

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Half Year Financial Statements and Dividend Announcement for the Period Ended 30 June 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR 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.

	6-month ended		
	30 Jun 2020	30 Jun 2019	Change
	Rp'million	Rp'million	%
Revenue	1,579,727	2,053,935	(23)
Cost of sales	(1,320,024)	(1,731,118)	(24)
Gross profit	259,703	322,817	(20)
Other items of income			
Interest income	175	164	7
Other income	129,449	9,311	1,290
Other items of expenses			
Selling expenses	(71,472)	(71,902)	(1)
General and administrative expenses	(144,093)	(179,181)	(20)
Finance expenses	(53,927)	(50,928)	6
Other expenses	(28,302)	(7,528)	276
Profit before tax	91,533	22,753	302
Taxation	(29,623)	(14,743)	101
Net profit for the period	61,910	8,010	673
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net actuarial gain (loss) on post-employment benefits	17,445	(2,053)	n.m
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation (loss) gain	(13,625)	6,803	n.m
Total comprehensive income for the period	65,730	12,760	415
Net profit attributable to:			
Owners of the Company	8,122	7,599	7
Non-controlling interests	53,788	411	12,987
	61,910	8,010	673
Total comprehensive income attributable to:			
Owners of the Company	11,978	12,351	(3)
Non-controlling interests	53,752	409	13,042
	65,730	12,760	415

n.m : not meaningful

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

	6-month ended		
	30 Jun 2020	30 Jun 2019	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%
Depreciation:			
- property, plant and equipment	(52,900)	(50,879)	4
- right-of-use assets	(4,287)	(794)	440
Interest expenses:			
- loans and borrowings	(48,181)	(47,113)	2
- lease liabilities	(2,383)	(638)	274
Net foreign exchange (loss) gain	(22,225)	7,174	n.m
Post-employment benefits expense	(15,049)	(30,013)	(50)
Workers separation expenses	(3,953)	(4,385)	(10)
Amortisation of land use rights	(2,087)	(1,749)	19
Grant of equity-settled performance share plan	(1,769)	(1,885)	(6)
Net gain on change in fair value of biological assets	127,287	-	n.m
Net gain on disposal of property, plant and equipment	468	354	32
Interest income	175	164	7

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 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Non-current assets				
Property, plant and equipment	560,266	531,950	10	8
Investment in subsidiary companies	-	-	827,279	827,279
Biological assets	411,440	52,620	-	-
Land use rights	61,070	51,505	-	-
Deferred tax assets	81,650	78,149	-	-
Other non-current assets	30,019	37,962	-	-
Right-of-use assets	94,877	74,887	-	-
	1,239,322	827,073	827,289	827,287
Current assets				
Inventories	934,524	994,460	-	-
Trade and other receivables	447,557	464,267	132,976	49,258
Prepaid operating expenses	150,263	76,046	670	531
Advances to suppliers	113,297	92,597	31,798	1,492
Restricted deposits	6,429	6,274	-	-
Cash and cash equivalents	57,851	13,474	1,735	1,564
	1,709,921	1,647,118	167,179	52,845
Current liabilities				
Trade and other payables	598,783	511,193	86,275	36,699
Other liabilities	33,703	72,966	1,079	2,421
Advances from customers	49,701	8,135	36,891	1,327
Provision for taxation	8,426	6,820	-	-
Loans and borrowings	1,161,962	1,144,276	-	-
Lease liabilities	31,351	57,309	-	-
	1,883,926	1,800,699	124,245	40,447
Net current (liabilities) assets	(174,005)	(153,581)	42,934	12,398
Non-current liabilities				
Loans and borrowings	144,575	28,495	-	-
Post-employment benefits	260,127	261,683	-	-
Deferred tax liabilities	71,347	3,161	-	-
Other liabilities	28,475	108,083	297,820	266,985
Lease liabilities	46,450	69,892	-	-
	550,974	471,314	297,820	266,985
Net assets	514,343	202,178	572,403	572,700
Equity attributable to owners of the Company				
Share capital ⁽¹⁾	537,603	537,603	537,603	537,603
Accumulated losses	(672,284)	(697,868)	16,873	9,443
Other reserves	345,749	357,586	17,927	25,654
	211,068	197,321	572,403	572,700
Non-controlling interests	303,275	4,857	-	-
	514,343	202,178	572,403	572,700

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Notes:

- (1) As approved by the Shareholders in the EGM on 21 October 2019, the Company has written-off the accumulated losses by reducing the share capital of the Company. The capital reduction represents merely a change in the composition of equity and does not entail any reduction or distribution of cash or other assets of the Company.

