as compared to 9M and 3Q 2017, mainly due to the surge in export sales by 67% and 65% compare to 9M and 3Q 2017, respectively. Our domestic sales slightly increased during the 9M period, while in 3Q 2018, our domestic sales grew by 15% because our domestic orders picked up.

Our export sales continued to perform well as a result of strong demand from the global market and the benefit of a weaker Indonesia Rupiah. The increase in sales was mainly due to the increase in sales volume by 46% and 31% in 9M and 3Q 2018, and the increase in the average selling price by 14% and 26% in 9M and 3Q 2018.

The composition of our export sales to overall sales increase significantly from 40% in 9M 2017 to 51% in 9M 2018.

Gross profit

Our gross profit significantly increased by 51% and 41% in 9M and 3Q 2018, respectively, due mainly to higher sales, due mainly to an increase in export sales volume and higher average selling prices, as mentioned above. Export sales generally have higher margin.

The Group managed to improve the gross profit margin from 15% and 17% in 9M and 3Q 2017 to 18% in 9M and 3Q 2018, and registered a gross profit of Rp581 billion and Rp228 billion in 9M and 3Q 2018 as compared to Rp384 billion and Rp162 billion in 9M and 3Q 2017.

Other Income

In 9M 2018, other income of Rp30 billion came mainly from the gain on sale of land and building.

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Selling expenses

Our selling expenses has increased by 24% and 6% in 9M and 3Q 2018 as compared to 9M and 3Q 2017. The increase in the selling expenses came mainly from freight costs which were in line with the increase in the export sales activities and higher spending on marketing activities to stimulate the market demand.

General and administrative expenses

The general and administrative expenses have increased over that of previous period due mainly to increase in staff incentive costs, professional fees, and grant of equity-settled share options to employees.

Finance Expenses

Our finance expenses relate mainly to interest expense which remained stable as compare to 9M and 3Q 2017.

Other expenses

Our 9M 2017 other expenses were derived mainly from one off expense for the Group's re-organisation exercise and the workers separation expense.

In 9M 2018, other expenses were derived mainly from net foreign exchange losses, allowance for doubtful receivables, tax penalties, and workers separation expense. The net foreign exchange losses were mainly due to unrealised foreign exchange loss from translation of our US Dollar denominated loans.

Taxation

Our taxation comprise the following:

	3-month ended			9-month ended		
	30 Sept 2018	30 Sept 2017	Change	30 Sept 2018	30 Sept 2017	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Current income tax:						
- Current tax expense	(5,305)	(8,616)	(38)	(9,941)	(20,353)	(51)
- Under provision of prior year taxes	(866)	(263)	229	(968)	(263)	268
	(6,171)	(8,879)	(30)	(10,909)	(20,616)	(47)
Deferred (tax expense) income tax	(16,693)	610	n.m	(27,121)	10,398	n.m
Total	(22,864)	(8,269)	177	(38,030)	(10,218)	272

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, we recognised deferred tax expense arising from utilisation of tax losses in this quarter, offset by the recognition of post-employment benefits.

- (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 decreased by Rp32 billion. This was due mainly to depreciation charges during the period offset by the addition of assets amounted to Rp37 billion, primarily for machineries and production facilities, due to increase in production volume, and the ERP/SAP infrastructures.

In 2Q 2018, the Group has sold its land and building previously classified as assets held for sale for total consideration of Rp64 billion and recognised a gain of Rp30 billion in other income.

Deferred tax assets decreased by Rp26 billion. This is mainly due to the utilisation of tax losses offset by the recognition of post-employment benefits, as explained above.

Other non-current assets increased by Rp17 billion. This was mainly due to increase in advance for purchase of property, plant and equipment.

In 9M 2018, our Group's current assets have increased to Rp1,407 billion. The increase was mainly due to:

1. higher inventory level as a result of higher production volume and higher sales;
2. increase in trade receivables which is in line with the increase in sales;
3. higher advances to supplier for logs, veneer, and spare part;
4. higher prepaid operating expenses. Prepayments were made in the ordinary course of business mainly for VAT receivables, insurance, and prepaid bonus; and
5. higher cash and bank balances.

As at 30 September 2018, our Group's current and non-current liabilities have increased by Rp349 billion to Rp1,938 billion. This was contributed mainly by:

1. increase in trade and other payables of Rp196 billion as a result of increase in production and business activities;
2. provision for post-employment benefits made during the period (increased by Rp40 billion);
3. increase in loans and borrowings totaling Rp203 billion; and
4. offset by decrease in advance from customers by Rp66 billion and other liabilities by Rp17 billion (excluding current portion of provision for post-employment benefits).

Overall, our Group net working capital position has improved by Rp136 billion due mainly to our operating income and better working capital management.

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Statement of Cash Flow

During the period, the Group generated cash inflow of Rp8 billion and Rp43 billion from investing and financing activities, respectively, and incurred cash outflow of Rp19 billion from operating activities. Net cash increased by Rp32 billion.

Our operating cash flow before changes in working capital was significantly higher than the previous period, this is attributable to improved operating margin caused by higher sales incurred. Cash outflow from operating activities was due mainly to higher cash used to reinvest in the production of goods and purchase of materials.

Cash inflow from investing activities was mainly derived from the proceeds from the disposal of land and building, offset by the addition of plant, machinery 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.

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
		Rp75 billion (Increase)/ decrease
Rp/full amount		Rp'million
16,049	(7.5%)	(28,250)
15,675	(5.0%)	(18,833)
15,302	(2.5%)	(9,417)
14,556	2.5%	9,417
14,183	5.0%	18,833
13,809	7.5%	28,250

Our US\$ loans as at 30 September 2018 and
31 December 2017 were US\$34 million.

Exchange rate:

Rp/US\$1

- 8 November 2018	Rp14,651
- 30 September 2018	Rp14,929
- 31 December 2017	Rp13,548
- 30 September 2017	Rp13,492

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- 2) We expect the strong export sales to continue. Domestic sales volume is expected to grow due to our increased penetration to capture a bigger market share, and supported by better Indonesian economic growth and government's continuous spending on infrastructure projects.
- 3) As we are increasing our production volume to meet demand, we may face the risk of higher log prices. During the period, the Group has taken steps to lower production costs by increasing the productivity and efficiency of our plywood manufacturing process, as the escalation of production and operation costs is a key factor affecting the profitability of our business.

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/recommendeded, a statement to that effect.

No dividend for financial period ended 30 September 2018 has been declared.

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13. Interested person transactions.

The following is the aggregate value of all transactions with interested persons for the period ended 30 September 2018:

<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>	3,510	-
PT Bank Sahabat Sampoerna		
<i>Finance expense</i>	3,666	-
PT Pelayaran Nelly Dwi Putri		
<i>Freight expense</i>	260	462

PT Sampoerna Land and PT Bank Sahabat Sampoerna are controlled by the Sampoerna family, who are substantial shareholders of the Company. Certain Sunarko family members are substantial shareholders of PT Pelayaran Nelly Dwi Putri Tbk (a listed company in Indonesia). They are also substantial shareholders and directors 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 28 April 2018.

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 2018 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
8 November 2018