(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 2020		As at 31 Dec 2019	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
1,178,328	14,985	1,159,465	42,120

Amount repayable after one year

As at 30 Jun 2020		As at 31 Dec 2019	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
191,025	-	98,387	-

Details of collaterals

As at 30 June 2020, 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 June 2020, 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.

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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.

	Group	
	30 Jun 20	30 Jun 19
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from operating activities		
Profit before tax	91,533	22,753
Adjustments:		
Depreciation of property, plant and equipment	52,900	50,879
Interest expenses from loans and borrowings	48,181	44,599
Net foreign exchange loss (gain)	25,494	(4,289)
Post-employment benefits expense	15,049	30,013
Depreciation of right-of-use assets	4,287	794
Interest expenses from lease liabilities	2,383	638
Amortisation of land use rights	2,087	1,749
Grant of equity-settled performance share plan	1,769	1,885
Net gain on disposal of property, plant and equipment	(468)	(354)
Interest income	(175)	(164)
(Recovery of) allowance for advance to suppliers	(136)	401
Net gain on change in fair value of biological assets	(127,287)	-
Allowance for doubtful receivables	-	416
Operating cash flow before changes in working capital	115,617	149,320
Changes in working capital :		
Inventories	59,936	(147,023)
Trade and other receivables	13,201	(133,228)
Prepaid operating expenses	(39,777)	(48,949)
Advances to suppliers	(9,497)	56,602
Trade and other payable	87,590	129,574
Other liabilities	(38,684)	(5,191)
Advance from customers	41,566	(256)
Other non-current assets	(12,919)	(3,147)
Cash flow provided by (used in) operations	217,033	(2,298)
Income tax paid	(11,798)	(14,600)
Post-employment benefits paid	(12,174)	(15,072)
Net cash flows provided by (used in) operating activities	193,061	(31,970)
Cash flows from investing activities		
Purchase of property, plant and equipment	(71,981)	(82,526)
Proceeds from disposal of property, plant and equipment	817	366
Additions of biological assets	(1,100)	(891)
Interest received	175	164
Net cash inflow on acquisition of assets	22	-
Additions of land use rights	-	(100)
Net cash flows used in investing activities	(72,067)	(82,987)

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	Group	
	30 Jun 20	30 Jun 19
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from financing activities		
Drawdown of loans and borrowings	2,240,463	2,122,935
Repayment of loans and borrowings	(2,128,547)	(2,041,496)
Interest paid for loans and borrowings	(44,803)	(40,043)
Interest paid for lease liabilities	(2,383)	-
Repayment of loan from a third party	(79,608)	-
Repayment of lease liabilities	(61,798)	-
(Placement) withdrawal of restricted deposits	(47)	15,945
	<hr/>	<hr/>
Net cash flows (used in) provided by financing activities	(76,723)	57,341
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	44,271	(57,616)
Effect of exchange rate changes on cash and cash equivalents	106	(248)
Cash and cash equivalents at beginning of period	13,474	89,676
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Cash and cash equivalents at end of period	57,851	31,812
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The following summarises the recognised amounts of assets acquired assumed at the acquisition date.

	Recognised on the date of acquisition
	<i>Rp'million</i>
Property, plant and equipment	34,007
Biological assets	230,433
Land use rights	18,651
Cash and cash equivalents	22
Consideration paid for the acquisition	<u>294,613</u>
Net identifiable assets acquired	577,726
Less: capital contribution of non-controlling interest on assets acquisition (49% share ownership)	<u>(283,113)</u>
Total net cash outflow for 51% acquisition	<u><u>294,613</u></u>

On 12 March 2020, the Group through its indirect wholly-owned subsidiary, PT Sumber Graha Abadi, has completed its acquisition of 51% of the shares in PT Sumber Graha Maluku ('SGM') for a total consideration of Rp294 billion.

As a consequence of the acquisition, SGM becomes a subsidiary of the Group and will provide the Group with the opportunity to enhance its capability in providing a better log source to supply the materials for plywood and new wood business.

The acquisition was accounted for as an acquisition of assets.

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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			
	Rp'million	Rp'million	Rp'million	Rp million	Rp million	Rp million			
Balance at 1 Jan 2020	537,603	(697,868)	309,050	(3,037)	5,326	46,247	197,321	4,857	202,178
Profit for the period	-	8,122	-	-	-	-	8,122	53,788	61,910
Other comprehensive income for the period:									
- Net actuarial gain (loss) on post-employment benefits	-	17,462	-	-	-	-	17,462	(17)	17,445
- Foreign currency translation loss	-	-	-	-	-	(13,606)	(13,606)	(19)	(13,625)
Other comprehensive income for the period, net of tax	-	17,462	-	-	-	(13,606)	3,856	(36)	3,820
Total comprehensive income for the period	-	25,584	-	-	-	(13,606)	11,978	53,752	65,730
Contribution by and distribution to owners:									
- Capital contribution of non-controlling interests from assets acquisition	-	-	-	-	-	-	-	244,666	244,666
- Grant of equity-settled performance share plan	-	-	-	-	1,769	-	1,769	-	1,769
Total contribution by and distribution to owners	-	-	-	-	1,769	-	1,769	244,666	246,435
Balance at 30 Jun 2020	537,603	(672,284)	309,050	(3,037)	7,095	32,641	211,068	303,275	514,343
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 share options to employees	-	-	-	-	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

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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 2020	537,603	9,443	5,326	20,328	572,700
Total comprehensive income for the period	-	7,430	-	(9,496)	(2,066)
Grant of equity-settled performance share plan	-	-	1,769	-	1,769
Balance at 30 Jun 2020	537,603	16,873	7,095	10,832	572,403
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

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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 1 January 2020 to 30 June 2020. 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 period of 2020 and 2019, and Share Awards outstanding as at 30 June 2020 and 30 June 2019, 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 2020	2,377,150,505	As at 1 Jan 2019	2,377,150,505
Add: Issuance of shares	-	Add: Issuance of shares	-
As at 30 Jun 2020	2,377,150,505	As at 30 Jun 2019	2,377,150,505

Shares Awards Granted, Issued and Outstanding Share Awards			
No. of Shares Awards		No. of Shares Awards	
As at 1 Jan 2020	31,020,590	As at 1 Jan 2019	18,553,058
Add: Shares Awards Granted	-	Add: Shares Awards Granted	12,467,532
Less: Shares Awards Issued	-	Less: Shares Awards Issued	-
As at 30 Jun 2020	31,020,590	As at 31 Dec 2019	31,020,590

As at 30 June 2020, 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 (31 December 2019: 31,020,590 shares).

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Save as disclosed above, the Company did not have any treasury shares, subsidiary holdings or other convertibles as at 30 June 2020 and 31 December 2019.

- 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
	<u>Number of shares</u>
As at 30 June 2020 and 31 December 2019	<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.

- 3a. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

- (a) Updates on the efforts taken to resolve each outstanding audit issue**
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed

This is not required for any audit issue that is a material uncertainty relating to going concern.

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 year as those of the audited financial statements for the year ended 30 June 2020.

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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 the applicable new and revised SFRS(I) 3 *Business Combinations* which became effective for annual periods beginning on or after 1 January 2020).

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted.

The adoption of the new SFRS(I) did not result in material adjustments to the financial position, results of operations or cash flows of the Group for the financial period ended 30 June 2020.

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.**

	6-month ended	
	30 Jun 2020	30 Jun 2019
Weighted average number of ordinary shares for basic earnings per share computation	2,377,150,505	2,377,150,505
Weighted average number of ordinary shares for diluted earnings per share computation	2,377,150,505	2,377,150,505
	Rp (full amount)	Rp (full amount)
Earnings per share attributable to owners of the Company		
Basic	3	3
Diluted	3	3

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7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial period.**

	Group		Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Net assets for the period attributable to owners of the Company used in computation of net asset value per share (Rp'million)	211,068	197,321	572,403	572,700
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)	89	83	241	241
Weighted average 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 weighted average number of ordinary share (Rp full amount)	89	83	241	241

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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

Our Group reported a net profit of Rp62 billion in 1H 2020 as compared to a net profit of Rp8 billion in 1H 2019. This was mainly due to the net gain on change in fair value of biological assets, lower staff related costs due to the reduction of manpower, and professional fees, offset by lower gross profit attained as a result of lower sales revenue and foreign exchange loss of Rp22 billion during the period.

Revenue

	6-month ended		
	30 Jun 2020	30 Jun 2019	Change
	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>
Domestic sales	702,066	1,092,404	(36)
Export sales	877,661	961,531	(9)
Total	<u>1,579,727</u>	<u>2,053,935</u>	<u>(23)</u>

In line with the result above, our sales revenue was weaker by 23% in 1H 2020 compare to 1H 2019 mainly due to the decrease in the sales volume for domestic markets by 29% amid a slowdown in local demand over the period.

Lower sales were also caused by lower average selling price by 3% in 1H 2020 as compared to 1H 2019.

The composition of our export sales to overall sales increase from 47% in 1H 2019 to 56% in 1H 2020.

Gross profit

Our gross profit dropped by 20% in 1H 2020 due mainly to lower sales revenue from domestic markets as mentioned above, offset by lower unit production costs incurred as a result of lower material, labor and overhead costs due to lower production volume.

Other Income

In 1H 2020, other income came mainly from the net gain on change in fair value of biological assets.

Selling expenses

Our selling expenses remained relatively stable, slightly decreased by 1% in 1H 2020 as compared to 1H 2019, due mainly to lower sales volume.

General and administrative expenses

In 1H 2020, the general and administrative expenses have decreased over that of previous period due mainly to lower staff related costs along with the travelling expenses, and lower professional fees.

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Finance Expenses

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

Other expenses

In 1H 2020, other expenses were derived mainly from foreign exchange losses mostly on the back of depreciating IDR, workers separation expenses, and amortisation of land use rights.

The strengthening of US Dollar has resulted in unrealized foreign exchange loss due to translation of our US Dollar denominated loans.

Taxation

Our taxation comprise the following:

	6-month ended		
	30 Jun 2020	30 Jun 2019	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%
Current income tax	(2,847)	(15,654)	(82)
Deferred tax (expense) income	(26,521)	911	n.m
Under provision of prior year taxes	(255)	-	n.m
Total	<u>(29,623)</u>	<u>(14,743)</u>	<u>101</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 tax expense mainly from the net gain on change in fair value of biological assets, offset by deferred income tax from the recognition of post-employment benefits.

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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 Rp28 billion. This was due mainly to the addition of assets primarily for machineries and production facilities and the acquisition of SGM, offset by depreciation charges during the period.

Our right-of-use assets increased by Rp20 billion, mainly due to leases of assets primarily for heavy equipment, offset by depreciation charges during the period.

Biological assets increased by Rp359 billion mainly due to the acquisition of SGM and the net gain on change in fair value of biological assets.

In 1H 2020, our Group's current assets have increased to Rp1,710 billion. The increase was mainly due to:

1. higher prepaid operating expenses. Prepayments were made in the ordinary course of business, mainly for VAT receivables and income taxes, insurance, rental, freight, and bank facility fees from additional loan facilities;
2. higher advance to suppliers for spare parts and log;
3. higher cash and cash equivalents;
4. offset by lower inventory level as a result of lower production volume; and
5. lower trade receivables which is in line with the decrease in domestic sales.

As at 30 June 2020, our Group's current and non-current liabilities have increased by Rp163 billion to Rp2,435 billion. This was contributed mainly by:

1. higher trade and other payables of Rp88 billion;
2. increase in loans and borrowings and lease liabilities totaling Rp84 billion;
3. increase in advances from customers of Rp41 billion;
4. increase in deferred tax liabilities of Rp68 billion; and
5. offset by decrease in other liabilities by Rp119 billion.

Statement of Cash Flow

During the period, the Group generated cash inflow of Rp193 billion from operating activities, and incurred cash outflow of Rp72 billion and Rp77 billion from investing and financing activities, respectively. Net cash increased by Rp44 billion.

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 and leases offset by interest payments and repayments of loan from a third party. The repayments of bank borrowings, lease liabilities, and their 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 22% in Indonesia:

Indonesia Rupiah to US Dollar exchange rates	(Weakened) / strengthened	Profit after tax for the period Rp62 billion (Increase)/ decrease
<i>Rp'full amount</i>		Rp'million
15,160	(6%)	(32,905)
14,874	(4%)	(21,937)
14,588	(2%)	(10,968)
14,016	2%	10,968
13,730	4%	21,937
13,444	6%	32,905

Our US\$ loans as at 30 June 2020 and 31 December 2019 were US\$51 million.

Exchange rate:	<u>Rp/US\$1</u>
- 7 August 2020	Rp14,647
- 30 June 2020	Rp14,302
- 31 December 2019	Rp13,901
- 30 June 2019	Rp14,141

- 2) In light of the outbreak of COVID-19, the implementation of the PSBB (Large Scale Social Restriction) by the Indonesia government, commencing end of March and currently ongoing, has caused a significant slow-down in the business activities, thus resulting in a significant slow-down in the demand for our products in the domestic market. The demand from our export market has not been too adversely affected by the outbreak. The Group is closely monitoring the impact on the Group's business and operations.
- 3) The Group has taken significant steps to lower production costs by reducing the labor costs and increasing the efficiency of our plywood manufacturing process. In addition, the Group is also actively exploring options in securing the log supplies.

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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) Record 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 2020 has been declared because of the accumulated losses.

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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 June 2020:

<i>Name of interested person</i>	<i>Nature of relationship</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>	Mr Michael Joseph Sampoerna, a Director of the Company, together with his immediate family,	3,174	-
PT Bank Sahabat Sampoerna - <i>Finance expense</i>	holds more than 30% of the shareholding interests (direct and indirect)	3,750	-

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

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.

16. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

The Board of Directors of Samko Timber Limited ("the Company") wishes to confirm that there are no persons occupying managerial positions in the Company or any of its principal subsidiaries during the financial period ended 30 June 2020 who are related to a director or chief executive officer or substantial shareholder of the Company.

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BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer
7 August 2020